

# CANON SUSTAINABILITY REPORT 2019

– An Integrated Report for a Better World –





# About this Report

## Editorial Policy

This year's report, in addition to information relating to ESGs (Environmental, Social and corporate Governance) provided in previous editions, contains wide-ranging information necessary for a more integrated report. Such information includes Canon's 2018 corporate performance and financial status and such features as "Canon's value creation process" and "A History of Value Creation at Canon." In doing so, we can provide both the financial and non-financial information our various stakeholders need to form a fully integrated understanding of Canon's initiatives. Furthermore, this report is designed with consideration for the disclosure items recommended by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

Finally, this report is prepared in accordance with the GRI Standards Core option.

## 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 2018 (January 1 to December 31, 2018). 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 2017 is referenced in this report. Information specific to a region or organization is indicated as such.

## Target of the Report

Data from 379 companies (60 companies in Japan and 319 overseas) that are consolidated companies of the Canon Group have been compiled and reported.

## Date of Publication

May 2019 (previous: August 2018, next planned: May 2020)

## Referenced Reporting Guidelines

- GRI (Global Reporting Initiative) Sustainability Reporting Standards 2016
- RBA Code of Conduct
- Ministry of the Environment, Japan "Environmental Reporting Guidelines (2018 Edition)"
- Ministry of the Environment, Japan "Environmental Accounting Guidelines (2005 Edition)"

Comparative tables for the RBA Code of Conduct and GRI Standards can be found online at the following URLs. Relevant GRI references are listed for each management approach used in CSR activity reporting.

(Ref.) Comparative table for GRI Standards (2019 Edition)  
(to be published in June):

<https://global.canon/en/csr/search/gri.html>

(Ref.) Comparative table for RBA Code of Conduct (2019 Edition)  
(to be published in June):

<https://global.canon/en/csr/search/rba.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 (→P126) from Justus von Geibler (D.Phil.) of the Wuppertal Institute, which is helping to improve ongoing CSR initiatives as part of the company's stakeholder engagement activities. Furthermore, a third-party assurance (→P129) from Lloyd's Register Quality Assurance Limited (LRQA) has been obtained for GHG emissions, energy consumption and water consumption data for 2018.

## Forward-Looking Statements


This report contains not only past and present facts about Canon, but also forward-looking statements based on plans, prospects, 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.

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**On the cover:**

- ① MRI System "Vantage Galan 3T"
- ② A Japanese White-eye photographed by the Canon Bird Branch Project
- ③ Mirrorless camera "EOS M50"
- ④ Video management software that enables centralized management of multiple video feeds from network cameras
- ⑤ Canon Europe is developing its Young People Programme
- ⑥ Office multifunction device "imageRUNNER ADVANCE C5560F III"

# Under the corporate philosophy “*Kyosei*,” we are stronger and deeper with stakeholders

Following half a century of operations, Canon adopted *kyosei* as its corporate philosophy in 1988, expressing clearly the company’s firm commitment to working together with stakeholders around the world.

*Kyosei* is the aspiration to create a society in which all people, regardless of race, language or culture, harmoniously live and work together for the common good into the future.

Canon is pursuing the realization of a sustainable global society based on the philosophy of *kyosei*.



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## Message from the CEO



**Seeking to become a constantly developing, truly excellent global corporation that is admired and respected around the world, Canon is accelerating its grand strategic transformation towards new growth while contributing to a sustainable society in this age of rapid change.**

### **Contributing to Global Society with an Enterprising Spirit**

Canon started as a small laboratory that was home to a group of researchers with a common desire to “make the world’s best camera.” Ours has been a history of challenge: the Enterprising Spirit that sought to create cameras by applying original knowledge and technology has been inherited as part of our corporate DNA. It has also found expression in Canon’s fundamental business strategy of diversification and globalization. In constant pursuit of innovation, we have been quick to diversify and embrace transformational trends in such industries as copy machines, printers and semiconductor lithography equipment, while also developing internationally in line with the growth of world markets. Today, Canon is a global enterprise employing some 200,000 people worldwide. In 1988, on the 51st anniversary of the company’s founding, we adopted

*kyosei* as our corporate philosophy—the idea that we should seek to build a society in which all people, regardless of culture, customs, language or race, harmoniously live and work together in happiness into the future.

In 1996, in line with our philosophy of *kyosei*, we initiated a five-year scheme called the Excellent Global Corporation Plan to make Canon a globally admired and respected company dedicated to contributing to society through continuous technological innovation. Based on the Excellent Global Corporation, we are applying the same Enterprising Spirit to various business reforms aimed at improving the management of consolidated operations, prioritizing cash flow, and achieving total business optimization. The plan has been a financial success: compared with 1995, our sales are 90% higher and net income attributable to Canon Inc. has increased by 360%.



## Further Progress on Phase V of the Excellent Global Corporation Plan

In 2016, we embarked on the Excellent Global Corporation Plan Phase V, a five-year plan under the basic policy of “embracing the challenge of new growth through a grand strategic transformation.” This plan involves shifting Canon’s business portfolio from B-to-C businesses, which had been our earlier focus, to B-to-B businesses with growth potential stemming from high societal demand. The plan views changes in the industries Canon operates within as a source of growth. The seven key strategies that we formulated and have been implementing as part of the plan are outlined below.

### 1. Establish a New Production System to Achieve a Cost-of-Sales Ratio of 45%

We are approaching the challenge of achieving a cost-to-sales ratio of 45% from two angles: through developing unmatched stand-out products and by reducing manufacturing costs.

For product development, we maintain a keen understanding of the needs of our customers and society as a whole and adopt the latest technologies to deliver superlative products that contribute to society through unrivaled functions and performance. In pursuit of reduced manufacturing costs, we are enhancing productivity by pushing forward with our plan to reduce costs from the development stage as well as promoting automated assembly and the use of robots.

### 2. Reinforce and Expand New Businesses while Creating Future Businesses

We aim to create and expand new businesses through the diversification and lateral expansion of our existing operations. We are also prioritizing the allocation of resources to our four new businesses of commercial printing, network cameras, healthcare and industrial equipment, which we view as growth markets that will benefit from strong societal demand in the future as anticipated trends play out.

### 3. Restructure Our Global Sales Network in Accordance with Market Changes

Amid significant changes in customer purchasing behavior in step with advances in internet technology, we are looking to shift quickly to an omni-channel approach that takes advantage of the strengths of both online and offline operations. In addition, in line with the emerging IoT (internet of things) era, we are creating systems that seamlessly integrate products and services aimed at enhancing customer productivity and convenience. In B-to-B businesses, such as the four new areas we are targeting, we are cultivating the development of high-level sales engineers to give feedback to development divisions on solutions-related technical issues.

### 4. Enhance R&D Capabilities Through Open Innovation

Our R&D capabilities are the source of our competitiveness. With our emphasis on technology, a key element of Canon’s DNA, we look to differentiate using proprietary technologies so that we can continue to generate stable profits. However, with the increasingly rapid evolution of advanced technology across multiple fields, with growing complexity, it is unrealistic to expect one company to develop everything themselves. Combining technologies from different fields will also be necessary to respond to increasingly diverse needs. While we seek to develop our own proprietary core technologies, we are concurrently pursuing an open innovation approach for R&D based on partnerships with external organizations to source information about advanced technologies from around the world to accelerate development and generate better results.

### 5. Complete Our Three Regional Headquarters Management System Capturing World Dynamism

We have adopted a system based on three regional headquarters in Japan, the United States and Europe so we can benefit from the dynamism of the global economy while diversifying our operations in ways that exploit the characteristics of local markets. In the United States, one of the most medically advanced countries in the world, we are working to commercialize such advanced equipment as microfiber endoscopes in partnership with leading hospitals. In Europe, in collaboration with Canon Group company Océ, we are developing commercial printers for printing on wood, metal, glass and other materials to further technological innovation within the field of commercial printing, including printed packaging materials.

### 6. Cultivate Internationally Competent Human Resources with a Global Perspective

The globalization process at Canon involves the development of local workforces as well as personnel with regional perspectives from the Americas, Europe and Asia.

Going forward, we are looking to recruit talent on a global scale as we cultivate the next generation of managers to run Canon’s increasingly borderless operations.

### 7. Re-Instill the Canon Spirit as a Foundation for New Growth

The growth of Canon to date has been underpinned by the Enterprising Spirit that exists as part of our corporate DNA and a code of conduct summarized in the *San-ji* Spirit (the “three selves” of self-motivation, self-management and self-awareness). By re-invigorating this Canon Spirit, we will confront the reform challenges posed by changing global economic conditions.

## Message from the CEO

### Completing the Transformation of Our Business Portfolio in 2018

In 2018, the third year of Phase V of the Excellent Global Corporation Plan, we completed the transformation of our business portfolio, in the process marking the end of the first stage of Canon's strategic repositioning. With the markets for the consumer products that have driven Canon's development continuing to shrink, we have looked to shift our business portfolio from B-to-C towards B-to-B products and services. Leveraging the technology and resources of our existing businesses, pursuing a bold M&A strategy and establishing new

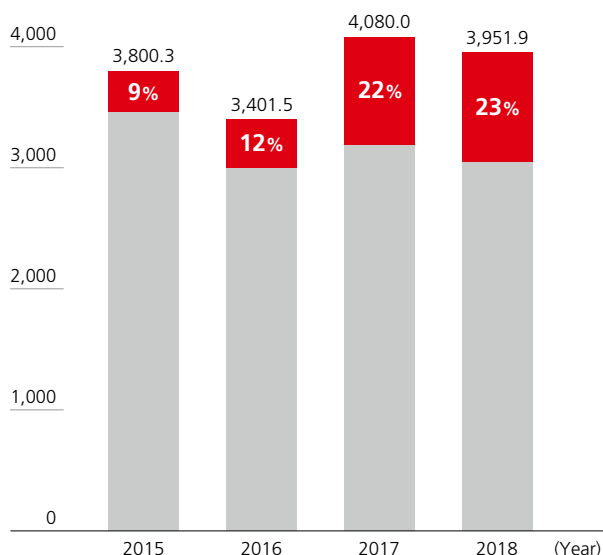
businesses where synergies can be expected, we managed to complete that shift in 2018. Our four new businesses of commercial printing, network cameras, medical and industrial equipment have all grown steadily. In aggregate terms, the new businesses generated 23% of consolidated sales in 2018. They have also made a substantial contribution to profits.

### Higher Profits from Lower Sales in 2018

Looking back at the global economy in 2018, the U.S. economy generally performed well and Europe continued its modest recovery. However, with the trade friction between China and the United States in the latter half of the year and the political climates of various countries and regions, concerns of a global economic slowdown were mounting and growth slowed for the Chinese economy in the second half. At Canon, we tried to improve the financial performance of our revised business portfolio comprising such traditional core businesses as office equipment and digital cameras plus our four new businesses. The impact of the significant contraction of the digital camera market and a slowdown in capital investment in the OLED production equipment sector resulted in our consolidated net sales declining 3.1% to ¥3,951.9 billion compared with the previous year. However, this was offset by the strong performance of the medical equipment business, which benefited from the growth of such new products as high-margin diagnostic ultrasound systems, and our success in steadily reducing costs in the industrial equipment sector. These factors lead to a second consecutive year of higher profits, where operating profit rose 6.6% to ¥343.0 billion and net income attributable to Canon Inc. increased 4.5% to ¥252.8 billion.

### Total Net Sales and New Business Composition

■ Existing businesses ■ New businesses  
(Billions of yen)



### Consolidated Statements of Income

	(Billions of yen)	
	2017	2018
Net sales	4,080.0	<b>3,951.9</b>
Gross profit	1,990.6	<b>1,835.6</b>
Gross Profit Ratio (%)	48.8	<b>46.4</b>
Operating Profit	321.6	<b>343.0</b>
Operating Profit Ratio (%)	7.9	<b>8.7</b>
Net Income Attributable to Canon Inc.	241.9	<b>252.8</b>
Net Income Attributable to Canon Inc. Ratio (%)	5.9	<b>6.4</b>

\* Certain costs that were listed under operating expense have been reclassified under cost of sales following the adoption of new accounting standards.

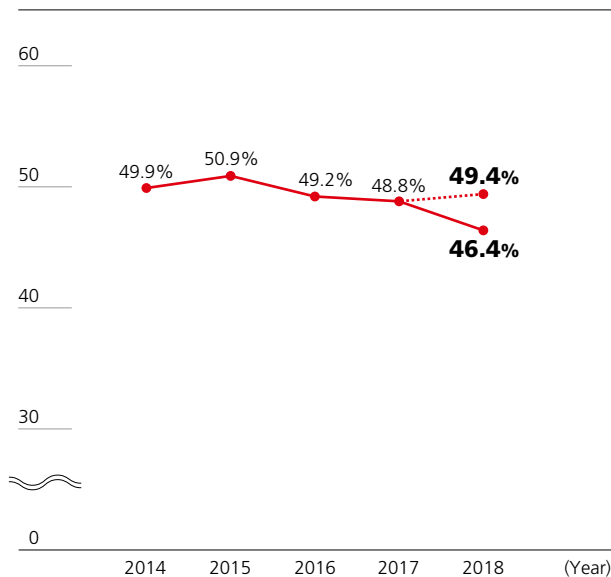
\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. Figures dating to 2016 have been restated to conform with the current year's presentation.

## Maintaining Our Strong Financial Position

We have established strong finances for Canon through the implementation of the Excellent Global Corporation Plan. And our financial position remained extremely healthy in 2018. One highlight was that we managed to maintain a high gross profit ratio of 46.4%. Additionally, certain costs that were listed under operating expense have been reclassified under cost of sales following the adoption of new accounting standards, and if the impact of this reclassification is excluded, the gross profit ratio increased by 0.6 points to 49.4% compared with the previous year (see graph below). In 2018, we also generated strong free cash flow of around ¥170 billion, while boosting the shareholders' equity ratio by 2.5 percentage points to 57.7%. This in part reflected further repayment of the debt assumed in 2016 to fund the addition of Canon Medical Systems to the Group.

### Gross Profit Ratio

(%)



## Targeting Productivity Gains in 2019

We entered the second stage of Canon's strategic transformation in 2019. The policy theme for the year is "to accelerate strategic transformation by targeting dramatic improvements in productivity" across all divisions from R&D to production, sales, customer services and central departments. We are prioritizing the following actions as we seek to achieve the high levels of productivity demanded of an Excellent Global Corporation:

## Further Reinforcement of Existing Businesses

The contraction of consumer product markets has eroded the growth potential of the businesses that have supported Canon in the past. However, these existing businesses remain the core foundation that will continue to support Canon. In markets with reduced growth potential, it is critical that we bolster our market share. To this end we are employing such cutting-edge technologies as the cloud, the IoT and AI to develop and launch excellent products that will overwhelm the competition. At the same time, we continue to focus on reducing the cost of sales, not only through more automated product assembly, but also by developing production machinery and equipment in-house across the Group and bringing the manufacture of key components in-house.

## Reinforce and Expand New Businesses

Océ is leading efforts to build up our commercial printing business base. We are also aiming to establish a line-up of products that support commercial printing characterized by high-resolution and wide-variety, small-lot print jobs. In the network camera business, we are looking to strengthen and expand our software capabilities to cater to the broadening requirements of the sector. We are also shifting our focus toward segments with medium-term growth potential, such as in-vehicle cameras and camera systems for industrial process management applications. In our healthcare business, we plan to strengthen our presence in diagnostic equipment, and at the same time we are starting to look at possible entry into such new segments as biomedical products and devices for medical treatment. In the industrial equipment business, we are working to accelerate the development of next-generation OLED production equipment while also developing new industrial equipment.

## Review of R&D Set-Up

We are conducting a bottom-up review of our R&D structure to consider how best to develop products in an age of rapid global technological innovation where product life cycles are getting shorter and shorter. Our aim is to improve productivity by clearly defining R&D divisional roles and by focusing efforts on the medium-term and long-term R&D themes deemed necessary from a business perspective for developing the technologies required for future businesses as well as the advanced technologies needed in our existing operations. One focus is to investigate global tech start-ups as potential future M&A targets.



## Message from the CEO

### Canon's Concept of Social Responsibility

At Canon, we see dispelling concerns surrounding our business and satisfying stakeholder expectations as our social responsibility as a corporate citizen. Under our corporate philosophy of *kyosei*, we have identified the following as materiality themes that Canon must help address to contribute to the realization of a better society: "creating new value and solving social issues," "protecting and conserving the global environment" and "responding to people and society as a good corporate citizen." Our CSR activities are strongly focused on achieving these goals.

In promoting these activities, compliance, governance and risk management are the basis for gaining the trust of our customers and business partners. In 2017, we instituted the "Canon Group CSR Basic Statement," which we disseminated throughout the entire Group. Supply chain management is another area where expectations have risen in recent years. In 2018, we instituted the "Canon Supplier CSR Guidelines" alongside the annual checks that we undertake to gauge the CSR activities of our thousands of suppliers.

*Kyosei* is consistent with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. We believe we can help achieve these goals through our various business activities.

### Creating New Value and Addressing Societal Issues

One of the key strategies under Phase V of the Excellent Global Corporation Plan is to reinforce and expand new businesses while creating future businesses. We believe that we should seek to create new value for society through our business activities, while also supplying products and services that can help address societal issues. Many examples of Canon products that help to address these issues already exist, including medical diagnostic systems, network cameras and industrial equipment.

### Protecting and Conserving the Global Environment

Global environmental protection and conservation constitute one of the most critical issues that companies must address to generate sustainable growth. We are striving to increase operational efficiency while reducing environmental impact at all Canon Group operating sites worldwide, based on the concept of maximizing resource efficiency.

We have consistently engaged in activities that aim to reduce the environmental impact of Canon products over their entire life cycle. We practice green procurement, the purchasing of eco-friendly parts and materials. Other activities include energy-efficient design, recycling of factory wastewater, and collection and



Canon network cameras are installed in the JAL hanger at Haneda Airport

recycling programs for toner cartridges. As an overall indicator of environmental performance, we have set a goal of improving product lifecycle CO<sub>2</sub> emissions by an average of 3% per year. Over the period from 2008 to 2018, we achieved average improvements of 5% per year. In 2018, we also began operating the Canon Eco Technology Park for more advanced and efficient “closed-loop recycling” through state-of-the-art recycling technology. In addition, based on our Biodiversity Policy, we are seeking to leverage our products and technologies to promote a society that fosters rich biodiversity. Going forward, as outlined in our Environmental Vision “Action for Green,” we will continue our efforts to realize a society that promotes both enriched lifestyles and the needs of the global environment.



Canon Bird Branch Project highlights the cycle of life focusing on wild birds

### Responding to People and Society as a Good Corporate Citizen

Canon strives to gain the trust of customers and business partners, and implements thorough quality control to improve our corporate sustainability. For employees, alongside respect for human rights, we focus on creating workplaces that help to promote diversity while supporting better work-life balance. We continue to promote the Canon Spirit—comprising the *San-ji* Spirit and an Enterprising Spirit—while creating workplace conditions to help each employee fulfill their potential. We are also actively engaged in various social contribution activities around the world to assist with humanitarian and disaster-relief efforts, fund educational and academic support initiatives, and promote the arts, culture and sports.



Canon India carries out multifaceted support activities through the 4E's Project

### Canon's Aspiration as a Good Corporate Citizen

With the Enterprising Spirit and the *San-ji* Spirit that make up our corporate DNA as a starting point, we will work to accelerate our strategic transformation based on the Excellent Global Corporation Plan with the aim of generating sustained growth.

Based on our corporate philosophy of *kyosei*, we will work together with our customers and business partners to help realize a better society by contributing to the achievement of the SDGs through Canon's business activities. In doing so, we hope that Canon will continue to prosper as an enterprise for the next 100—or even 200—years.

We humbly ask for your continued support.

Fujio Mitarai  
Chairman & CEO  
Canon Inc.

# A History of Value Creation at Canon

Since its founding in 1937, Canon has grown by moving with the times, refining its enterprising spirit and proprietary technology, while also seeking to create new value to satisfy the expectations of customers and society.

Outlined below is a history of innovation at Canon, from its venture start-up origins to today.

## Major events with global social and economic impact

1929 Great Depression	1955-1973 Economic boom in Japan	1973 Oil Crisis
1939-1945 World War II	1962 Cuban Missile Crisis	1979 Second Oil Crisis
1947 Start of the Cold War	1965 Start of the Vietnam War	1985 Plaza Accord, prompting a sharp yen appreciation
	1967 Creation of European Communities (EC)	1986-1991 Japanese asset price bubble
		1986 Chernobyl nuclear accident
		1987 World stock market crash (Black Monday)

## 1930s-40s

Aiming to develop the world's best cameras

### Business development landmarks


**1933**  
Precision Optical Instruments Laboratory established to pursue development of high-quality, domestically produced cameras

**1937**  
Precision Optical Industry, Co., Ltd. established

## 1950s-60s

Promoting globalization and diversification

**1955**  
Branch office opened in New York



**1957**  
Canon Europa set up in Switzerland as sole European distributor

**1965**  
Canon U.S.A., Inc. established

**1967**  
"Cameras in the Right Hand, Business Machines in the Left" used as 30th anniversary slogan to promote diversification

**1968**  
Canon Amsterdam N.V. (now Canon Europa N.V.) established

## 1970s-80s

Promoting diversification, second inauguration of company


**1970**  
Canon Inc., Taiwan established as first overseas manufacturing facility

**1972**  
Physotec GmbH (now Canon Giessen GmbH) set up in Germany as first manufacturing site in Europe


**1988**  
In 51st year of operations, second inauguration of company announced, corporate philosophy of *kyosei* established

## Development of products with social value


**1936**  
Introduction of Hansa Canon, Japan's first domestic 35-mm focal-plane-shutter camera. Model makes significant impact on the Japanese camera industry and contributed to post-war camera development




**1940**  
Development of first indirect X-ray camera made in Japan for early detection of TB (leading cause of death at that time)



**1961**  
Launch of Canonet, a low-priced model with internal automatic exposure mechanism, achieves record sales. Sparks the "electric-eye" camera boom enabling anyone to enjoy photography




**1964**  
Launch of Canola 130, the world's first 10-key electronic calculator, marks Canon's entry into business machines. The 10-key format goes on to become the de facto standard




**1968**  
Canon enters the plain-paper copier (PPC) market with the introduction of the Canon NP System, a proprietary electro-photography technology that achieves high sensitivity and long service life. In 1970, Canon launches the NP-1100, Japan's first domestically produced PPC

**1976**  
Launch of the AE-1, the world's first SLR camera featuring a built-in microcomputer. Offering full automation for flawless photographs and a low price anticipating the post-oil crisis slump, the AE-1 is a global hit




**1978**  
Launch of PLA-500FA, the world's first mask aligner with a laser-based automatic alignment system, five-inch wafer capability in advance of the trend towards larger wafers, and automatic substrate feed-in mechanism contribute to gains in semiconductor manufacturing productivity


**1982**  
Introduction of the PC-10/PC-20, the world's first personal copying machines featuring replaceable cartridges. Introduction of cartridge system realizes easy maintenance and miniaturization that enables copiers to be used at home, contributing to expansion of copier market



**1984**  
LBP-8 launched as the world's smallest, lightest laser printer. Contributes to the realization of desktop publishing



**1985**  
Launch of BJ-80, world's first inkjet printer using high quality, fast, and quiet, Bubble Jet technology



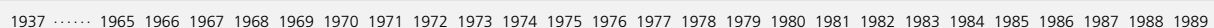
**1987**  
Introduction of EOS autofocus SLR cameras with interchangeable EF lenses using a fully electronic mount. Contribute significantly to the spread of SLR cameras

Introduction of CLC-1, the world's first full-color digital copying machine, marking the start of the high-resolution, full-color copy era

## Consolidated Net Sales

Japan Americas Europe Asia and Oceania Overseas\*

\* Net sales figures outside Japan prior to 1971 consolidated in "Overseas" category.





**Total Net Sales**  
¥3,951.9 billion

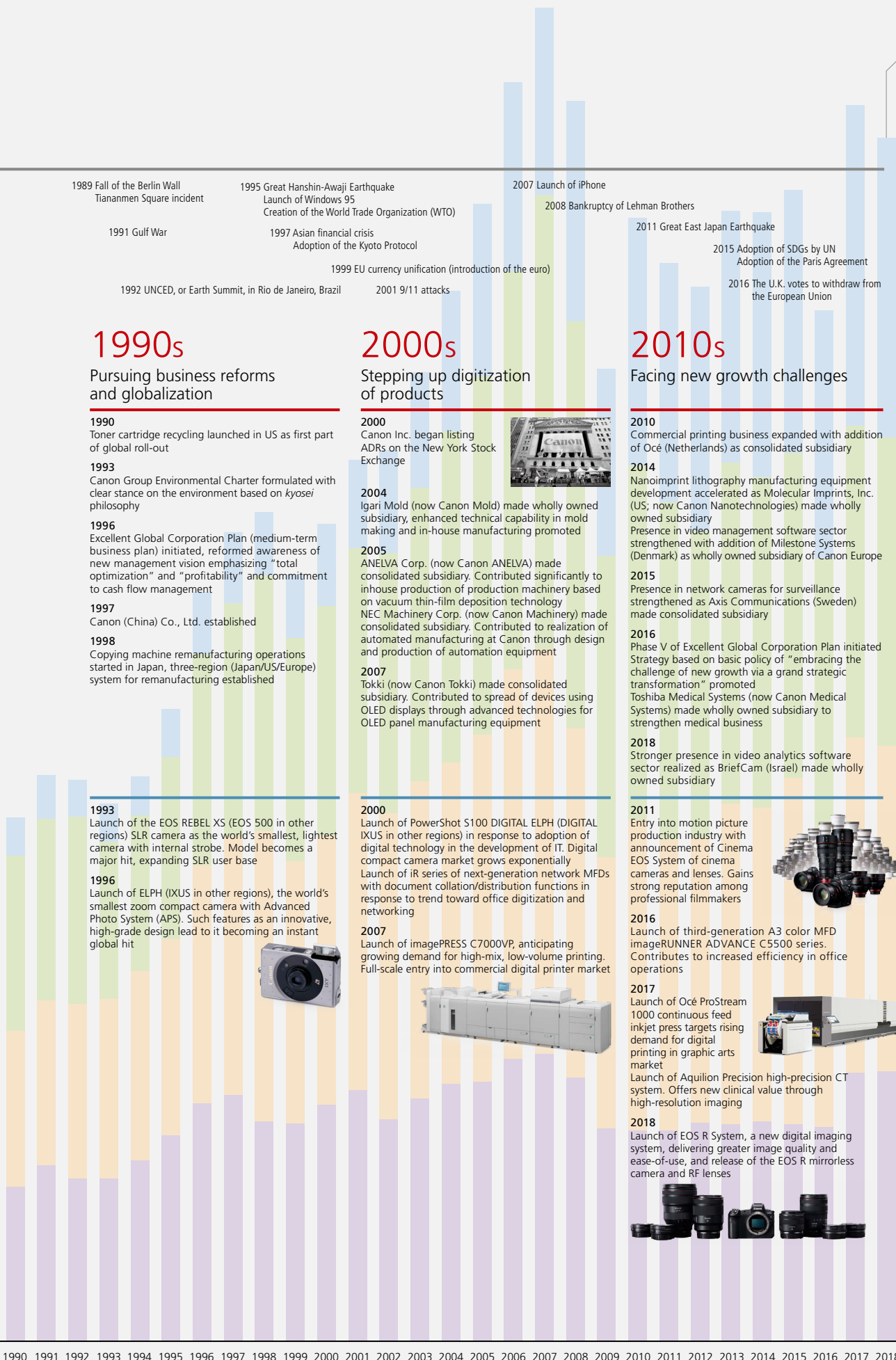
(Billions of yen)  
4,000

**Asia and Oceania**  
¥990.5 billion  
(25.1%)

**Europe**  
¥1,015.4 billion  
(25.7%)

**Americas**  
¥1,076.4 billion  
(27.2%)

**Japan**  
¥869.6 billion  
(22.0%)



1989 Fall of the Berlin Wall  
Tiananmen Square incident

1991 Gulf War

1992 UNCED, or Earth Summit, in Rio de Janeiro, Brazil

1995 Great Hanshin-Awaji Earthquake  
Launch of Windows 95  
Creation of the World Trade Organization (WTO)

1997 Asian financial crisis  
Adoption of the Kyoto Protocol

1999 EU currency unification (introduction of the euro)

2001 9/11 attacks

2007 Launch of iPhone

2008 Bankruptcy of Lehman Brothers

2011 Great East Japan Earthquake

2015 Adoption of SDGs by UN  
Adoption of the Paris Agreement

2016 The U.K. votes to withdraw from  
the European Union

## 1990s

Pursuing business reforms and globalization

**1990**  
Toner cartridge recycling launched in US as first part of global roll-out

**1993**  
Canon Group Environmental Charter formulated with clear stance on the environment based on *kyosei* philosophy

**1996**  
Excellent Global Corporation Plan (medium-term business plan) initiated, reformed awareness of new management vision emphasizing "total optimization" and "profitability" and commitment to cash flow management

**1997**  
Canon (China) Co., Ltd. established

**1998**  
Copying machine remanufacturing operations started in Japan, three-region (Japan/US/Europe) system for remanufacturing established

**1993**  
Launch of the EOS REBEL XS (EOS 500 in other regions) SLR camera as the world's smallest, lightest camera with internal strobe. Model becomes a major hit, expanding SLR user base

**1996**  
Launch of ELPH (IXUS in other regions), the world's smallest zoom compact camera with Advanced Photo System (APS). Such features as an innovative, high-grade design lead to it becoming an instant global hit



## 2000s

Stepping up digitization of products

**2000**  
Canon Inc. began listing ADRs on the New York Stock Exchange

**2004**  
Igari Mold (now Canon Mold) made wholly owned subsidiary, enhanced technical capability in mold making and in-house manufacturing promoted

**2005**  
ANELVA Corp. (now Canon ANELVA) made consolidated subsidiary. Contributed significantly to inhouse production of production machinery based on vacuum thin-film deposition technology  
NEC Machinery Corp. (now Canon Machinery) made consolidated subsidiary. Contributed to realization of automated manufacturing at Canon through design and production of automation equipment

**2007**  
Tokki (now Canon Tokki) made consolidated subsidiary. Contributed to spread of devices using OLED displays through advanced technologies for OLED panel manufacturing equipment



**2000**  
Launch of PowerShot S100 DIGITAL ELPH (DIGITAL IXUS in other regions) in response to adoption of digital technology in the development of IT. Digital compact camera market grows exponentially  
Launch of iR series of next-generation network MFDs with document collation/distribution functions in response to trend toward office digitization and networking

**2007**  
Launch of imagePRESS C7000VP, anticipating growing demand for high-mix, low-volume printing. Full-scale entry into commercial digital printer market



## 2010s

Facing new growth challenges

**2010**  
Commercial printing business expanded with addition of Océ (Netherlands) as consolidated subsidiary

**2014**  
Nanoimprint lithography manufacturing equipment development accelerated as Molecular Imprints, Inc. (US; now Canon Nanotechnologies) made wholly owned subsidiary  
Presence in video management software sector strengthened with addition of Milestone Systems (Denmark) as wholly owned subsidiary of Canon Europe

**2015**  
Presence in network cameras for surveillance strengthened as Axis Communications (Sweden) made consolidated subsidiary

**2016**  
Phase V of Excellent Global Corporation Plan initiated Strategy based on basic policy of "embracing the challenge of new growth via a grand strategic transformation" promoted  
Toshiba Medical Systems (now Canon Medical Systems) made wholly owned subsidiary to strengthen medical business

**2018**  
Stronger presence in video analytics software sector realized as BriefCam (Israel) made wholly owned subsidiary

**2011**  
Entry into motion picture production industry with announcement of Cinema EOS System of cinema cameras and lenses. Gains strong reputation among professional filmmakers



**2016**  
Launch of third-generation A3 color MFD imageRUNNER ADVANCE C5500 series. Contributes to increased efficiency in office operations

**2017**  
Launch of Océ ProStream 1000 continuous feed inkjet press targets rising demand for digital printing in graphic arts market



Launch of Aquilion Precision high-precision CT system. Offers new clinical value through high-resolution imaging

**2018**  
Launch of EOS R System, a new digital imaging system, delivering greater image quality and ease-of-use, and release of the EOS R mirrorless camera and RF lenses



3,000

2,000

1,000

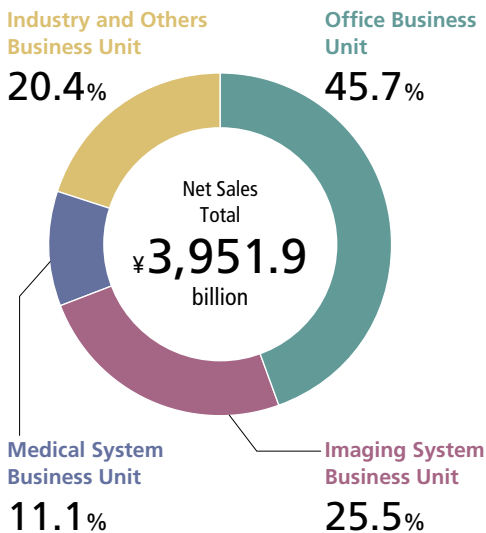
0

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

# Canon Group Business Operations (As of December 31, 2018)

Initially established as a manufacturer of cameras, Canon continues to grow through diversification and globalization. We have achieved diversification by developing a wide range of products through our four business units. Additionally, we are producing results through the expansion of R&D, production and sales locations worldwide.

## Net Sales by Business Unit



\* Total does not amount to 100% as consolidated net sales for business units also include sales related to inter-unit transactions.

## Office Business Unit



Office multifunction devices (MFDs)

- Office multifunction devices (MFDs)
- Laser multifunction printers (MFPs)
- Laser printers
- Digital continuous feed presses



Digital sheet-fed presses

- Digital sheet-fed presses
- Wide-format printers
- Document solutions

## Imaging System Business Unit



Interchangeable-lens digital cameras

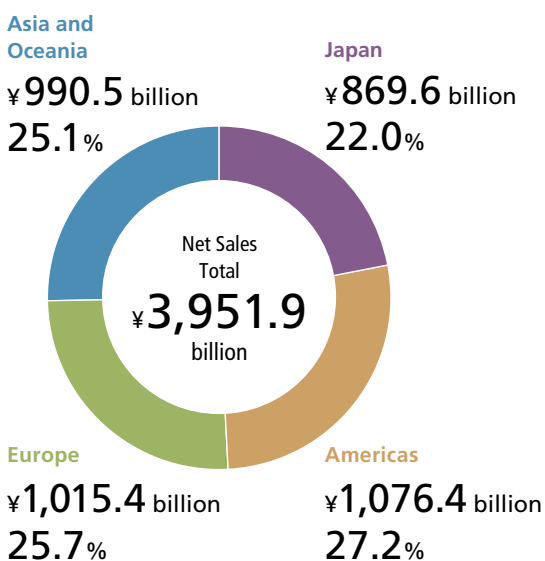
- Interchangeable-lens digital cameras
- Digital compact cameras
- Digital camcorders
- Digital cinema cameras
- Interchangeable lenses



Inkjet printers

- Compact photo printers
- Inkjet printers
- Large format inkjet printers
- Commercial photo printers
- Image scanners
- Multimedia projectors
- Broadcast equipment
- Calculators

## Net Sales by Region



## Medical System Business Unit



Computed tomography (CT) systems

- Diagnostic X-ray systems
- Computed tomography (CT) systems
- Magnetic resonance imaging (MRI) systems



Diagnostic ultrasound systems

- Diagnostic ultrasound systems
- Clinical chemistry analyzers
- Digital radiography systems
- Ophthalmic equipment

## Industry and Others Business Unit



Semiconductor lithography equipment

- Semiconductor lithography equipment
- FPD (Flat panel display) lithography equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment



Network cameras

- Die bonders
- Micromotors
- Network cameras
- Handy terminals
- Document scanners

## Company Overview

Company name	Canon Inc.	Canon Inc. shareholders' equity: Common stock	¥174,762 million
Established	August 10, 1937	Group companies	379 consolidated subsidiaries
Headquarters	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan	Affiliated companies accounted for by the equity-method	8
Chairman & CEO	Fujio Mitarai		

### Net Sales

¥ **1,807.3** billion

### Operating Profit

¥ **220.8** billion

Canon provides high-added-value solutions through software and high-quality printing with improved network functions in order to satisfy customer demands for a more comfortable and efficient office environment in the age of the cloud. We offer solutions tailored for each customer to improve productivity while placing importance on cost performance and environmental impact. In the sphere of commercial printing, Canon is also flexibly meeting the high-mix low volume needs of customers, promoting digital printing, an area where demand is growing every year. [→P19](#)

### Net Sales

¥ **1,008.2** billion

### Operating Profit

¥ **117.0** billion

Canon aims to enrich the daily lives of customers through every product we provide—including interchangeable-lens cameras and inkjet printers—and we are further developing our imaging technology while becoming ever more a part of peoples' lives. Even for such professional products as digital cinema cameras and broadcasting equipment, Canon will continue to meet the expectations of top-tier professionals that work on, among others, movie and video production sites through the high-performance of its products and proven reliability of its technology. [→P20](#)

### Net Sales

¥ **437.6** billion

### Operating Profit

¥ **28.8** billion

Amid the increasing demand for medical care in a wide range of healthcare fields from health promotion and disease prevention to advanced examination, diagnosis, and treatment, Canon will contribute to the progress of medical care by developing technologies and products that support doctors and patients. We offer a broad range of diagnostic imaging equipment, from CT and MRI systems to ophthalmic and digital radiography equipment. Furthermore, we aim to achieve significant growth in the future by focusing on medical imaging, healthcare IT and in-vitro diagnostics. [→P21](#)

### Net Sales

¥ **805.2** billion

### Operating Profit

¥ **65.5** billion

Canon applies the proprietary optical and image processing technologies it has developed over many years to industrial equipment, developing products that meet the needs of a wide range of production fields. Examples include semiconductor lithography equipment that plays a role in the especially important production process of semiconductor chips, FPD lithography equipment essential for the production of smartphones and TVs, and OLED panel manufacturing equipment. Additionally, with the network camera market expanding amid growing global security concerns, Canon is developing innovative image analysis solutions that go beyond crime prevention and monitoring applications. [→P22](#)



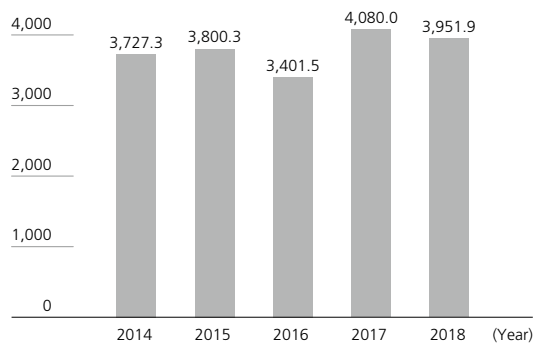
# Financial and Non-financial Highlights

## Financial Information

Canon strives constantly to maintain a sound financial position, which is the basis of its activities as a responsible member of society.

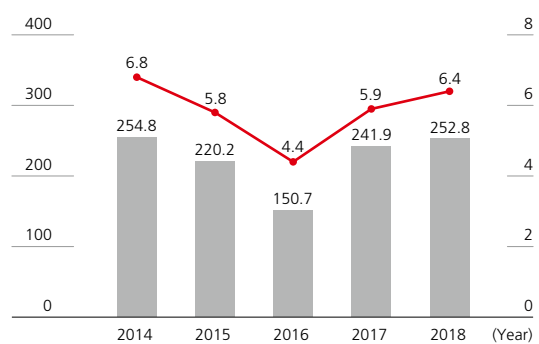
### Net Sales

(Billions of yen)



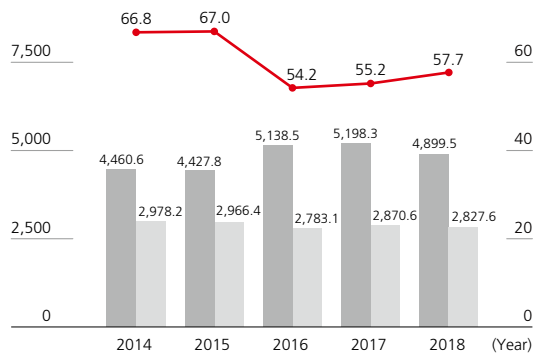
### Net Income Attributable to Canon Inc./ Net Income Attributable to Canon Inc. Ratio

■ Net income attributable to Canon Inc.  
● Net income attributable to Canon Inc. Ratio  
(Billions of yen) (%)



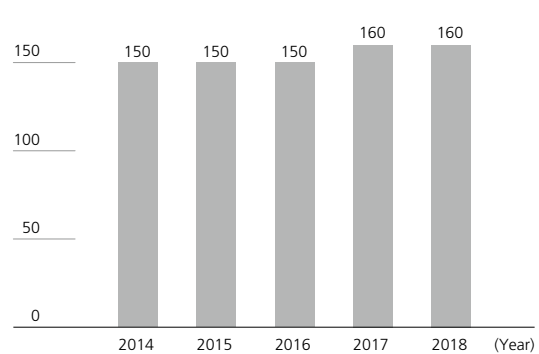
### Total Assets/Shareholders' Equity/ Shareholders' Equity to Total Assets Ratio

■ Total assets ■ Shareholders' equity (Canon Inc.)  
● Shareholders' equity to total assets ratio  
(Billions of yen) (%)



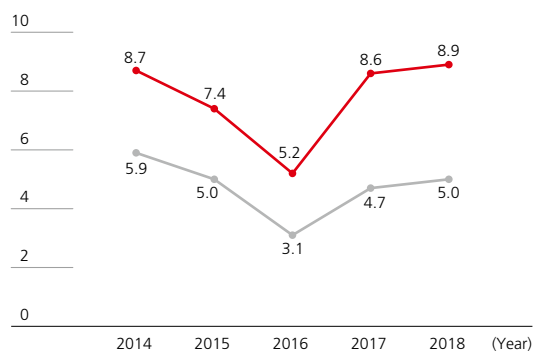
### Dividend per Share

(Yen)



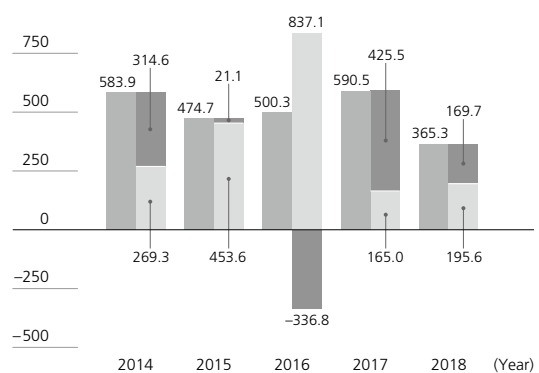
### ROA/ROE

● ROA ● ROE  
(%)



### Cash Flow

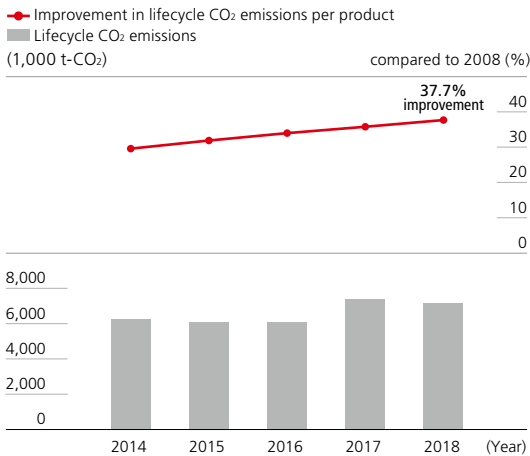
■ Net cash provided by operating activities  
■ Net cash used in investing activities ■ Free cash flow  
(Billions of yen)



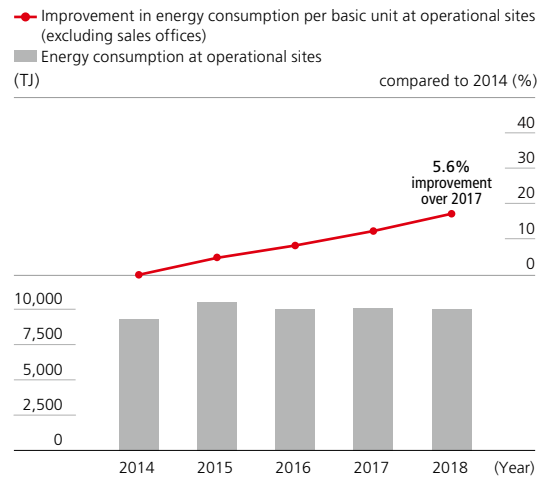
# Non-financial Information

Together with our stakeholders around the world, the Canon Group strives to realize a sustainable society.

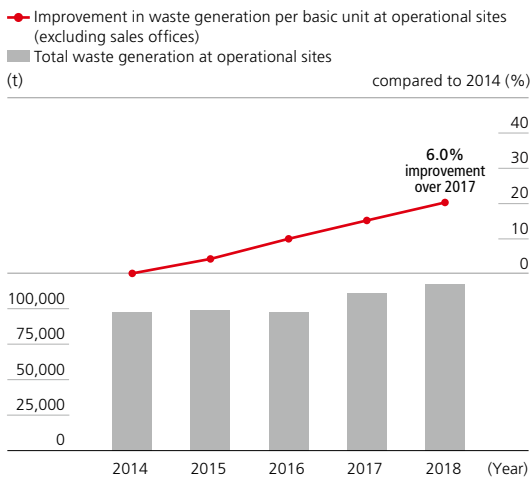
## Lifecycle CO<sub>2</sub> Emissions/Improvement in Basic Unit



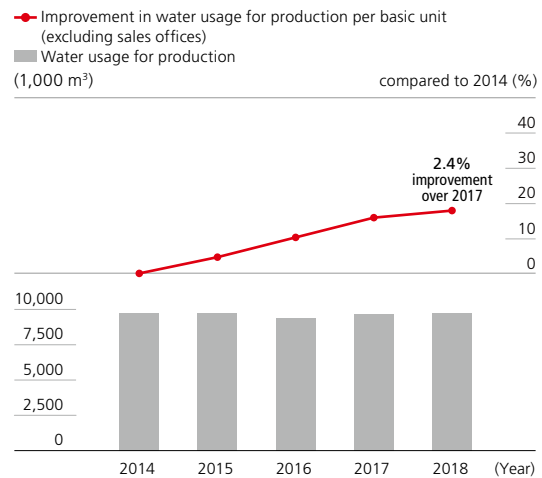
## Site Energy Consumption/Improvement in Basic Unit



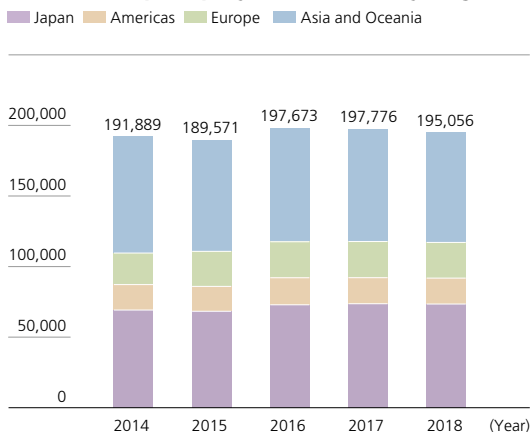
## Total Waste Generation/Improvement in Basic Unit



## Water Usage/Improvement in Basic Unit



## Canon Group Employee Numbers by Region



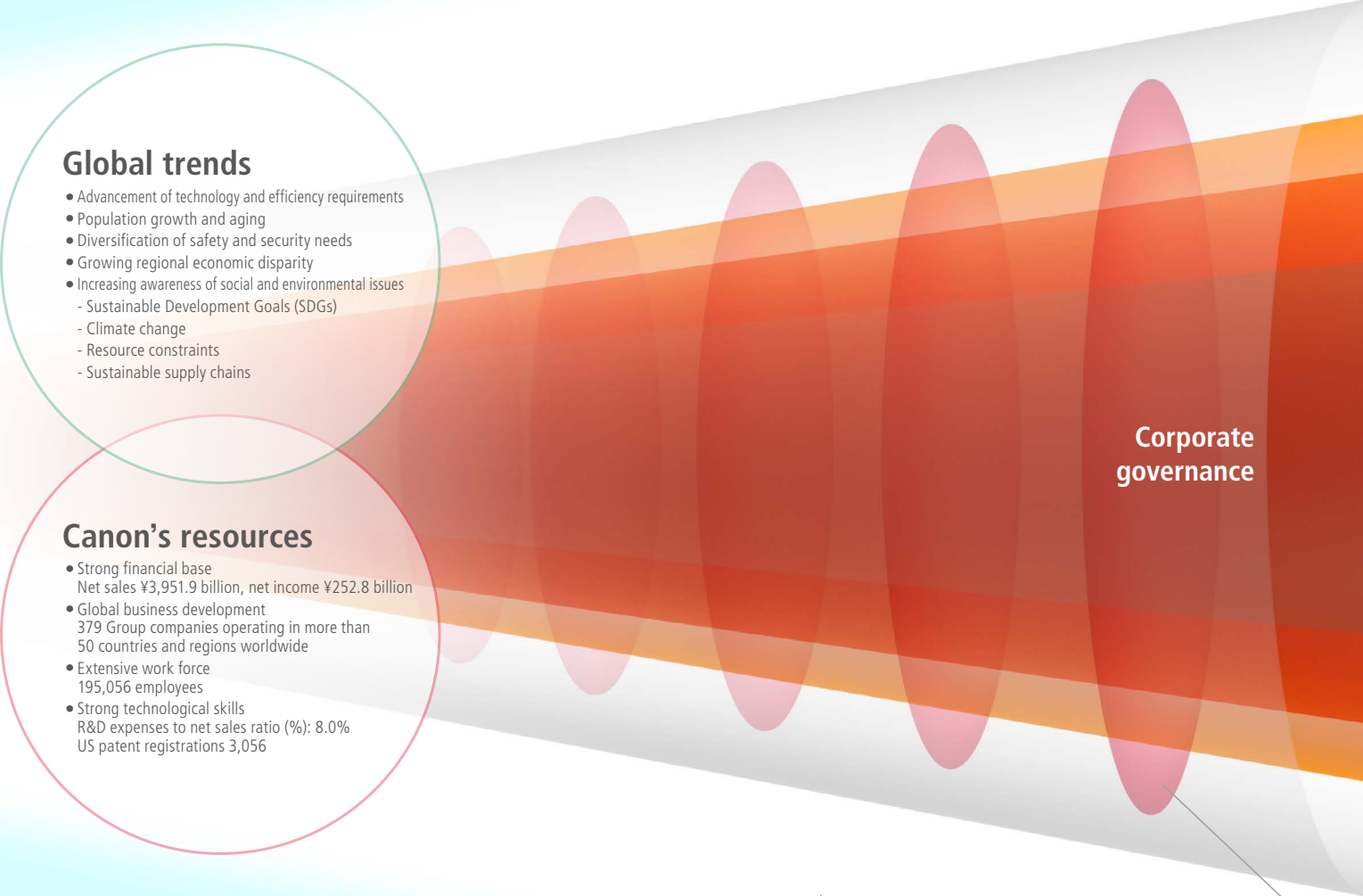
## Top Ten U.S. Patent Holders by Company

	2014	2015	2016	2017	2018
1	IBM	IBM	IBM	IBM	IBM
2	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics
3	Canon	Canon	Canon	Canon	Canon
4	Sony	Qualcomm	Qualcomm	Intel	Intel
5	Microsoft	Google	Google	LG Electronics	LG Electronics
6	Qualcomm	Toshiba	Intel	Qualcomm	TSMC
7	Google	Sony	LG Electronics	Google	Microsoft Technology Licensing
8	Toshiba	LG Electronics	Microsoft Technology Licensing	Microsoft Technology Licensing	Qualcomm
9	LG Electronics	Intel	TSMC	TSMC	Apple
10	Panasonic	Microsoft Technology Licensing	Sony	Samsung Display	Ford Global Technologies

\* Number of patents for 2016 to 2018 are based on figures released by IFCLAIMS Patent Services.  
 \* Figures for 2014 and 2015 are based on information issued by the United States Patent and Trademark Office.

# Canon's Value Creation Process

Under the corporate philosophy of *kyosei*, Canon is creating social and economic value by promoting initiatives based on its three materiality themes through business activities, effectively utilizing its inherited corporate DNA since its foundation.



## Global trends

- Advancement of technology and efficiency requirements
- Population growth and aging
- Diversification of safety and security needs
- Growing regional economic disparity
- Increasing awareness of social and environmental issues
  - Sustainable Development Goals (SDGs)
  - Climate change
  - Resource constraints
  - Sustainable supply chains

## Canon's resources

- Strong financial base
  - Net sales ¥3,951.9 billion, net income ¥252.8 billion
- Global business development
  - 379 Group companies operating in more than 50 countries and regions worldwide
- Extensive work force
  - 195,056 employees
- Strong technological skills
  - R&D expenses to net sales ratio (%): 8.0%
  - US patent registrations 3,056

Corporate governance

## Corporate philosophy: *Kyosei*

### Excellent Global Corporation Plan

#### Phase I 1996-2000

To strengthen its financial structure, Canon transformed its mindset to a focus on total optimization and profitability. The company introduced various business innovations, including the selection and consolidation of business areas, and reform activities in such areas as production and development.

#### Phase II 2001-2005

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

#### Phase III 2006-2010

Canon moved ahead with such growth strategies as enhancing existing businesses and expanding into new areas while also thoroughly implementing supply chain management and IT reforms.

#### Phase IV 2011-2015

Responding to weakness in the global economy, Canon revised its management policy from a strategy targeting expansion of scale to a strategy aimed at further strengthening its financial structure. While actively pursuing M&A activities, the company restructured its business at a foundational level to introduce new growth engines for future expansion.

**Canon's corporate DNA**

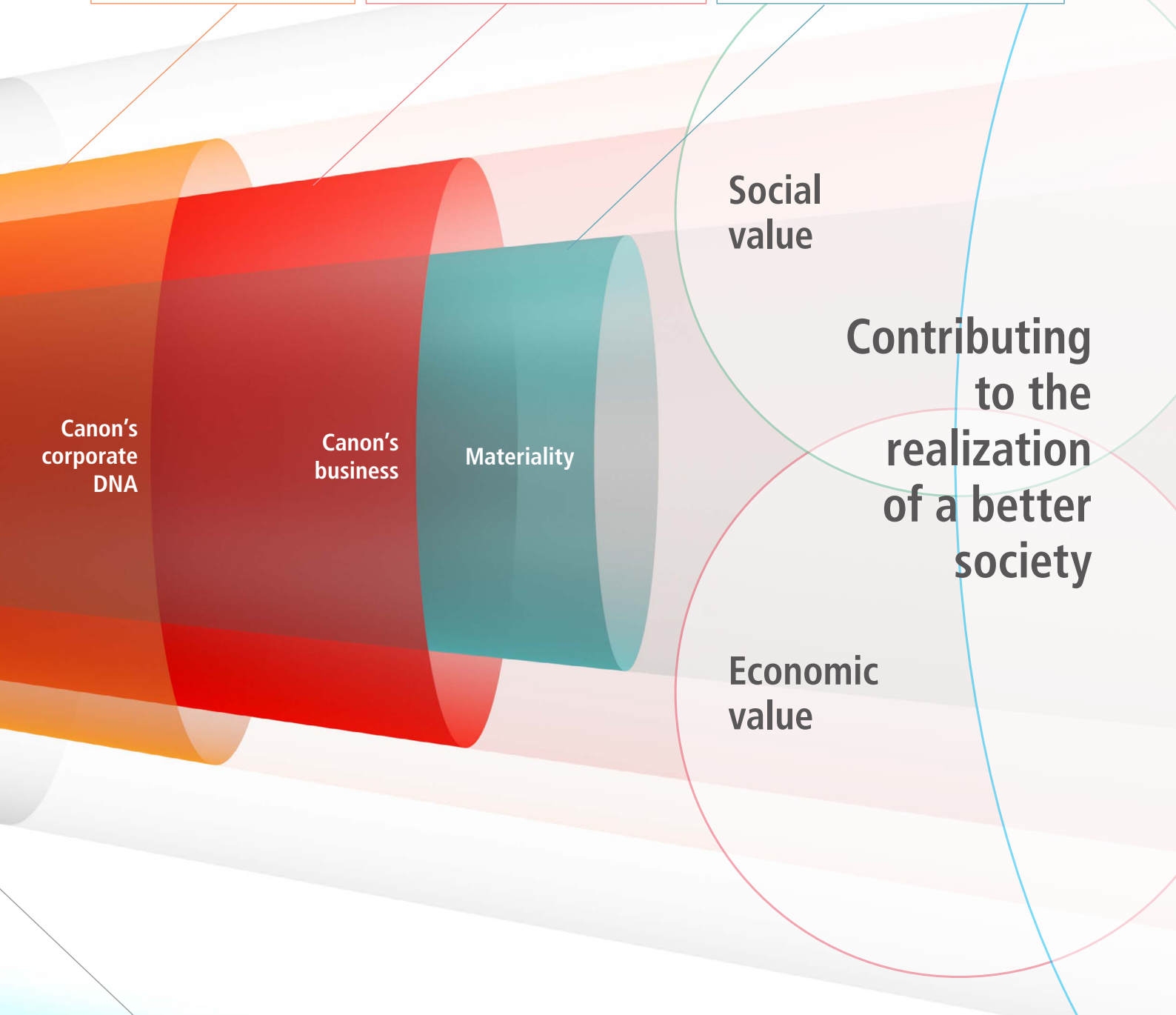
- Respect for humanity
- Emphasis on technology
- Enterprising spirit

**Canon's business**

- Office business unit
- Imaging system business unit
- Medical system business unit
- Industry and others business unit

**Materiality**

- Creating new value and solving social issues
- Protecting and conserving the global environment
- Responding to people and society as a good corporate citizen



Social value

Contributing to the realization of a better society

Economic value

**Phase V** 2016-2020 **Embracing the challenge of new growth through a grand strategic transformation**

<b>1</b> Establish a new production system to achieve a cost-of-sales ratio of 45%	<b>2</b> Reinforce and expand new businesses while creating future businesses	<b>3</b> Restructure the global sales network in accordance with market changes	<b>4</b> Enhance R&D capabilities through open innovation
<b>5</b> Complete the Three Regional Headquarters management system capturing world dynamism	<b>6</b> Cultivate globally competent human resources capable of performing duties while maintaining an all-encompassing perspective of the world map	<b>7</b> Re-instill the Canon Spirit as a foundation for new growth	



## Relationship with SDGs

The entire Canon Group promotes CSR activities with the aim of contributing to the realization of a better society.

Together with stakeholders around the world, Canon is pursuing the sustainable growth of society under its corporate philosophy of *kyosei*. The figure below shows the relationship between the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 and Canon's activities, and also takes into consideration the results of the stakeholder survey outlined on the following page. The larger the SDG icon, the greater the degree of relevance is to Canon.



## Through initiatives that address three aspects of materiality, Canon is contributing to the realization of SDGs.

### Creating New Value and Solving Social Issues

Canon contributes to solving issues facing the global community by reinforcing and expanding businesses with high societal demand, such as security, healthcare and industrial robots. Canon aims to contribute to SDGs 3, 9, 11 and 17 through technologies, products and solutions services for a sustainable society by focusing on four pillars of new business—commercial printing, network cameras, healthcare and industrial equipment—towards realizing a safe and secure society, expanding the boundaries of the healthcare industry and promoting industrial innovation (→P54).



Network cameras for transportation hubs (Sweden)

### Protecting and Conserving the Global Environment

As a global corporation working in harmony with the environment, Canon is working on a wide variety of initiatives together with Group companies, aiming to leave an enriched society for future generations. With the entire lifecycle in view, we carry out environmental initiatives in the four material areas of “contributing to a low-carbon society,” “contributing to a circular economy,” “eliminating hazardous substances and preventing pollution” and “contributing to a society in harmony with nature.” We are striving to contribute to SDGs 6, 7, 12, 13, 15 and 17 (→P63).



Canon Eco Technology Park (Japan) — working toward advanced resource circulation

### Responding to People and Society as a Good Corporate Citizen

Setting “responding to people and society as a good corporate citizen” as the foundation of our CSR activities, Canon is fulfilling its corporate responsibility and contributing to the sustainable development of society under its corporate philosophy of *kyosei*. We are actively working to meet the various expectations of stakeholders all over the world. The related SDGs we are targeting are as follows (→P95).



Young People Programme conducted by Canon Europe

### Stakeholder Expectations

Canon regularly ascertains the expectations of stakeholders on its contributions to the SDGs through an annual stakeholder survey. According to the most recent survey results, the top three SDGs (out of 17) to which stakeholders expect Canon to contribute are SDGs 8, 9 and 12, which we are already working on based on the above-mentioned materiality themes.

→For further details of the stakeholder survey, please refer to “Stakeholder Questionnaire Survey” in the CSR Management section (→P43).



### Opinions from stakeholders

“I think it is vital for a manufacturer such as Canon to manage the environmental aspects of manufacturing and using products, as well as their quality and safety” (investor/analyst, Europe)

“As modern health-related demands rise, we want Canon to provide new, more advanced technology to support the healthcare sector” (supplier, Asia)

“In accordance with the philosophy of the SDGs, we want Canon’s approach to be one of contributing by exploiting its strengths” (university researcher, Japan)

# Business Overview

## Office Business Unit



### Results (FY2018)

Unit sales of office multifunction devices (MFDs) grew significantly, driven by sales of color models such as the imageRUNNER ADVANCE Gen3 2nd Edition series, which offers enhanced convenience through compatibility with external cloud services, and the imageRUNNER C3020 series of strategic models for emerging markets. By region, the Office Business Unit posted a strong performance in Asia, with double-digit growth in sales.

In laser printers, unit sales growth was driven by new high-productivity models that combine low power consumption with compact body designs. Sales of consumables were on a par with the prior year. Digital

commercial printing has enjoyed solid sales thanks to the release of new models for the graphic arts market that have earned significant praise for their high image quality, excellent productivity and ability to handle a wide range of paper types.

Total sales for the business unit increased 0.1% year on year to ¥1,807.3 billion, while operating profit rose 16.7% year on year to ¥220.8 billion.

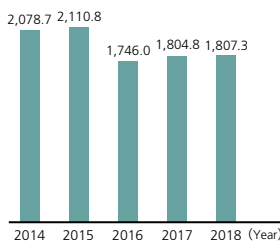
### Future Strategy

We expect the market for office MFDs to expand steadily, led by a shift to color models in emerging markets and increased demand for devices that enhance operational efficiency. Amidst the growing risk of information leaks from network-connected devices, we are, among other products, expanding our lineup of next-generation color models, that feature such high-security functionality as protection against program tampering and unauthorized access. Additionally, we are strengthening our ability to propose new solutions that take into account the growing demand for productivity-enhancing office devices.

In laser printers, we expect an ongoing shift to color models and rising demand from emerging markets to underpin the market's development. Performance of the business unit in 2019 is projected to be on a par with that of 2018. We are focusing on mid- and high-speed models designed for high-volume printing and increasing their share of the segment's sales volume. We also aim to increase our proportion of consumable products through cooperation with our OEM partner, thereby boosting overall profitability.

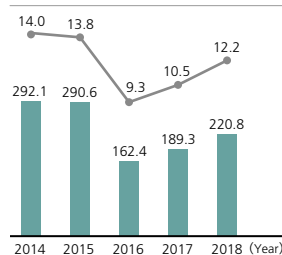
### Net Sales

(Billions of yen)



### Operating Profit / Operating Profit Ratio

— Operating profit ratio (%)  
 ■ Operating profit (Billions of yen)



\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. Figures dating to 2016 have been restated to conform with the current year's presentation.

\* From 2018, a portion of sales previously included in the Office Business Unit have been reclassified under the Industry and Others Business Unit. Figures dating to 2016 have been restated to conform with the current year's presentation.



## Imaging System Business Unit



### Results (FY2018)

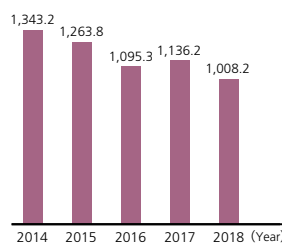
Reflecting the contraction of the market, unit sales of interchangeable-lens digital cameras declined in year-on-year terms, though Canon maintained its leading market share in key countries in Europe and the Americas, as well as in Japan and China. In mirrorless cameras, we posted higher unit sales due to such new models as the entry-level EOS Kiss M and the EOS R, Canon's first mirrorless camera equipped with a full-frame sensor, which employs a new lens mount as part of the EOS R System. In digital compact cameras, while further market contraction led to a decrease in unit sales, high-value-added models such as the PowerShot G-series enjoyed solid sales.

In inkjet printers, while unit sales of refillable ink tank models increased significantly in emerging markets, overall unit sales declined due to the impact of market contraction in developed countries. overall unit sales declined due to the impact of market contraction in developed countries. In large-format inkjet printers, the imagePROGRAF TX series, which is suitable for outputting CAD drawings and poster designs, was well received by the market and enjoyed strong sales.

As a result, overall sales for the business unit fell 11.3% year on year to ¥1,008.2 billion, while operating profit declined 32.6% year on year to ¥117 billion.

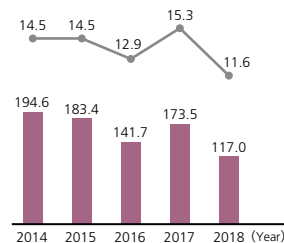
### Net Sales

(Billions of yen)



### Operating Profit/ Operating Profit Ratio

— Operating profit ratio (%)  
■ Operating profit (Billions of yen)



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### Future Strategy

Demand for interchangeable-lens digital cameras is expected to decline going forward, but increase steadily in the segment for cameras equipped with full-frame sensors. The digital compact camera market is forecast to continue contracting, notably in lower-priced model segments.

Amidst these conditions, our top priority in 2019 is to accelerate the expansion of our mirrorless camera lineup and introduce lenses and other new products for the EOS R System.

Although demand for inkjet printers is expected to continue falling slightly in year-on-year terms in 2019, we are targeting faster-than-market growth by investing aggressively in sales within emerging markets. For instance, this involves reinforcing our sales support activities for mass merchandisers and authorized sales outlets.



# Medical System Business Unit



## Results (FY2018)

Until now, we have been working to revamp our lineup of diagnostic imaging systems, which are the mainstay of the business unit. In 2018, we posted higher revenues, led by increased sales of new products such as the Alphenix series of next-generation diagnostic X-ray systems and the Vantage Orian, a high-resolution MRI system that incorporates cutting-edge technology.

Additionally, the addition of new compact and lightweight ultrasound diagnostic systems that inherit the ultra-high-resolution technology of premium models also contributed significantly to sales. In Japan, sales were negatively impacted by medical institutions deferring investment decisions amid revision of the NHI reimbursement

schedule for diagnostic procedures. However, this was offset by higher sales in overseas markets.

As a result, overall sales for the business unit increased 0.3% year on year to ¥437.6 billion, while operating profit rose 31.4% year on year to ¥28.8 billion.

## Future Strategy

The diagnostic imaging equipment market is projected to grow steadily at around 3% per year, supported by rising demand for advanced healthcare in Western countries and the development of medical infrastructure in emerging markets.

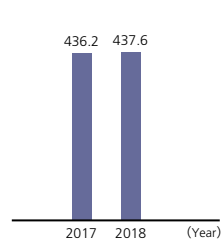
At the end of 2018 we received regulatory approval in overseas markets for domestically successful new products, which is expected to contribute fully to sales in 2019. In 2019, we also expect to start introducing competitively priced CT systems for emerging markets that also offer high image quality.

We will also strengthen our sales structure by focusing on expanding our sales force overseas and converting local sales agents into subsidiaries.

We are also looking to improve profitability based on redoubling efforts to realize intra-Group synergies. For example, we have achieved cost reductions by making use of Canon production technologies, such as detecting faults before they occur through the detection of abnormal noises coming from production equipment during operation. What's more, we are utilizing our 3D simulation technologies to realize prototype-less product development that improves efficiency in R&D.

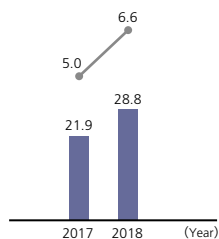
### Net Sales

(Billions of yen)



### Operating Profit / Operating Profit Ratio

— Operating profit ratio (%)  
 ■ Operating profit (Billions of yen)



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# Industry and Others Business Unit



## Results (FY2018)

Semiconductor lithography equipment achieved significantly higher unit sales thanks to healthy demand for memory devices, particularly those used in data centers. This result also reflected the stellar reputation we have earned in the market for our customer support and the productivity of our equipment. We also continued to see high levels of sales for FPD lithography equipment, especially in the small- and medium-sized panel segments, leveraging our high-resolution technology.

However, our sales of OLED panel manufacturing equipment fell compared with the prior year due to sluggish capital investment within the sector.

In network cameras, Axis reported double-digit sales growth amid rising market demand.

As a result, overall sales for the business unit rose 1.6% year on year to ¥805.2 billion, while operating profit rose 60.9% year on year to ¥65.5 billion.

## Future Strategy

While we expect the overall semiconductor market to contract in 2019 due to a slowdown in capital investment by memory manufacturers, the outlook includes continued growth for image sensors and automotive devices. Since the customization requirements of customers for these semiconductors are many and varied, we plan to target market share gains based on upgrading our customer support to offer equipment that can handle various substrate sizes.

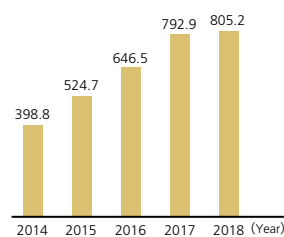
We expect a continued correction in investment in 2019 with FPD lithography equipment for production of small- and medium-sized display panels due to sluggish sales of smartphones. In the large-sized panel segment, however, we expect an increase in demand for high-resolution panels used in products such as TVs. In this area, we will target demand for high-resolution systems for seamless panel production, which can benefit from Canon's proprietary one-shot exposure lithography system.

In OLED panel manufacturing equipment, we will continue to develop the ultra-high-definition technology even further in 2019 with a view to future market expansion.

In network cameras, our strong lineup of products in the three key areas of camera hardware, video management software and analytic applications translates to an advantage in responding to diversifying market needs. The full-scale introduction of cloud services to enable centralized management of images at low cost will also help us sustain a high rate of growth.

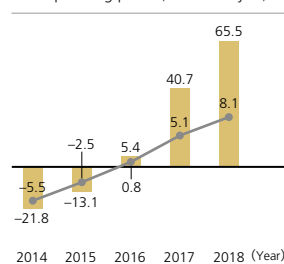
### Net Sales

(Billions of yen)



### Operating Profit/ Operating Profit Ratio

— Operating profit ratio (%)  
■ Operating profit (Billions of yen)



\* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. Figures dating to 2016 have been restated to conform with the current year's presentation.

\* From 2018, a portion of sales previously included in the Office Business Unit have been reclassified under the Industry and Others Business Unit. Figures dating to 2016 have been restated to conform with the current year's presentation.

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# Management Foundation

Canon places emphasis on creating a management foundation to support sustained growth, based on the corporate philosophy of *kyosei*.

This report discusses the structures that support corporate governance and the management of risk, IP assets and CSR activities, as well as dialogue with suppliers and various other stakeholders.

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# Directors, Audit & Supervisory Board Members, and Executive Officers

Board of Directors (As of April 1, 2019)

## Directors \* Outside



Chairman & CEO  
**Fujio Mitarai**

Apr. 1961: Entered the Company  
Mar. 1981: Director  
Mar. 1985: Managing Director  
Mar. 1989: Senior Managing & Representative Director  
Mar. 1993: Executive Vice President & Representative Director  
Sep. 1995: President & CEO  
Mar. 2006: Chairman, President & CEO  
May 2006: Chairman & CEO (*daihyō torishimariyaku kaichō*)  
Mar. 2012: Chairman & CEO (*daihyō torishimariyaku kaicho ken shachō*)  
Mar. 2016: Chairman & CEO (*daihyō torishimariyaku kaichō*) (present)

[Important concurrent posts]  
• Audit & Supervisory Board Member of The Yomiuri Shimbun Holdings



President & COO  
**Masaya Maeda**

Apr. 1975: Entered the Company  
Mar. 2007: Director  
Apr. 2007: Chief Executive of Image Communication Products Operations  
Mar. 2010: Managing Director  
Mar. 2014: Senior Managing Director  
Mar. 2016: President & COO (present)



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 & In charge of Office Business  
**Toshio Homma**  
Chief Executive, Office Imaging Products Operations

Apr. 1972: Entered the Company  
Jan. 1995: Senior General Manager of Copying Machine Development Center  
Mar. 2003: Director  
Apr. 2003: Group Executive of Business Promotion Headquarters  
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 (present)  
Mar. 2017: Executive Vice President & In charge of Office Business (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 (present)  
Jun. 2008: Director of Sumitomo Osaka Cement Co., Ltd. (present)  
Jun. 2010: Director of HEIWA REAL ESTATE CO., LTD. (present)  
Mar. 2014: Director (present)  
[Important concurrent posts]  
• Attorney  
• Audit & Supervisory Board Member of NICHIREI CORPORATION  
• Director of Sumitomo Osaka Cement Co., Ltd.  
• Director of HEIWA REAL ESTATE CO., LTD.



Director\*  
**Haruhiko Kato**

Apr. 1975: Entered Ministry of Finance  
Jul. 2007: Director-General of Tax Bureau, Ministry of Finance  
Jul. 2009: Commissioner of National Tax Agency  
Jul. 2010: Retired from Commissioner of National Tax Agency  
Jan. 2011: Senior Managing Director of Japan Securities Depository Center, Incorporated  
Jun. 2011: President and Chief Executive Officer (*daihyō torishimariyaku shachō*) of Japan Securities Depository Center, Incorporated  
Jun. 2013: Director of Toyota Motor Corporation  
Mar. 2014: Director (present)  
Jul. 2015: President and Chief Executive Officer (*daihyō shikkō yaku shachō*) of Japan Securities Depository Center, Incorporated (present)

[Important concurrent posts]  
• President and Chief Executive Officer of Japan Securities Depository Center, Incorporated

## Audit & Supervisory Board Members \*Outside

### Audit & Supervisory Board Members



**Masaaki Nakamura**

Apr. 1980: Entered the Company  
Jan. 2013: Deputy Group Executive of Facilities Management Headquarters  
Mar. 2014: Deputy Group Executive of Human Resources Management & Organization Headquarters  
Apr. 2014: Executive Officer  
Mar. 2015: Director  
Mar. 2016: Managing Executive Officer  
Apr. 2016: Group Executive of Facilities Management Headquarters  
Feb. 2017: Group Executive of Public Affairs Headquarters  
Mar. 2018: 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 Presidents

**Yoroku Adachi**  
Chairman & CEO,  
Canon U.S.A., Inc.

**Hideki Ozawa**  
President & CEO,  
Canon (China) Co., Ltd.

### Senior Managing Executive Officers

**Seymour Liebman**  
Executive Vice President,  
Canon U.S.A., Inc.

**Naoji Otsuka**  
Chief Executive,  
Inkjet Products Operations

**Toshio Takiguchi**  
Chief Executive, Medical Systems and  
Components Operations  
President & CEO, Canon Medical Systems  
Corporation

### Managing Executive Officers

**Kenichi Nagasawa**  
Group Executive,  
Corporate Intellectual Property and  
Legal Headquarters

**Masanori Yamada**  
Chief Executive, Image Solutions  
Business Operations  
Chief, Rugby World Cup/Olympic and  
Paralympic Project  
Chief, IR/MICE Business Project

**Aitake Wakiya**  
Executive Vice President & CFO,  
Canon Europe Ltd.

**Eiji Osanai**  
Group Executive,  
Production Engineering Headquarters

**Ryuichi Ebinuma**  
Group Executive,  
Corporate Planning Headquarters

**Yuichi Ishizuka**  
President & CEO,  
Canon Europa N.V.  
President & CEO,  
Canon Europe Ltd.

**Kazuto Ogawa**  
President & COO,  
Canon U.S.A., Inc.

**Shunsuke Inoue**  
Group Executive,  
R&D Headquarters

**Takayuki Miyamoto**  
Chief Executive,  
Peripheral Products Operations  
Chief, Canon EXPO Project

**Katsumi Iijima**  
Group Executive,  
Digital Business Platform Development  
Headquarters

**Hiroaki Takeishi**  
Chief Executive,  
Optical Products Operations

**Soichi Hiramatsu**  
Group Executive,  
Procurement Headquarters

**Takashi Takeya**  
Senior General Manager,  
Global Logistics Management Center

**Go Tokura**  
Chief Executive,  
Image Communication Business  
Operations

**Hisahiro Minokawa**  
Group Executive,  
Human Resources Management &  
Organization Headquarters

### Executive Officers

**Nobutoshi Mizusawa**  
Deputy Chief Executive,  
Medical Systems and Components  
Operations

**Yoichi Iwabuchi**  
Group Executive,  
Information & Communication Systems  
Headquarters

**Nobuyuki Tainaka**  
Senior General Manager,  
Global Legal Administration Center

**Takanobu Nakamasu**  
Executive Vice President,  
Canon Europe Ltd.

**Toshihiko Kusumoto**  
Deputy Chief Executive,  
Office Imaging Products Operations

**Akiko Tanaka**  
Deputy Group Executive,  
Corporate Planning Headquarters

**Ritsuo Mashiko**  
President,  
Oita Canon Inc.

**Noriko Gunji**  
President & CEO,  
Canon Singapore Pte. Ltd.

**Hideki Sanatake**  
Deputy Group Executive,  
Corporate Intellectual Property and  
Legal Headquarters

**Tamaki Hashimoto**  
Group Executive,  
Consumer Inkjet Products Group

**Hideto Kohtani**  
Deputy Group Executive, Image  
Solutions Business Group 1

**Minoru Asada**  
Chairman & CEO,  
Océ Holding B.V.

**Kazuhiko Nagashima**  
Deputy Group Executive,  
Finance & Accounting Headquarters

**Katsuhiko Shinjo**  
Deputy Group Executive,  
R&D Headquarters

**Katsuyoshi Soma**  
President,  
Fukushima Canon Inc.

**Masaki Omori**  
Deputy Group Executive,  
Production Engineering Headquarters

**Saijiro Endo**  
Senior General Manager, Office  
Imaging Products Development  
Planning & Management Center

**Toshiyuki Matsuda**  
Group Executive, Peripherals Marketing  
Group

**Takeshi Ichikawa**  
Group Executive, Device Technology  
Development Headquarters

**Hiroto Okawara**  
Deputy Group Executive, Image  
Solutions Business Group 2

# Corporate Governance

## Fundamental Policy

In order to establish a sound corporate governance structure and continuously raise corporate value, Canon 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.

Details of Canon Inc.'s corporate governance structure are available on Canon's website and the Tokyo Stock Exchange website under "An Overview of Corporate Governance at Canon Inc."

Reference: An Overview of Corporate Governance at Canon Inc.  
<https://global.canon/en/ir/strategies/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 amount of time spent deliberating)
- As for the decision making and supervisory function of the Board of Directors (including the appropriateness of agenda items and agenda criteria of the Board of Directors as well as appropriateness etc. of content that is reported.)
- As for the roles of Outside Directors and Audit & Supervisory Board Members (including the necessity of training etc. regarding the understanding of company affairs and corporate structure)

As for fiscal year 2018, the Board of Directors meeting held in February 2019, it was determined that there was no problem with the effectiveness of Board of Directors meetings due to measures for active deliberation such as the preparation of discussion materials following prior questioning and the exchange of opinions between Outside Directors and the Audit & Supervisory Board. 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.

## Governance Structure

### Fundamental Policy

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

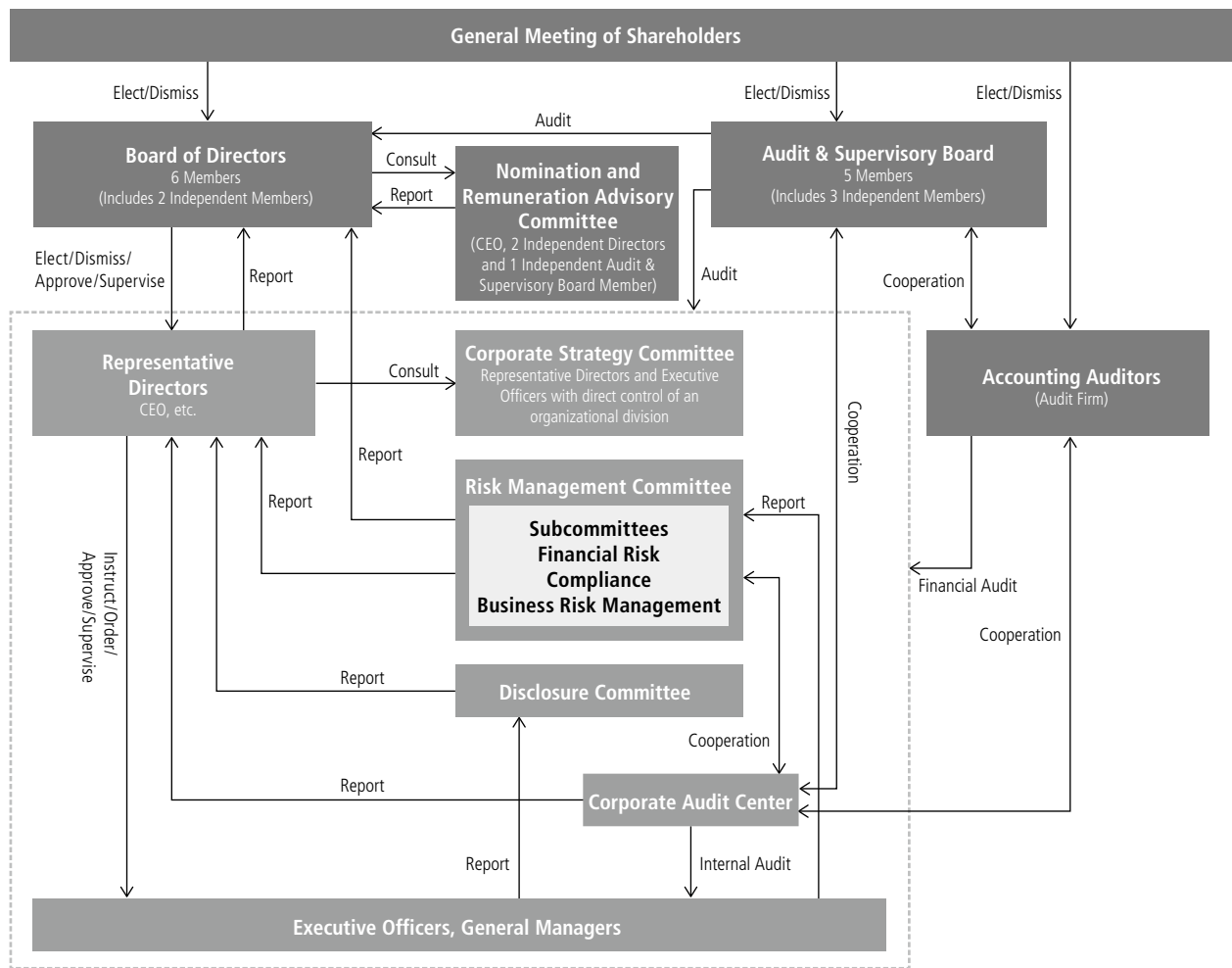
### Board of Directors

While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive Directors that oversee multiple business fields or headquarters functions, in order to secure sound management, an adequate number of at least two or more Independent Outside Directors are appointed. 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 six members, four Representative Directors from inside the Company and two Outside Directors that qualify as Independent Directors. Additionally, there are 40 Executive Officers, including two females and one non-Japanese.

## Corporate Governance Structure (As of April 1, 2019)



### Audit & Supervisory Board

As a body independent from the Board of Directors in charge of the audit of operations, 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, 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 to oversee the Directors in the execution of their duties, the status of corporate assets and other matters in order to ensure the soundness of management.

The Audit & Supervisory Board consists of five individuals, three of which 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 Corporate Strategy Committee meetings, receive reports from directors and employees, review documents related to important decisions, and conduct audits by investigating the situation of businesses and property of Canon Inc. and its subsidiaries. In this way, the Audit & Supervisory Board conducts strict audits of directors' execution of duty, including the status of development of the internal control system.



## Corporate Governance

### 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.

- **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.

The Company 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 (includes the selection of a successor for the chief executive officer position), the CEO recommends candidates thereof from among individuals that have been recognized as having met the prescribed requirements, and the Committee checks the fairness and validity of such recommendation prior to submission to and deliberation by the Board of Directors.

Additionally, as for Audit & Supervisory Board Member candidates, prior to deliberation of the Board of Directors, consent of the Audit & Supervisory Board shall be acquired.

### 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 the Company's expense, attend training courses held inside or 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 operational sites as necessary.

### 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 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.

### Function, Role, 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 & Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors /Audit & 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's website. All of Canon'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 was elected as an Outside Director so that Canon Inc.'s management may utilize his high-level expertise and wealth of experience gained from his distinguished career as Superintending Prosecutor of High Public Prosecutors Offices (in Takamatsu, Hiroshima and Osaka) and later as an attorney in corporate legal affairs, as well as serving as an Outside Director and an Outside Audit & Supervisory Board Member for other companies.
	Haruhiko Kato	Haruhiko Kato has, over many years, had a distinguished career in fiscal operations of the national government as Director-General of the Tax Bureau in the Ministry of Finance, and Commissioner of National Tax Agency. He was elected as an Outside Director so that Canon's management may utilize his high-level expertise and wealth of experience gained from his managerial experience as President of Japan Securities Depository Center, Incorporated.
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 a candidate for 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 been engaged for many years in corporate accounting as a certified public accountant. 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 corporate accounting to further enhance Canon Inc.'s auditing system.
	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.

### Internal Audit Division

The Corporate Audit Center, the company's internal auditing team, as an independent and specialized organization and in accordance with internal audit rules, conducts audits and evaluations and provides guidance on such matters as compliance with laws and the internal control system. Furthermore, the Corporate Audit Center is primarily responsible for audits covering such areas as quality and the environment, and conducts them in collaboration with the divisions in charge. Additionally, based on senior executive management policy, for all work processes, audits must be conducted from specialized viewpoints and there are plans to increase the number of members from 78 (as of April 1, 2019) to strengthen auditing functions.

### Cooperation between Audit & Supervisory Board Members and Internal Auditing

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the Corporate Audit Center an outline 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 between Audit & Supervisory Board Members and Internal Auditing is promoted through, for example, monthly meetings between Audit & Supervisory Board Members and the head of the Corporate Audit Center where information and opinions are exchanged.

### Cooperation between Audit & Supervisory Board Members and Accounting Auditors

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the accounting auditors an outline of their audit plan before conducting each audit as well as explanations about important auditing items. The Audit & Supervisory Board Members and the Audit & Supervisory Board confirm the validity of these items. The Audit & Supervisory Board Members receive from the accounting auditors reports on the internal control system, accounting audits, and quarterly reviews, and they also conduct timely exchanges of opinion with the accounting auditors on such subjects as the results of audits and reviews, the accounting auditors' understanding of the company's internal control systems, including how they are being implemented and maintained, and risk evaluations. Furthermore, in addition to observing the Accounting Auditors' fieldwork and audit reviews as necessary, Audit & Supervisory Board Members hold meetings with accounting auditors in charge of auditing Group companies in Japan and abroad, and endeavor to fully grasp audit conditions.

The Audit & Supervisory Board Members and the Audit & Supervisory Board also confirm the validity of the quality management systems of audits, receiving detailed explanations about this from accounting auditors. With the aim of monitoring the independence of accounting auditors, Canon introduced an Audit & Supervisory Board preapproval system for the content of auditing contracts and remuneration.

## Corporate Governance

### Executive Compensation

The remuneration of Representative Directors and Executive Directors consists of a basic remuneration, which is a fixed amount, paid each month, as compensation for execution of duties required in accordance with their role; a bonus that is linked to the Company's business performance in each business year; and, a stock-type compensation stock option plan to provide an incentive to improve medium- to long-term performance and raise corporate value.

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

The Company 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 examined the rationale of the remuneration system, including standards for calculating basic remuneration and bonuses as well as standards for granting a stock-type compensation stock option plan, and reported to the Board of Directors that they considered such a remuneration system to be reasonable.

The amount of basic remuneration is determined for each Director and Executive Officer by the Board of Directors in accordance with calculation standards verified by the Nomination and Remuneration Advisory Committee.

The total amount of basic remuneration and stock-type compensation stock option plan for Directors is within the limit of the remuneration amount approved by the general meeting of shareholders. As for Directors' bonuses, the payment is fixed following approval of the submitted proposal at the Ordinary General Meeting of Shareholders.

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.

### Policy for Constructive Dialogue with Shareholders

#### Policy

For sustainable growth and to help improve corporate value over a mid- 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, conferences are held when appropriate and on Canon'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. works for dialogue with domestic and overseas analysts and institutional investors, arranging interview opportunities appropriately. 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 will report 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.

### 2018 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Category of Position	Number of Directors and Audit & Supervisory Board Members (persons)	Remuneration and Other Amounts by Classification (millions of yen)			Remuneration and Other Amounts (millions of yen)
		Basic Remuneration	Bonus	Stock-Type Compensation Stock Option	
Directors (excl. Outside Directors)	5	785	113	88	986
Outside Directors	2	48	–	–	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	3	52	–	–	52
Outside Audit & Supervisory Board Members	4	59	–	–	59

\* The above number of Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members) includes 1 Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 117th Business Term held on March 29, 2018.

\* The above number of Outside Audit & Supervisory Board Members includes 1 Outside Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 117th Business Term held on March 29, 2018.

\* "Bonus" represents the accrued directors' bonuses.

\* The figure for stock-type compensation stock option indicates expenses recorded in the relevant fiscal year.

# Risk Management

## Canon's Approach to Risk Management

Canon Inc. recognizes that the improvement and implementation of a risk management system to deal with serious risks that the Canon Group may face in the course of business is extremely important to ensure the proper operation of the Group and to continually improve corporate value.

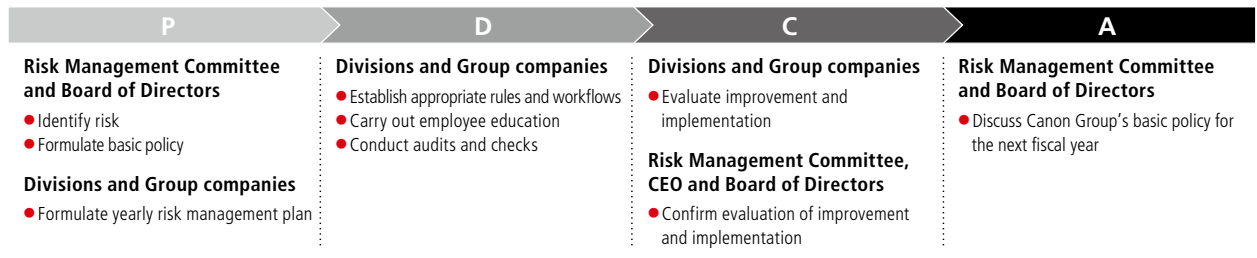
## Risk Management System

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.

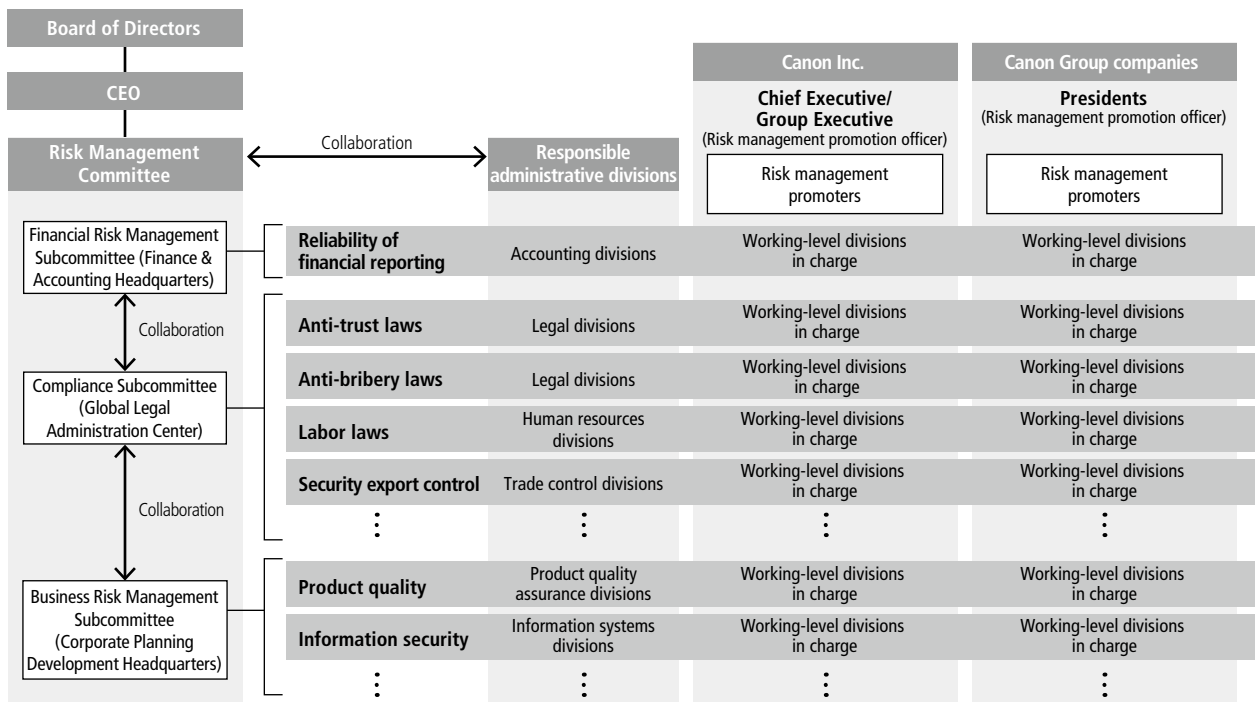
The Risk Management Committee develops various measures to promote the Canon Group's risk management activities, including identifying any significant risks (violations of laws and regulations, inappropriate financial reporting, quality issues or information leaks, etc.) that the Canon Group may face 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 2018 showed no material flaws in the system.

## Processes for Improvement and Implementation of Risk Management System



## Risk Management Promotion System





## Risk Management

In line with the basic policy prepared by the Committee and in their capacity as risk management promotion officer, the heads of Canon Inc. divisions and presidents of Canon 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 risk management promotion officers in coordinating risk management practices.

Additionally, Canon Inc. administrative divisions with jurisdiction over miscellaneous 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 Canon Group executives conducted by the Human Resources Division at Canon Inc., participants are educated on the importance of autonomously improving and implementing a risk management system at each company, and the role of executives in improving and implementing such a system.

Similarly, when the Human Resources Division conducts training for newly appointed general managers and managers, it educates them on the importance of the system to manage legal risk and the role of management in constructing such a system.

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

### Financial Risk Management

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.

We endeavor to make qualitative improvements in ensuring the reliability of the Group's financial reporting. We support independent initiatives and self-driven educational activities at Group companies as they implement the PDCA cycle (review business procedures for financial risk).

As a result of these initiatives, Canon's accounting auditor determined that the company's internal controls related to financial reporting were effective in fiscal 2018.

## Compliance

The Compliance Subcommittee works to promote corporate ethics across the Group in accordance with the Canon Group Code of Conduct, and to improve the Group's legal risk management system. As a result of these initiatives, Canon had another year free from material fines or other sanctions in 2018.

### 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 global 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

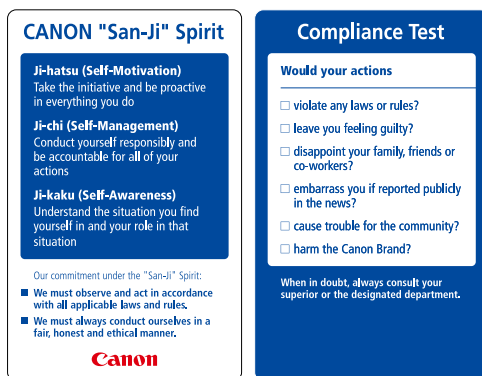
##### 5. Maintenance and Improvement of Working Environment

- 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 Canon Group's management stance and standards that Canon Group executives and employees must comply with in their duties. In addition to Japanese, the Code of Conduct has been translated into many languages, including English, French and Chinese, and adopted by a resolution of the Board of Directors of each Canon Group company, which also strives to ensure that it is known and practiced by all.

In addition, a portable Compliance Card has been created in Japanese and many other languages, including English, French and Chinese, and given out to Group executives and employees inside and outside Japan. Written on one side of the card is the *San-ji* (Three Selves) Spirit, which has been the guiding principle of the company since its founding, and on the other side is a compliance test that enables employees to carry out self-questioning of their actions on a daily basis.



Compliance Card

## ■ Corporate Ethics and Compliance Training

Canon Inc. 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. conducts corporate ethics and compliance training as part of rank-based training for newly appointed general managers and managers as well as new employees.

Additionally, Canon Inc. and its subsidiaries in Japan 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.

## ■ Whistleblower System

Canon Inc. has established a hotline to receive information related to compliance issues. The confidentiality of callers is strictly maintained, and they are guaranteed not to suffer any unfair treatment for using the hotline. We continually work to encourage use of the system by raising awareness of the hotline services, using such means as an intranet compliance website and compliance training.

Hotlines have been established at nearly all Group companies inside and outside Japan. Canon Inc. receives biannual reports from Group companies on the operational status of their whistleblower system.

## Legal Risk Management System

At Canon, we have identified significant legal risks that the Canon Group may face in the course of business (for example, violations of anti-trust laws, anti-bribery laws and export control regulations) by considering the potential likelihood and impacts on Canon's business. To minimize these risks, we are working to improve the system to ensure legal compliance by improving operational workflows and rules, providing law-related training to applicable employees, and conducting audits and checks.

## ■ Strict Compliance with Export Control Regulations

Canon Inc. has established a security trade control framework headed by the president and overseen by the Foreign Trade Legal Division within the Global Logistics Management Center. This ensures that we can implement proper security trade controls in compliance with strict regulations on the export of goods and technologies for civil use that could be diverted for use in weapons of mass destruction or conventional weaponry.

The Foreign Trade Legal Division works with divisions involved with individual goods and technologies to double-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. We have also established and revised Security Trade Control Guidelines, and hold regular briefings and training sessions for applicable persons in charge at Canon Inc. and Group companies in Japan to further educate employees about the importance of security trade control. We also provide Group companies with templates for company rules, training materials for employees, and support via the help desk to help these companies establish control frameworks and rules.

Implementing such thorough internal controls at each Group company has ensured that the Canon Group does not violate security trade control laws. Canon Inc. has also maintained a bulk export license from Japan's Ministry of Economy, Trade and Industry continuously since 1990. This license is granted only to exporters who exercise strict controls.

## Risk Management

### ■ Compliance with Anti-Trust Laws

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

### ■ Prevention of Bribery

The Canon Group Code of Conduct clearly stipulates that Canon will not receive benefits in the form of gifts or entertainment that exceed the social norm, or provide similar benefits to other parties.

Canon carries out regular training for employees of divisions involved with negotiations between public officials and business partners to inform them about the latest regulatory trends (including provisions to prevent bribery of public officials outside Japan) in major countries and details of the Code of Conduct.

### Promoting Business Risk Management

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

Action policies and plans for each identified serious risk are decided in cooperation with the responsible administrative divisions for the entire Canon group and implemented throughout Canon Inc. business divisions and Group companies, along with the promotion of risk mitigation activities.

### 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.

Since 2005, Canon has had external certification, ISO27001, for its 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 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, depending on circumstances (→P32).

The Information & Communication Systems Headquarters formulated the Canon Group Information Security Rules to ensure the same level of measures and a consistent approach to information security are applied across the Canon Group globally. Each Group company creates regulations and guidelines based on these rules in line with its needs, and conducts related training and awareness activities. Periodic inspections are also carried out to assess the status of each Group company's information security measures and enable improvements or revisions as needed.

In 2018, information security checks were again carried out at 20 Group companies in Japan and 17 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.

\* CSIRT: 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\*<sup>1</sup>.

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 while away on a business trip, and we have also placed restrictions on email attachments and taking company computers and storage media offsite.

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

In 2018, we also initiated further risk mitigation measures in anticipation of a heightened risk of cyber-attacks ahead of Rugby World Cup 2019™, Japan and the Olympic and Paralympic Games Tokyo 2020.

\*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 Malware: malicious software (including computer viruses and ransomware) created with the deliberate intention of performing unauthorized or harmful operations.

### ■ Security Measures for Production Facilities

Canon implements security measures for its production facilities to ensure malware, cyber-attacks 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 cyber-attacks. Today, the growing use of off-the-shelf OS software and networks 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. In 2017, we began undertaking critical information security audits for Canon Inc. and Canon Group production companies in Japan. We also began monitoring the networks linked to important facilities and production lines for any unauthorized activity.

In 2018, similar security audits of production facilities were conducted at Group production companies overseas as well.

### ■ 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 2018, roughly 25,000 employees—equivalent to Canon Inc.'s total workforce—received information security training. This included training to develop information security literacy\*, including how to deal with suspicious emails, measures to prevent email misdirection, and other IT protocols. In addition, special training sessions based on a targeted email attack were conducted involving roughly 78,000 Canon Inc. and Group company employees to provide practical instruction in responding appropriately to suspicious emails so widespread damage is avoided.

\* Information security literacy: knowledge and skills needed to implement proper information security measures.

### ■ Protecting Personal Information

Canon recognizes that personal information is an important asset, and that protecting this asset is one of its social responsibilities.

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 all Group companies, creating a centralized management system covering the entire Canon Group. As a result, in 2018 the Group had another year free of serious incidents involving the loss or leakage of personal information at Canon Inc. or any of its Group companies. Canon did not receive any privacy infringement complaints from customers in 2018.

Canon Inc. and Group companies in Japan have also implemented measures to deal with Japan's Social Security and Tax Number System (referred to as the "My Number" system), introduced in 2016, in an appropriate manner. All Group companies in Japan formulated My Number Handling Rules, My Number Regulations, and a detailed handling procedure manual. In particular, our measures regarding physical and technological security are more stringent than those mandated by law, and we continue to collaborate with the IT Division on this matter. Moreover, Canon, Inc. started taking steps to respond to the EU General Data Protection Regulation, GDPR, implemented in May 2018, approximately one year in advance of the implementation, establishing systems as well as formulating and implementing rules.



## Risk Management

### Post-Disaster Business Continuity Plan

■ Responding to the Risk of Damage to Infrastructure  
Canon believes that establishing a system to ensure that business operations can continue after 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)\*<sup>1</sup> and Canon Group Disaster Preparedness Guidelines, and are working hard on advancing business continuity measures for disasters, including 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 rebuilt all on-site buildings, 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\*<sup>2</sup> to back up information systems to ensure that the core IT system will operate securely in the event of a disaster.

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 Canon 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, 39 operational sites conducted emergency drills based on these manuals.

\*1 Business Continuity Plan (BCP): 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 Disaster Recovery Center: 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 abides by the following principles on tax matters. In 2018, Canon did not receive any negative tax-related judgments or assessments, nor was it subject to any major punitive measures, such as fines.

1. Pay taxes properly in accordance with tax-related laws and ordinances.
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

	2014	2015	2016	2017	2018
Taxes on income before income taxes (hundred million yen)	1,180	1,161	827	980	962
Effective tax rate on income before income taxes (%)	30.8	33.4	33.8	27.7	26.5

# Intellectual Property Management

## Canon's Policy on Intellectual Property

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins our belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is clearly defined as being to support business development. We aim to make a practical contribution to realizing technologies of benefit to society through the creation and utilization of IP assets from basic patents related to essential core next-generation technologies to essential benchmark patents linked to vital technologies for an IoT society based on the fruits of varied research.

### Basic Policy of Canon IP Activities

- IP activities are vital to support business operations
- The fruits of R&D are products and IP
- Intellectual property rights of other companies should be respected and handled appropriately.

## 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 other companies. We have established clear rules to ensure that our products do not infringe on rights held by others.

More specifically, we conduct thorough search of third-party patents to prevent use of intellectual property held by others without permission. Such thorough search of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

By conducting thorough searches of third-party patents, Canon smoothly and appropriately enters into partnerships with other companies and external research institutions for cross-licensing or joint research projects. This enables Canon to achieve greater results than it could attain by using only its own.

## Canon Group Intellectual Property Management System

To carry out Canon's business activities consistent with its intellectual property strategy, intellectual property rights management has been centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. We manage the Group's intellectual property rights from the standpoint of optimizing the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting advantages for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

As a Managing Executive Officer, the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters makes decisions regarding the use of intellectual property from a management perspective, and coordinates with business units.

## Management to Strengthen Group Companies

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the IP divisions at each Group company, along with the process for formulating policies on other shared activities and issues are controlled by Canon's management rules.

Moreover, designated staff at the Corporate Intellectual Property and Legal Headquarters are assigned to or visit Group companies to improve global intellectual property activities and develop human resources.

## In-House Intellectual Property Education

Canon Inc. provides intellectual property training so its employees understand the importance of intellectual property and adhere to Canon's intellectual property policies. The training is given at various stages: during training for new employees, during intellectual property training aimed at development, and during training for newly appointed managers and general managers.

## Intellectual Property Management

### Applying for Patents around the Globe

Canon places importance on applying for patents on a global basis, and as of the end of 2018, held almost 90,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess countries/regions where patents are required. We have focused on filing patent applications for the US market for its large scale and preponderance of high-tech companies. Canon has ranked in the top five for US patent registrations in each of the past 33 years. In 2018, we ranked third overall and were the patent leader among Japanese companies for the 14th consecutive year.

### Top Five Companies Acquiring U.S. Patents in 2018

Rank	Company	Number of patents
1	IBM	9,100
2	Samsung Electronics	5,850
3	Canon	3,056
4	Intel	2,735
5	LG Electronics	2,474

\* Figures based on data released by IFI CLAIMS Patent Services, a U.S. research company specialized in patent information.

### Mitigating Patent Litigation Risk through Collaboration with Other Companies

In recent years, due to the drastic increase in the number of patents, there has been a sharp rise in patent lawsuits initiated by Patent Assertion Entities (PAEs). PAEs have no actual business operations and instead attempt to receive large settlements from operating companies. PAEs initiate more than half of the several thousand patent lawsuits filed annually in the United States.

In 2014, Canon established the License on Transfer Network (LOT Network) together with Google and other companies to curb lawsuits by PAEs.

When a member of the LOT Network transfers a patent to a PAE, the license for that patent is granted to other member companies without any compensation.

This reduces the risk of litigation from PAEs.

As of November 2018, 318 companies having more than 1,500,000 patents in total had joined the network.

## Brand Management

### Canon's Approach to Brand Management

Canon implements proper brand management to ensure that customers and society are not adversely affected by improper handling of Canon's corporate logos within the Group or misuse of these logos by third parties.

We set up the Brand Management Committee as a deliberative body charged with establishing rules for enhancing the value of the Canon brand and resolving brand-related issues. The Brand Management Division was established 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.

The Brand Management Committee discusses the appropriateness of trade names and product names from a brand perspective as well as use of the Canon trademark, providing appropriate advice and support to relevant persons.

### Brand Management Rules

Canon has formulated a set of brand management rules, including the Canon Mark Basic 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 Canon Group, we notify Group companies, publicize the 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 regions where it operates to ensure that all 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, at Canon Inc., we incorporate brand education into the rank-based training curriculum and also strive to raise awareness utilizing the company's intranet system.

Along with the regular operation of the Brand Management Committee, in 2018 we made a sweeping review of the relevant guidelines, revising their structure, content, and positioning to promote better understanding and smooth implementation of basic brand management rules among all employees. In addition, as part of an awareness campaign aimed at enhancing our branding capabilities, we conducted seven training sessions for all employees assigned outside Japan, with 145 participants.

### 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 and inferior quality, and in the worst case, cause injury to or endanger the lives of customers who purchased a product trusting the Canon brand.

We are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while working with customs authorities to stop their importation. We strengthen our 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, following the great increase of counterfeit products sold online, we are also heavily focusing on creating mechanisms to remove counterfeit products from the Internet.



# CSR Management

## Basic Rationale

The expectations and responsibilities placed on companies by society are wide-ranging. In line with the times, they are expanding from product quality and safety, and measures to address environmental issues, to compliance, information security, employee rights and labor management, and even to supply chain management.

In the field of business as well, with the advancement of globalization the demand from customers and business partners to deal with companies that meet certain criteria in terms of consideration paid to the global environment and society is increasing.

Against this backdrop, we formulated the Canon Group CSR Activity Policy (right) to express, together with our corporate philosophy of *kyosei*, the Group's commitment to

social contribution as a corporate citizen. Under this policy, we strive to utilize Canon's strengths effectively to conduct CSR activities based on the needs of countries and regions where we operate. To provide stakeholders an easy-to-understand explanation of the Group's stance toward fundamental and universal elements of corporate social responsibility, top management approved the drafting of the Canon Group CSR Basic Statement (below), which we disseminate widely both internally and externally.

Details of our CSR activities are disclosed to stakeholders through this report, which is published annually.

Reference: Canon Group CSR Basic Statement  
<https://global.canon/en/csr/policy/pdf/statement-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 must fulfill in order to ensure Canon products and services can be used with peace of mind and maintain the reliability of the Canon Group.

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 based on such factors as race, nationality, gender, religion and creed
13. Promote diversity
14. Prohibit child labor and forced labor (including human trafficking)
15. Promote sincere dialogue between employees and management in accordance with the laws and regulations of each region
16. Pay employees wages equal to or greater than legally mandated wages
17. Prevent excessive overtime work and grant appropriate holidays
18. Ensure occupational health and safety, and prevent occupational injuries
19. Request that business partners take steps to address basic social responsibility for such issues as the environment, human rights, labor and compliance within the supply chain, and confirm the implementation of said steps

Canon respects the following international initiatives and complies with them in line with the above basic statement:

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

## Canon Group CSR Activity Policy

### — Contributing to the Realization of a Better Society as a Good Corporate Citizen—

The Canon Group, recognizing that its corporate activities are supported by the development of society as a whole, aims to achieve growth through sound and fair business activities while contributing to the realization of a better society as a good corporate citizen.

Therefore, Canon will promote its CSR activities within the international and local communities, effectively leveraging the company's advanced technological strengths, global business deployment, and diverse, specialized human resources.

#### Key Activities

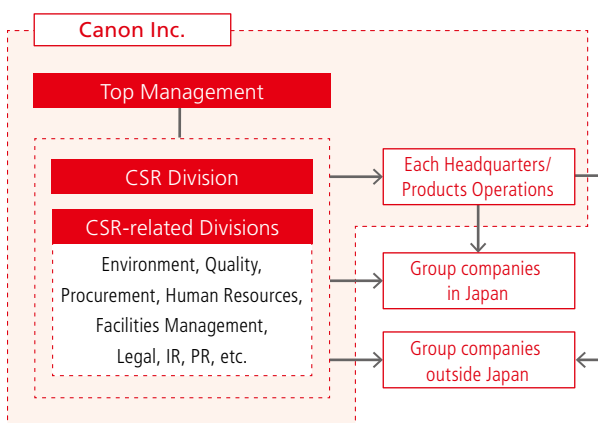
- Contribute to cultural improvement; support the arts, science, sports, etc.
- Provide humanitarian support to people and regions facing harsh conditions due to disasters, etc.
- Contribute to the promotion of both enriched lifestyles and the global environment
- Contribute to society through business activities
- Contribute to the realization of a sound and fair society

### CSR Promotion System

The CSR Division directly under top management promotes and coordinates CSR-related activities across the Canon Group. The CSR Division works together with relevant divisions to address any CSR-related issues that require inter-departmental cooperation, such as environmental, quality, procurement, human resource, facilities management, legal, IR or PR issues. Divisions directly in charge of fields with high societal expectations, such as environmental protection, compliance, or quality management, take the lead in CSR activities in those areas.

The CSR Division reports on CSR-related matters to top management as needed.

#### CSR Promotion System



### Educational and Awareness-Raising Activities

To disseminate CSR-related information across the Canon Group, management executives from Canon's headquarters and product operations divisions, and Group companies in Japan and overseas are given briefings by the CSR Division General Manager at annual managerial conferences on CSR-related matters, including the basic rationale, specific CSR initiatives, the UN-adopted SDGs, and ESG investing.

For specialized topics, such as quality assurance, environmental protection, information management, or compliance, the respective division provides employee training as required. Canon also works to develop managers with a broad perspective by including an overview of CSR trends and Canon's CSR initiatives in the training for newly appointed managers. In addition, the CSR managers from Group companies around the world meet regularly to share information to support dynamic CSR initiatives across the Group.



CSR briefing for management executives from headquarters/product operations divisions and Group companies worldwide

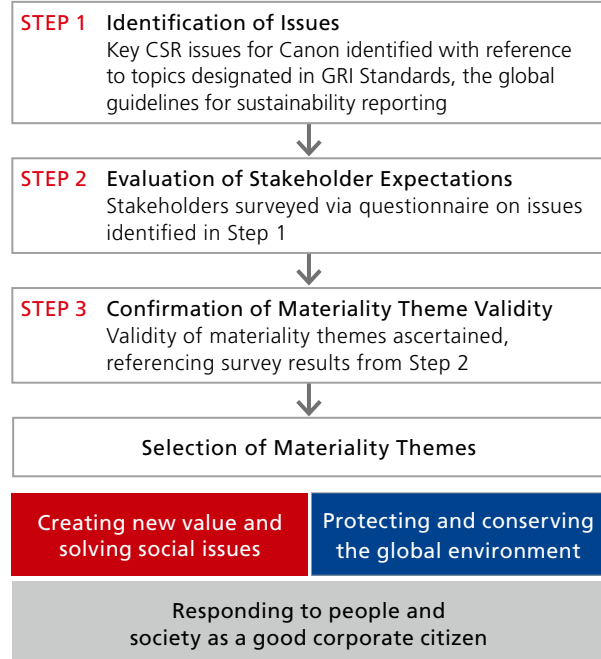
### Identifying and Reviewing Materiality

Taking into account the treatment of materiality themes in the GRI Standards for sustainability reporting, we collect and examine information on Canon initiatives and medium- to long-term business plans enacted thus far, demand in regard to society and corporations, and stakeholder expectations of Canon identified through our independent survey campaigns. In light of this information, we have identified “Creating new value and solving social issues” and “Protecting and conserving the global environment” as major themes, along with “Responding to people and society as a good corporate citizen” as the foundation for supporting these activities. Under these themes, we are actively working towards solutions to issues faced by global society.

In the environmental field, to support the development of activities, we identify materiality issues at the topic level as stipulated in the GRI Standards. (→P62)

We also use the annual stakeholder surveys to confirm whether the materiality themes and related activities we have selected are considered appropriate. Such feedback ensures we can make suitable revisions as required.

### Materiality Identification Process



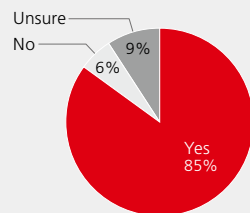
### Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys once a year to better understand the social issues stakeholders are interested in as well as the expectations they have of the Company. Based on the results of these surveys, Canon confirms the validity of its materiality themes and makes an appropriate review. In addition, these surveys help Canon analyze its impact on society and further improve its CSR activities. To assist the future expansion of CSR activities, Canon also asks stakeholders for their views on its integrated reporting and the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

#### Validity of Materiality Themes

We asked stakeholders about materiality themes following the revisions we made in line with the third-party opinion. At least 85% of stakeholders surveyed in 2018 viewed our current assessment as appropriate.

Is our current assessment of materiality themes appropriate?



#### Comments on Sustainability Activities and CSR Disclosures

Specific stakeholder comments included: “The materiality themes are dictated by areas where Canon can contribute, based on business sectors and technical capabilities” (customer, Japan); “It is good that Canon is taking action in line with its *kyosei* philosophy to help achieve the SDGs” (customer, Asia); “The integrated report is valuable in linking the issue of sustainability to Canon’s operations” (investor/analyst, Europe); “We want Canon to adopt a future-oriented perspective in telling us what it is trying to do and the areas it is investigating” (university, research institution, the Americas). The survey also confirmed the environmental issues that stakeholders have high expectations for action, with the top three priorities identified as “reuse and recycling of products,” “management of air emissions and prevention of pollution,” and “management of chemical substances contained in products.”

#### Stakeholder Questionnaire Survey Outline

Method: Questionnaire survey  
 Survey period: December 2018 to February 2019  
 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: approximately 50 stakeholders)

#### SDGs to Address

Survey respondents identified the following three SDGs where Canon is expected to contribute most.



Please refer to the pages below for information on Canon’s activities contributing specific SDGs.

About the SDGs: P17  
 SDG 8: P97 Human Rights and Labor  
 SDG 9: P59 Supporting Industrial Innovation, P121 Social Contribution  
 SDG 12: P78 Contributing to a Circular Economy, P113 Product Responsibility

Please refer to the pages below for information on the environmental themes indicated at left.

Reuse and recycling of products: P78 Contributing to a Circular Economy  
 Management of air emissions and prevention of pollution: P74 Contributing to a Low-Carbon Society  
 Management of chemical substances contained in products: P83 Eliminating Hazardous Substances and Preventing Pollution

# Supply Chain Management

## Fundamental Procurement Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept\*<sup>1</sup>, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide, while taking the environment into consideration.

Canon has formulated and widely published its Procurement Policy, and is endeavoring to build good relations with suppliers by deepening their understanding of Canon's basic stance toward procurement.

In keeping with its corporate philosophy of *kyosei*, Canon carries out procurement activities that give due consideration to society while also continually taking steps to further evolve its ecofriendly green procurement\*<sup>2</sup> practices.

\*<sup>1</sup> EQCD concept: 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.

\*<sup>2</sup> Green procurement: Favoring the procurement of materials and products that have a lower environmental impact (→P70).

### Procurement Policy

Following its corporate philosophy of *kyosei*, Canon aims, as a truly global company, to contribute to the prosperity and wellbeing of the world by developing, manufacturing and marketing useful products, raising profits, and achieving sound corporate growth and development.

The Procurement Division adopts a global perspective in purchasing quality, appropriately priced merchandise in a timely manner. This facilitates improvements in product quality and reductions in prices, and positions us to work with our suppliers to meet customer needs.

1. We comply with all applicable laws and regulations as well as corporate ethics, and operate in a manner that is protective of the environment.
2. We are open to any and all suppliers, and promote fair and free competition in accordance with the principles of faith and trust.
3. We improve manufacturing by mutual growth with reliable, quality suppliers, which are selected through a fair evaluation process.

## Fair and Transparent Dealings

### 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, the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement 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 when it comes to 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 Canon Group companies both inside and outside Japan.

To ensure consistency and uniformity across the company, special internal controls sections have been set up within procurement divisions 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 operates the Suppliers Proposal Site within its main company website with the purpose of collecting information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

We will continue to give careful consideration to all future proposals based on established rules.

Reference: Suppliers Proposal Site

[https://proposal.in.canon.co.jp/wwcc/WWCCD800.aspx?PRM\\_CF\\_LANGUAGE=0](https://proposal.in.canon.co.jp/wwcc/WWCCD800.aspx?PRM_CF_LANGUAGE=0)



## Supply Chain Management

### Canon Supplier CSR Guidelines

Pursuant to the Canon Group Basic Procurement Policy and the Canon Group CSR Basic Statement, we set forth the Canon Supplier CSR Guidelines to promote global procurement activities that take social needs into full consideration. Accordingly, we ask our suppliers to conduct the below initiatives:

#### I. Consideration of human rights, labor, and health and safety of employees

- (1) Respect fundamental human rights of employees and do not discriminate against them based on such factors as race, nationality, gender, religion, and creed
- (2) Endeavor to utilize diverse human resources
- (3) Do not engage in child labor or forced labor (including human trafficking)
- (4) Promote sincere dialogue between employees and management in accordance with the laws and regulations of the country/region of location
- (5) Pay employees wages equal to or greater than legally mandated wages in accordance with the laws and regulations of the country/region of location
- (6) Prevent excessive overtime work and grant appropriate holidays
- (7) Ensure occupational health and safety at the workplace, and prevent occupational injuries

#### II. Sound and fair business activities

- (1) Comply with the laws, regulations and social norms of each country and region where business activities are conducted
- (2) Do not perform acts that obstruct fair, transparent and free competition
- (3) Manage and protect confidential information and personal information

- (4) Endeavor to prevent infringements of the intellectual property rights of others
- (5) Ensure thoroughness in security trade control in accordance with the laws and regulations of the country/region of location
- (6) Do not engage in corruption in all its forms including bribery
- (7) Endeavor to avoid complicity in armed insurgencies or anti-social forces
- (8) Endeavor to disclose relevant and accurate corporate information

#### III. Environmental preservation

- (1) Comply with the Canon Green Procurement Standards
- (2) Endeavor to minimize environmental burden through initiatives aimed at conserving energy, conserving resources, eliminating hazardous substances, and preserving biodiversity

#### IV. Guarantee of continuance of corporate and business activities

- (1) Endeavor to preserve high level in quality, cost, delivery and technical aspects
- (2) Provide safe and secure products, parts, materials, services, etc.

#### V. Request to your suppliers for their cooperation

- (1) Request to your suppliers that they cooperate with initiatives for social responsibility, including those that concern human rights, labor, safety, legal compliance, the environment and product quality/safety

### Socially Responsible Procurement

We formulated the Canon Supplier CSR Guidelines to promote socially responsible procurement across the Canon Group, and we have published the guideline on our corporate website and in other formats to make it widely available to stakeholders. Based on this guideline, we work together with suppliers to engage in procurement activities that take into account human rights, labor, health and safety, compliance and the environment to promote sustainable procurement across the entire global supply chain.

We have set up a channel to receive feedback from suppliers. On our CSR website, suppliers can submit opinions and requests by sending a message on the page entitled "We welcome your comments on our CSR Activities."

Reference: We welcome your comments on our CSR Activities  
<https://global.canon/en/contact/csr/csr-form-e.html>

Reference: Canon Supplier CSR Guidelines  
<https://global.canon/en/procurement/social.html>

### Supplier Evaluations and Ongoing Surveys Incorporating Environmental and Social Perspectives

When beginning dealings with a new supplier, we review whether the supplier meets Canon's standards in such areas as financial position, management system (quality, cost, delivery date, manufacturing capacity), corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, occupational health and safety, and intellectual property rights protection, and so forth) and global environmental conservation. Only suppliers who meet these standards are registered on our supplier list, along with existing procurement partners.

We also conduct an annual survey of all companies registered on our supplier list. The survey covers a wide range of initiatives, including social and environmental aspects. We undertake a comprehensive evaluation of our suppliers based on the survey results and transaction performance, and reflect the results in the supplier list, giving preference to high-scoring suppliers. We also provide guidance and education to low-scoring suppliers to aid improvement.

With regard to “human rights and labor,” especially, survey items are set with reference to International Labor Organization (ILO) standards and the guidance of the Responsible Business Alliance (RBA), formerly known as the Electronic Industry Citizenship Coalition (EICC). We confirm whether appropriate consideration is given to such issues as child labor, forced labor that includes trafficking of persons, discrimination, minimum wage, working hours, and employee communication.

In addition, in the environment field, we are pursuing green procurement of parts and materials for products from suppliers on the condition that they fulfill the Canon Green Procurement Standards.

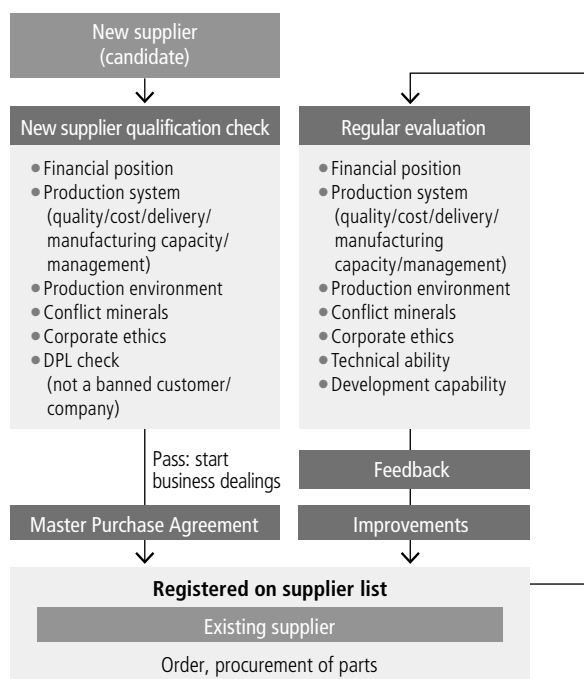
Canon also requires that its suppliers ask the same of their upstream suppliers (second-tier suppliers for Canon).

■ Main Items Surveyed

- Financial position
- Business continuity management (BCM) in case of an emergency
- Environmental-conservation activities
- Compliance with conflict minerals issues
- Corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, occupational health and safety, and intellectual property rights protection, etc.)

Reference: How to become a supplier  
<https://global.canon/en/procurement/procedure.html>  
 Reference: Green Procurement  
<https://global.canon/en/procurement/green.html>

### Supplier Evaluation System



### Cooperation with Suppliers

Canon holds “business trends briefings” for suppliers at each Canon Inc. operational site and each Group production site, asking for their understanding of procurement policies and cooperation with business plans. In other initiatives, in 2018 we held the Procurement Policy Explanation Seminar for directly communicating Canon’s procurement policy and reporting on its activities to our major suppliers. In explaining our policy, the Group Executive in charge of Procurement Headquarters explained how we are strengthening our links with suppliers.

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

### Addressing the Issue of Conflict Minerals

Certain minerals—notably tantalum, tin, gold and tungsten—that originate in the Democratic Republic of the Congo (DRC) and adjoining countries in Africa are used in many industrial products through global supply chains. Trade in some of these minerals is alleged to be funding armed groups in the DRC and adjoining countries who are instigating grave abuses of human rights, environmental destruction, and illegal mining. They are termed “conflict minerals.”

In response, the United States enacted legislation requiring listed companies to confirm that conflict minerals that could fund these armed groups are not being used in their supply chains, and to provide related public disclosures. The legislation went into effect in January 2013.

Seeking to ensure that customers can use its products with peace of mind, Canon is working together with business partners and industry groups with the aim of avoiding the use of conflict minerals that could fund armed groups. As a listed company, Canon is required to submit a Conflict Minerals Report annually by the end of May with the U.S. Securities and Exchange Commission (SEC) detailing the status of Canon Group activities to address the issue of conflict minerals.

Reference: Basic Approach of the Canon Group Regarding Conflict Minerals  
<https://global.canon/en/csr/conflict/policy.html>  
 Reference: Conflict Minerals Report  
[https://global.canon/en/ir/library/form\\_sd.html](https://global.canon/en/ir/library/form_sd.html)

### Due Diligence

Canon investigates the countries of origin of conflict minerals and exercises due diligence, following the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) published by the Organisation for Economic Co-operation and Development (OECD).

Canon identifies any products that could contain any of four minerals and surveys its suppliers to trace the origin of the minerals back to its upstream supply chain regarding the parts

## Supply Chain Management

and materials of the identified products. Then, Canon exercises due diligence to identify any risk of funding armed groups relating to conflict minerals. The surveys utilize the Conflict Minerals Reporting Template (CMRT), an industry standard published by the Responsible Minerals Initiative (RMI)\*.

In 2018, Canon sent CMRT-based surveys to roughly 3,000 suppliers with a response rate of about 90%.

Within the scope of the responses, there was nothing to clearly suggest that the Canon Group's purchasing of parts and materials contributed to funding armed groups. However, recognizing the innate difficulties involved in identifying smelters being utilized and mineral country of origin, or lack of clarity in many responses due to its complicated supply chain, Canon is making efforts to improve the accuracy and efficiency of the surveys. As of March 2019, 322 smelters were identified in the 2018 survey, of which 258 were conformant to the Responsible Minerals Assurance Process, the audit program of the RMI, including those with procedures in progress.

\* Responsible Minerals Initiative (RMI): 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, as a member of the Responsible Minerals Trade Working Group (RMTWG) of the Japan Electronics and Information Technology Industries Association (JEITA), Canon supports the activities of JEITA by conducting briefings for firms in the electronics industry supply chain and sending letters to smelters urging them to accept RMI audits. Canon is also a member of the Conflict Free Sourcing Working Group (CFSWG), which cooperates with JEITA and leading Japanese automakers.

### Independent Assurance Report

Canon undergoes audits by independent private sector experts to gain independent assurance on whether the Canon Group's initiatives on conflict minerals sourcing 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.

### Initiatives to Reduce Risk

To identify places of origin of conflict minerals and smelters using them, it is vital to have cooperation from suppliers. Canon held a briefing for its major first-tier suppliers in November 2018, and requested their understanding of Canon's initiatives.

Furthermore, Canon established a page entitled "Procedure for the Submission of Concerns Regarding Conflict Mineral Risk" on its official website in 2015, following OECD Guidance to provide a grievance mechanism as an early-warning risk-awareness system for conflict minerals. 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) can contact Canon through this page.

Reference: Procedure for the Submission of Concerns Regarding Conflict Mineral Risk

<https://global.canon/en/contact/conflict/conflict-form-e.html>

### 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 UK publish annual statements detailing the risk of forced labor, human trafficking and child labor within their own operations and supply chain. Annual statements are published by Europe-based 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.

In compliance with this legislation, annual statements are also published by Canon Medical Systems (CMSC) and Axis Communications.

Reference: Canon Europe Ltd., Canon Europa N.V., and Canon (UK) Ltd. Modern Slavery Act Statement

<https://canon.ssl.cdn.sdlmedia.com/636674236184334302TH.pdf>

Reference: CMSC Slavery and Human Trafficking Statement

[https://global.medical.canon/about/corporate/Slavery\\_and\\_Human\\_Trafficking\\_Statement](https://global.medical.canon/about/corporate/Slavery_and_Human_Trafficking_Statement)

Reference: Axis Modern Slavery Act Transparency Statement 2018

[https://www.axis.com/files/manuals/gd\\_axis\\_modern\\_slavery\\_act\\_72899\\_en\\_1901\\_hi.pdf](https://www.axis.com/files/manuals/gd_axis_modern_slavery_act_72899_en_1901_hi.pdf)

## Canon's Supply Chain and the Fulfillment of its Social Responsibility

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.

According to media reports, concerns about manufacturers with respect to social responsibility stem from large numbers of manufacturing companies in such industries as sports, apparel and electronic products outsourcing their sewing, assembly and manufacturing operations to outside factories. Furthermore, the social responsibility expected of manufacturers has expanded in scope to encompass large-, medium- and small-size suppliers that provide parts and materials to factories.

Canon places great importance on manufacturing, engaging in product assembly as well as the production of certain components, parts and materials at its own plants, factories and Canon Group manufacturing companies that bear the Canon name and are owned by Canon Inc. directly or indirectly. Manufacturing companies in the Canon Group\*<sup>1</sup> are located in such countries and regions as Japan, China, Taiwan, Malaysia, Thailand, the Philippines, Vietnam, the United States and Europe, and supply Canon products to Canon Inc. and companies including Canon Group marketing subsidiaries and affiliates. These manufacturing companies directly employ considerable numbers of employees and are administrated by Canon Inc., which acts as the head of the Canon Group.

Canon Group manufacturing companies conduct business while adhering to Group policies regarding such matters as human rights, labor, the environment, legal compliance, procurement and security, including the Canon Group CSR Basic Statement, the Canon Group Code of Conduct and the Canon Group Environmental Charter. When necessary, Headquarters divisions, products operations, and audit divisions at Canon Inc. verify the situation at Group companies as a whole, be they in Japan or overseas, from the standpoints of internal controls and risk management.

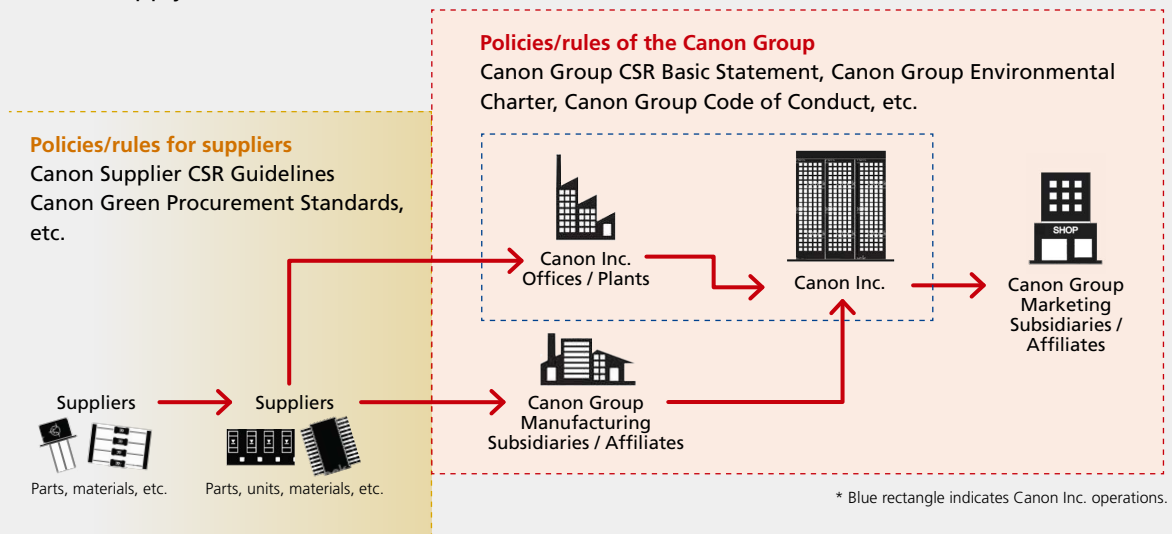
Canon Group offices, plants and manufacturing companies are engaged in partnerships with several thousand suppliers unaffiliated with the Canon Group, from whom they purchase considerable numbers of such components as electronic parts, mechanical parts, units and materials. Procurement divisions at Canon Inc. headquarters and Group manufacturing companies periodically review and evaluate the social responsibility of these suppliers. In particular, Canon may choose to terminate business with suppliers if they fail to abide by laws and ordinances covering such areas as human rights and labor. In 2018, Canon established the Canon Supplier CSR Guidelines\*<sup>2</sup> to clarify the social responsibility standards suppliers must adhere to. Canon also requires that these companies urge their own upstream suppliers to do the same.

Among aspects of social responsibility, child labor and forced labor in particular are areas of growing concern. Within the scope of our 2018 survey of Canon Group companies and suppliers, no problems were found with respect to child labor or forced labor.

\*1 Manufacturing Subsidiaries and Affiliates in the Canon Group  
<https://global.canon/en/corporate/information/group/gr01.html>

\*2 Canon Supplier CSR Guidelines  
<https://global.canon/en/procurement/social.html>

### Canon's Supply Chain



# 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, 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.

When preparing this report, we hold several rounds of direct discussion with third parties starting from the planning stage. During these meetings, we discuss the information to be disclosed in the report in order to ensure that it meets the expectations of our stakeholders (→P127). In addition, we send a questionnaire survey to a wide range of stakeholder groups to find out how they evaluate and what they expect from Canon's corporate social responsibility activities and the content disclosed in the report (→P43).

Below, we introduce our methods of communicating with stakeholders and presents specific initiatives, covering all stakeholder groups that Canon believes to be of high importance for its business activities.

Stakeholder	Main Communication Methods	Main Initiatives in 2018	Topics of Interest
Educational/ Research Institutions	<ul style="list-style-type: none"> <li>Joint research</li> <li>Presentations at international conferences and technical working group meetings</li> <li>Business introductions</li> <li>Participation in surveys and studies</li> <li>Outreach classes and instructor dispatch</li> <li>Onsite briefings at schools, school visits (university/technical college level) and internship programs to support the career development of students</li> </ul>	<ul style="list-style-type: none"> <li>Instructors dispatched to Utsunomiya University (Japan), Center for Optical Research and Education (29 times)</li> <li>Chuo University (Japan) classes held on intellectual property law and corporate law</li> <li>Environmental classes held at elementary schools (31 times)</li> <li>Held meetings at such Canon Foundation grant recipients as universities and research institutions (29 occasions)</li> <li>Visits to promote joint research initiatives between industry and academia (15 times)</li> <li>Onsite briefings held at universities to introduce Canon and its business operations (approx. 100 times)</li> <li>Regular communications with educational and research institutions such as collaborative R&amp;D conducted with university hospitals in Japan</li> <li>Onsite briefings at schools and school visits (university/technical college level)</li> <li>Internships for students on administrative, technical or specialist tracks (23 times, approx. 1,700 students in 2018)</li> <li>Internships for special school students (29 students from 9 schools)</li> </ul>	<ul style="list-style-type: none"> <li>Optical technology</li> <li>Cutting-edge technology</li> <li>Joint research</li> <li>Environmental education related to recycling technology</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Labor-management meetings</li> <li>Information sharing from top management (intranet, in-house magazine, executive meetings, site visits)</li> <li>Training programs</li> <li>Employee surveys</li> <li>Human resource hotline</li> <li>Whistleblower system</li> <li>Safety and Health Committee</li> <li>Internal award system</li> <li>Summer festivals and other events</li> </ul>	<ul style="list-style-type: none"> <li>Labor-management meetings (11 times)</li> <li>Employee surveys (once every two years)</li> <li>Information security seminars (12 times)</li> <li>Environmental training</li> <li>Initiatives to help make individual workplaces more rewarding</li> <li>Monthly workplace safety committee meetings</li> <li>Summer festivals (at each operational site; once a year)</li> </ul>	<ul style="list-style-type: none"> <li>Improvement in workplace environments</li> <li>Maintenance of workplace safety system</li> <li>Maintenance of personnel evaluation system</li> <li>Understanding of management policies</li> <li>Maintenance of employee welfare system</li> <li>Cultivation of high company morale</li> </ul>
NGOs/ NPOs	<ul style="list-style-type: none"> <li>Collaborative projects, including volunteer activities</li> </ul>	<ul style="list-style-type: none"> <li>Support for UNHCR Refugee Film Festival and UNHCR photo exhibition about the Refugee athletes that competed in Rio de Janeiro, sponsored and organized by UNHCR Representation in Japan and Japan for UNHCR*</li> <li>Biodiversity conservation initiatives (such as <i>Furusato</i> Project—Linking Our Dream to the Future)</li> <li>Canon Bird Branch Project</li> <li>Humanitarian and disaster-relief activities in disaster-affected areas</li> <li>Collaborative biodiversity and green procurement initiatives</li> </ul> <p>* The national partner of UNHCR in Japan</p>	<ul style="list-style-type: none"> <li>Ecosystem protection/conservation</li> <li>Issues affecting global society such as refugee issues and poverty</li> <li>Disaster relief support</li> </ul>



Stakeholder	Main Communication Methods	Main Initiatives in 2018	Topics of Interest
Embassies/ Foreign Governments	<ul style="list-style-type: none"> <li>Participation in international exchanges and events</li> <li>Cooperation with events commemorating the establishment of diplomatic relations with Japan</li> </ul>	<ul style="list-style-type: none"> <li>Courtesy calls and participation in hearings or other meetings organized in response to requests from embassies and foreign governments (over 50 times)</li> <li>Participation in international discussions and events designed to improve bilateral relations</li> </ul>	<ul style="list-style-type: none"> <li>Addressing social issues at the bilateral and international levels</li> <li>Further promoting friendly relations with other countries</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>Emergency disaster-relief assistance</li> <li>Participation in disaster-preparedness and crime-prevention drills</li> <li>Involvement in local groups/organizations</li> <li>Participation in local events and volunteer activities</li> <li>Environmental education and awareness activities</li> <li>Community cleanups</li> </ul>	<ul style="list-style-type: none"> <li>Community-based social contribution activities including educational, sports and cultural programs</li> <li>Activities to protect and conserve local ecosystems, such as tree-planting programs</li> <li>Cleanup activities</li> </ul>	<ul style="list-style-type: none"> <li>Protection/conservation of local community ecosystems</li> <li>Contributions to local communities through business operations</li> <li>Understanding local communities</li> <li>Fulfilling responsibilities as corporate citizen to participate in local community activities</li> </ul>
Shareholders/ Investors	<ul style="list-style-type: none"> <li>General meeting of shareholders</li> <li>Conferences for institutional investors</li> <li>Individual meetings with institutional investors</li> <li>Conferences for individual investors</li> <li>Website for investors</li> <li>Corporate reports/brochures for investors</li> </ul>	<ul style="list-style-type: none"> <li>Financial results conferences, corporate strategy conference (5 times)</li> <li>Disclosure of corporate governance report</li> <li>Expanding disclosure of information through such means as revised documents explaining financial results</li> <li>Quick release of documents relating to general meeting of shareholders, enrichment of voluntary disclosure</li> <li>Publication of the Canon Annual Report and Sustainability Report</li> </ul>	<ul style="list-style-type: none"> <li>Medium-to-long-term management strategy aimed at achieving continued growth</li> <li>Business activity trends and results</li> <li>Financial condition</li> <li>ESG initiatives</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Online supplier surveys</li> <li>Procurement annual meeting</li> <li>Briefings on business trends</li> <li>Technology exhibitions by suppliers</li> <li>Promotion of green procurement</li> </ul>	<ul style="list-style-type: none"> <li>Annual survey covering finance, corporate information and business ethics</li> <li>Procurement strategy meeting, parts exhibition (each once a year)</li> <li>Briefings on business trends (9 times)</li> <li>Supplier product/technology exhibition (twice)</li> <li>Collection and management of product information for products containing chemical substances through chemSHERPA</li> </ul>	<ul style="list-style-type: none"> <li>Understanding of Canon Group procurement standards</li> <li>Implementation of procurement standards</li> <li>Product/technology trends</li> <li>General business activity trends</li> <li>Improved efficiency of the chemical substance information transmission scheme</li> </ul>
Federal/Local Governments	<ul style="list-style-type: none"> <li>Opinion exchange with government agencies and municipalities on public policies and business environment</li> <li>Organization of/ participation in technology briefings for government agencies and municipalities and related events</li> <li>Policy recommendations through economic organizations and industry groups</li> <li>Cooperation in surveys and questionnaires for government statistics, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Participation in opinion exchanges with government agencies and municipalities as well as technology briefings, organization of local business fairs (over 250 times)</li> <li>Ongoing active cooperation regarding the implementation and realization of economic policy for the improvement of such aspects of business as intellectual property, trade, taxation, labor and the environment</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives to help solve social issues at national and local levels</li> <li>Strengthening ties with federal government agencies and municipalities</li> </ul>
Other Companies	<ul style="list-style-type: none"> <li>Collaborative projects</li> </ul>	<ul style="list-style-type: none"> <li>Joint research with other companies and undertaking of development work</li> </ul>	<ul style="list-style-type: none"> <li>Industry trends</li> <li>Addressing social issues that affect multiple industry sectors</li> <li>Product/technology trends</li> </ul>

# CSR Reporting

Cognizant of Canon’s impact on society as a global enterprise, we ensure that our activities fulfill our social responsibilities. To that end, we have identified the materiality themes of “creating new value and solving social issues,” “protecting and conserving the global environment,” and “responding to people and society as a good corporate citizen.” We have organized our report on these activities by category in accordance with GRI standards.

## Creating New Value and Solving Social Issues

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# Creating New Value and Solving Social Issues



Network cameras for transportation hubs (Sweden)

## Management Approach

Contribute to a better future, a sustainable society through innovation

### Why It Matters

GRI103-1

Multiple challenges remain as people in many countries work to realize a more sustainable future. We will need to harness our collective abilities as humans to solve such problems as supporting the aging population in developed countries, improving the quality of life in developing countries, or tackling security issues linked to the growth of IT.

Following its corporate philosophy of *kyosei*, Canon is committed to creating new value through diversified products and services based on advanced technologies and platforms while creating good relationships with customers, business partners, communities and the global environment. Under Phase V of our Excellent Global Corporation Plan initiated in 2016, an important

strategy we are implementing is to “reinforce/expand new businesses while creating future businesses.” We have also defined “Creating New Value and Solving Social Issues” as a key materiality theme. This approach involves contributing to efforts to solve issues that face the global community by reinforcing and expanding businesses with high societal demand, such as healthcare, security and industrial robots with a focus on diagnostic equipment that enables advanced medical treatments, network cameras supporting safe, efficient social infrastructure, and industrial equipment underpinning the IT used in advanced technologies for daily life.



## Canon's Approach

GRI102-11   GRI102-15   GRI103-2

To realize the materiality topic of "Creating New Value and Solving Social Issues," Canon is moving ahead with major strategic changes aimed at sustainable growth, based on the three key challenges of "Creating a Safe and Secure Society," "Expanding Our Medical Business," and "Supporting Industrial Innovation."

We are building Canon's new business foundation around our traditional mainstays of office equipment and digital cameras plus our four new businesses: commercial printing, network cameras, healthcare, and industrial equipment. Utilizing the storehouse of technologies and expertise we have cultivated, we are also leveraging our collaboration in these new business fields with newly acquired Group companies Canon Tokki, Canon ANELVA, Canon Machinery, Océ, Axis, Milestone Systems (Milestone) and Canon Medical Systems (Canon Medical) to create new value. We also continue to promote joint development and open innovation with top research institutions, such as universities, and other companies in Japan and overseas, while seeking to supply products and services tailored to various needs.

### Continuous Risk/Opportunity Appraisal

With urbanization advancing rapidly around the world, threats to the safety and security of homes and businesses continue to diversify, ranging from various types of urban crime to terrorism and cyber-attacks. Aging demographic trends and increasingly obsolete infrastructure are also widely recognized as social issues on a global scale, especially in developed countries. These issues pose a significant risk to Canon's business from such perspectives as information security enhancement, HR management, and infrastructure protection from natural disasters.

At the same time, companies are starting to recognize the business opportunities inherent in helping to address such social issues as part of building a sustainable

society. For a company with global operations such as Canon, staying in touch with social issues in each region and contributing to solutions through business not only helps us to fulfill social responsibilities, but also enhances the sustainability of Canon's operations and of society.

### Relationship with SDGs

Through our wide-ranging business activities, technologies, products, solutions and services, Canon, along with our customers and business partners, contributes to the achievement of the Sustainable Development Goals (SDGs) promoted by the United Nations listed below.



#### Creating a Safe and Secure Society



In collaboration with Axis and Milestone Systems, we will respond to diverse needs for "security and safety" with network visual solutions including video analysis technology based on network cameras.

#### Expanding Our Medical Business



In collaboration with Group company Canon Medical, we are focusing on the fields of diagnostic imaging, healthcare IT and in vitro diagnostics to develop our business by providing solutions closely attuned to the needs of medical institutions and patients.

#### Supporting Industrial Innovation



We are supporting constant innovation to adapt to changing social conditions by applying proprietary optical and image-processing technologies to the development of industrial equipment.

## Overview of Material Issues and Activities in 2018

GRI103-3

### Creating a Safe and Secure Society

As part of our focus on network visual solutions, we welcomed the Israel-based leading provider of video analytics solutions BriefCam to the Canon Group.

### Expanding Our Medical Business

Canon Medical Systems entered the cancer genomic testing sector by making ActMed a subsidiary. The Company also completed development of the

deep-learning technology AiCE for CT image reconstruction. This promises to improve diagnostic accuracy while reducing patient exposure to radiation.

### Supporting Industrial Innovation

Canon worked to increase productivity in the manufacturing sector through accelerated collaborative efforts to develop system-based solutions in the field of factory automation.



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## Creating a Safe and Secure Society

Canon contributes to the creation of a safe and secure society through network visual solutions that integrate cameras and video technology with advanced IT.

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### Addressing and Solving Important Social Issues

With urbanization advancing rapidly around the world, it is predicted that as much as about 70% of the total global population will live in cities by 2050, up from 50% today. We also face an increasingly diverse range of threats to the safety and security of our personal and business lives due to rising urban crime, terrorism, cyber-attacks coinciding with the rapid evolution of IT, and large-scale natural disasters caused by climate change. In order to take measures against these growing risks, new urban infrastructure is needed to promote safety and security in cities. We must rethink the creation and management of urban spaces to ensure the everyday safety of residents.

In Japan, various cities are undergoing extensive redevelopment to prepare for large-scale sporting events such as the Rugby World Cup 2019™, Japan and the Olympic and Paralympic Games Tokyo 2020. At the same time, the number of people visiting Japan from overseas is expected to rise. Besides ensuring that such events are a success, investment in infrastructure to maintain law and order while ensuring people's safety and security is a critical issue.

Network cameras help to maintain law and order and protect infrastructure, both by anticipating safety or security threats and supporting appropriate responses, and by helping to address issues based on accurate recordings. Having positioned network cameras as a new business under Phase V of its Excellent Global Corporation Plan, Canon is working to upgrade its product lineup and to reinforce their solutions and development capabilities. This involves the integration of core camera technologies developed over many years, including optical, sensor and imaging engine technologies as well as video analysis software, with the network control and cloud services that have been cultivated in MFP development.

Amid increasing adoption of various big data applications in the IoT era, video data from network cameras is increasingly being used not only for security, but also in manufacturing and marketing. Besides crime prevention and surveillance, Canon is developing network camera-based innovative video analytics solutions for other applications.

Development in this area has accelerated since Axis, a major player in the network camera industry from Sweden, and top global video management software supplier Milestone joined the Canon Group. In 2018, we also welcomed BriefCam, a leading company in video analytics software based in Israel, into the Canon Group. Going forward, we will pursue development of network visual solutions to extract the necessary data from video content for use in a variety of fields, including health, nursing care, education, transport, and urban infrastructure.

With these initiatives, we believe that we can contribute to the realization of SDG 11, "make cities and human settlements inclusive, safe, resilient and sustainable." Moreover, by developing optimized solutions for such customers as governments and commercial facilities, Canon seeks to satisfy societal demand for advanced, resilient and sustainable urban infrastructure.

#### Related SDGs



### Examples of Value Creation

#### Network Cameras Support the Maintenance of Law and Order and Contribute to the Safety and Security of Society

The AXIS Q1659, the first product developed jointly by Axis and Canon, combines Canon's superlative optical and imaging technologies with the advanced network video processing technology of Axis to deliver high resolution video surveillance capabilities. Full compatibility with eight interchangeable lenses (from wide-angle to telephoto) used in Canon's EOS-series digital SLR cameras enables a wide range of potential applications.

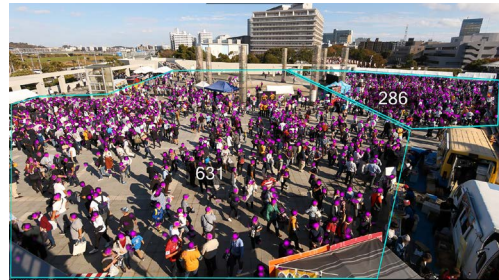
Another example is the ME20F-SHN, an ultra-high-sensitivity network camera equipped with Canon's proprietary 35mm full-frame CMOS sensor, making color image capture possible in low-light environments that had been difficult for conventional network cameras. Its ultra-high sensitivity enables image capture even when there is little to no light and a subject

would not be visible to the naked eye, allowing it to effectively monitor critical facilities, waterways or border crossings, as well as disaster sites during the night. Standard features include intelligent functions for automatic detection of unusual or abnormal events to counter illegal trespassing or camera-related vandalism. With a range of potential applications from national defense to prevention of crime, this network camera can help to protect people day and night.



An image captured by the ME20F-SHN (left) compared with the image as seen by the naked eye (right)

Canon has also conducted field trials of software for analyzing crowd congestion by time period in the large spaces or in front of the shops in the stadium, based on real-time people counts. Tests demonstrated the software can apply AI-based technology to count crowds accurately, even in congested areas where people are facing different directions. This can be applied to support smooth event management or marketing purposes.



A screenshot showing people being counted

### Video Analytics Software to Meet Safety and Security Needs

In the network camera market, there is a demand for solutions including recording and analysis of captured video. Canon is adding value to network camera video to promote the development of video analysis software products for security, customer service and marketing sectors.

At an international rugby match held last year in Japan, Canon conducted a field trial for a wide-area security system utilizing face recognition technology for real-time detection and tracking technology via network camera imaging of pre-registered individuals\*. This technology is expected to contribute to more efficient security, support the reception of VIPs and help locate lost children.

While the use of network camera video is expanding, privacy concerns exist around their use. Canon has commercialized "Moving Object Mask" video analysis software that can render a person as a moving silhouette within a video feed to enable monitoring and congestion management in public spaces such as restaurants or in meeting rooms while helping to allay such privacy concerns.

In providing video analytics solutions combining software for video analysis with video from high quality and high definition cameras, Canon is contributing to the creation of a safe and secure society.

\* Subjects registered for the field trial are employees of Canon.

### Applying Video Synopsis® Technology for Efficient Video Analysis

Rapid adoption of network cameras necessitates ways for efficiently extracting necessary data from the vast quantity of video images generated. BriefCam's video content analysis (VCA) software utilizing its proprietary Video Synopsis technology enables images taken at different times to be displayed at the same time without overlapping thus shortening the video stream to roughly 3–5% of its original length. It gives the user instant access to images of interest by enabling video images to be filtered by object size, color or various other characteristics.

Functions such as simultaneous searching of multiple videos, automatic charting of filter results, and listing of people and vehicles within images further boost video analysis efficiency.



Original 30-minute video is compressed to review in 53 seconds

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## Expanding Our Medical Business

Canon is contributing to better medical care by developing new diagnostic technology and utilizing healthcare IT.

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### Addressing and Solving Important Social Issues

With the global population continuing to grow and age, the number of people aged 65 and over is expected to double to more than 1.4 billion by 2050. In Japan, which has one of the most aged populations within the developed world, around 40% of the population is predicted to be over the age of 65 by 2050. Demand is increasing for a broad range of healthcare services to deliver advanced testing, diagnosis and treatment, including promotion of better health and disease prevention. As aging accelerates in Japan, the challenge will be to try to shorten the gap between average and healthy life expectancy that is presently estimated at 5-10 years. Prevention and early detection of disease are the keys to living healthily into old age and can help curtail healthcare cost inflation in an aged society, an issue that must be tackled to realize a more sustainable society.

Diagnostic accuracy is also a prerequisite for supplying high-quality medical services. To this end, there is a great need to make effective use of vast volumes of medical data and cumulative information on patients. Simplifying the challenges faced by health professionals will become a major issue in realizing a sustainable society.

Canon's founder and first president, Takeshi Mitarai, who was also a doctor, was strongly committed to "contributing to society through medicine." In 1940, not long after the company was established, Canon developed the first radiographic camera made in Japan to help detect pulmonary tuberculosis. Ever since, Canon has contributed to the early detection and treatment of disease by supplying ophthalmological instruments and diagnostic equipment using digital radiography and other technologies. In Phase V of the Excellent Global Corporation Plan, Canon is reinforcing medical operations as one of its new core businesses. The Canon Group expanded in December 2016 to include Canon Medical, a leading manufacturer of diagnostic imaging systems. Canon Medical has been developing medical

systems operations for around a century, building up technical expertise in diagnostic equipment such as CT, MRI and ultrasound systems that reduce the burden on patients while providing highly detailed images for diagnostic purposes. Our aim is to supply solutions for patients and health professionals by combining artificial intelligence (AI) with our proprietary image-processing technologies to support better medical diagnoses and improve patient outcomes. In 2018, in a move to further strengthen and expand Canon's healthcare business, Canon Medical entered the cancer genomic testing sector by making ACTMed Co., Ltd. a subsidiary.

Canon's U.S.-based Healthcare Optics Research Laboratory in Boston conducts research targeting technical advances in medical robotics, cardiovascular imaging and other fields. The lab works in partnership with both Massachusetts General Hospital and Brigham and Women's Hospital, which are affiliated with Harvard Medical School.

Going forward, partnering with leading medical institutions in Japan and abroad, we plan to focus resources on further development of diagnostic imaging systems centered on Canon Medical. We will also focus on the fields of healthcare IT – supplying advanced diagnostic support systems and network solutions, based on the latest IT – and in vitro diagnostic systems for the rapid and precise analysis of blood and other patient samples.

Canon believes that the expansion of its medical business can contribute to the realization of SDG 3, "ensure healthy lives and promote well-being for all at all ages." By further widening open innovation programs with advanced medical institutions in Japan and other countries, we hope to contribute to solutions in the healthcare field while also creating value for Canon.

#### Related SDGs



## Examples of Value Creation

### Patient-Friendly and Cutting-Edge Diagnostic Imaging Systems

Canon Medical's CT scanners are recognized for their advanced diagnostic capabilities, high analytical efficiency, patient friendliness, and lower lifetime operating costs. Launched in 2007 as the world's first CT scanner to reproduce organs or blood flow using sequenced images, the 320-slice dynamic volume CT scanner Aquilion ONE has made diagnostic procedures more patient-friendly due to less radiation exposure from quicker imaging and reduced usage of contrast agents. This has contributed substantially to the utility of CT scanners with geriatric and pediatric patients, and in intensive care situations as well. In 2017, we introduced the Aquilion Precision, an ultra-high-resolution CT scanner that enables clear visualization of microstructures in the body.

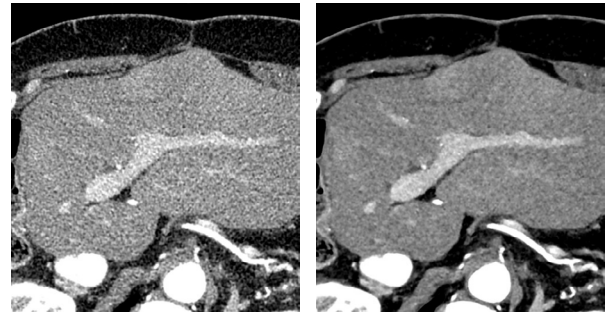
In MRI scanners, responding to patient feedback about noise and compartment tightness, we have developed proprietary "Pianissimo" noise-reduction technology and redesigned the scanner so patients do not feel so enclosed. In other sectors, we are contributing to the early detection of disease with patient-oriented diagnostic equipment, including high-resolution ultrasound systems and a mammography system developed by an all-female team to minimize patient discomfort during the machine's operation.



CT scanner Aquilion ONE that can produce 4D

### Deep-Learning Technology for CT Image Reconstruction

The challenge with X-ray diagnostic scanners is to expose patients to as little radiation as possible while ensuring sufficiently high image resolution to allow accurate diagnosis. Canon Medical has developed a new technology called AiCE for CT image reconstruction. Employing a type of AI technology called deep learning to reduce noise in CT images, AiCE makes possible high-quality images while exposing patients to a lower dose of radiation.



Images showing the superiority of new AiCE technology (left) compared with conventional technology (right)

### In Vitro Diagnostic Systems for Rapid, Patient-Friendly Diagnoses

Applying its know-how in sensitive detection technology, Canon Medical supplies in vitro diagnostic systems that detect the tiny quantities of virus present in the early stages of infection. Detecting viruses such as influenza accurately at an early stage is extremely useful to medical practitioners. The rapid detection system only requires the patient to sneeze into a paper tissue, making it ideal for testing even small children. Faster detection will make it possible to treat infections earlier, reducing the incidence of serious cases and limiting the spread of disease.

Canon Medical's wide range of in vitro diagnostic systems for testing blood and other samples provide a range of clinical tests. With tropical viruses such as Ebola and Zika posing a growing global threat, we are also developing new DNA testing kits to help early detection of infections. In 2018, we began selling the first RNA reagents in Japan for Zika virus detection. Looking ahead, we will continue to work to make diagnostic tests less invasive for patients and more efficient by developing quicker tests requiring smaller samples.

## Supporting Industrial Innovation

Canon is promoting sustainable economic growth by applying proprietary optical and image-processing technologies to manufacturing.

### Addressing and Solving Important Social Issues

Supporting constant innovation to adapt to changing conditions is essential to the realization of a sustainable society. Amid growing adoption of IoT, big data, AI and robot technologies as part of the so-called Fourth Industrial Revolution of broad technical change, there are increasing possibilities for personalized, made-to-order or customized products and services.

Advancing the expansion of B-to-B operations as part of Phase V of its Excellent Global Corporation Plan, Canon aims to create new value by using proprietary optical and image-processing technologies developed over many years in the industrial machinery field.

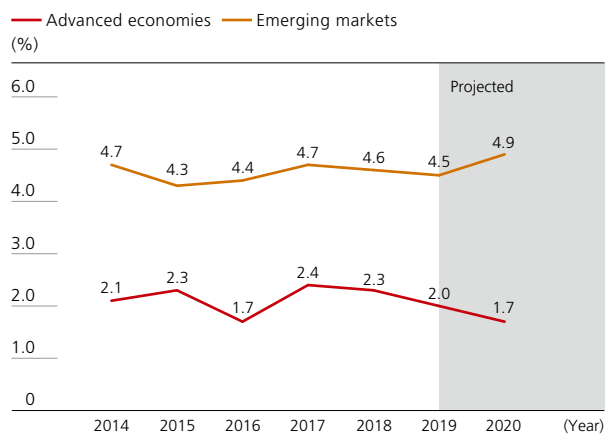
In semiconductor manufacturing, building on conventional lithographic approaches as high-end device manufacturing moves into the IoT era, Canon is aiming to establish nanoimprint technology to achieve semiconductor-device miniaturization at lower cost. Semiconductor chips, which are often likened to the heart of electronic equipment, are an essential part of modern life due to their presence in everyday equipment ranging from smartphones and PCs to televisions, air conditioners and automobiles. In line with the Society 5.0\* vision promoted by the Japanese government, the key to a future sustainable society will be the use of data through innovative science and technology such as AI, IoT and robots. By enabling the manufacture of high-performance semiconductor chips for large-scale processing of big data, nanoimprint lithography technology can make a significant contribution.

In other sectors, OLED Panel Manufacturing Equipment (Canon Tokki) and sputtering equipment (Canon ANELVA) are essential elements in supporting enriched consumer lifestyles. In addition, in the field of factory automation, we are accelerating collaborative efforts to develop system solutions in a bid to help increase industrial manufacturing productivity.

Canon believes expanding business within this sector can contribute to the realization of SDG 9 to “build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.” Besides promoting increased efficiency for existing industries, we also hope to foster sustainable economic growth by actively contributing to development of new industries.

\* Society 5.0 is the Japanese government’s vision for a new super-smart society in which economic and social development issues are addressed via the utilization of various data based on scientific and technical innovations such as AI, IoT and robots.

### Economic Growth Rates for Advanced Economies and Emerging Markets



Source: IMF “World Economic Outlook, January 2019”

#### Related SDGs





## Examples of Value Creation

### Technology Supporting Enriched Lifestyles

As the brains of electronic equipment, semiconductor devices are essential parts in the IoT era when everything is linked to the Internet. This trend is driving the growth in demand for flash memory used in mobile devices and such applications for semiconductors as automobiles. Canon supplies semiconductor lithography equipment for semiconductor high-volume manufacturing. The functionality and memory capacity of semiconductor devices continue to rise as chip manufacturers adopt more complex circuit patterns and large-scale integration. Our focus is on the use of nanoimprint lithography, a ground-breaking technology for stamping circuit patterns onto wafers at high resolution rather than following the conventional lithographic approach. This will support process migration while also achieving significant reductions in manufacturing costs. Our semiconductor lithography equipment using nanoimprint technology is currently installed at leading chip manufacturer Toshiba Memory Corporation, where its suitability for mass-production purposes is being assessed.



Nanoimprint semiconductor lithography equipment in use at Toshiba Memory

Elsewhere, CANON ANELVA manufactures sputtering equipment for use in semiconductor production, based on high-vacuum thin-film process technology. The firm is also the world's sole supplier of sputtering equipment for hard disk drive (HDD) head production. Moreover, equipment supplied by Canon ANELVA is helping to boost performance while dramatically reducing the cost of production for communications devices used in high-speed 4G and 5G networks.

With demand for OLED displays on the rise, the OLED Panel Manufacturing Equipment developed and manufactured by Canon Tokki has become a critical component in production processes. Thinner than LCDs and capable of delivering brighter color, OLED displays are also expected to offer new functional possibilities, including curved or roll-up forms. Based on overwhelming technical superiority compared to rivals in the OLED Panel manufacturing field, Canon is working to create original value to respond to rising demand for OLED displays for use in smartphones, televisions and other products.



OLED Panel Manufacturing Equipment developed and manufactured by Canon Tokki

### Technology Supporting Innovation in Manufacturing

Canon is focusing efforts on the field of factory automation (FA), where demand has grown in recent years due to rising labor costs combined with labor shortages. Responding to these market trends, we are developing the Canon Industrial Imaging Platform as a system solution for shop floor visualization. By combining imaging technologies used in network cameras and industrial cameras with image-processing technology, we aim to support greater automation of production while helping to boost productivity. In 2018, we began collaborating with Siemens, a leader in factory floor digitalization and automation, and Toshiba Digital Solutions Corporation, an IT solutions developer for the manufacturing sector. Going forward, we plan to collaborate with varied partners to help automate production facilities and increase productivity.

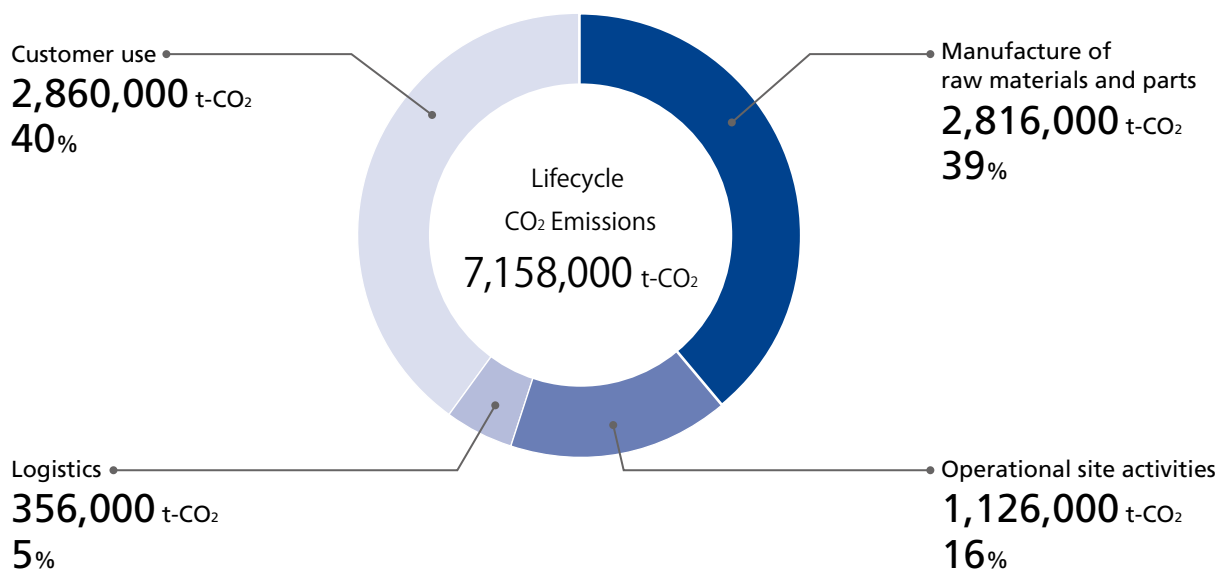
# Protecting and Conserving the Global Environment



Canon Eco Technology Park (Japan) — working toward advanced resource circulation (→P79)

We are tackling environmental issues such as climate change, resource depletion, pollution, and biodiversity loss on a global scale. To help leave a prosperous planet for future generations, Canon is taking various Group-wide initiatives. As a global corporation working in harmony with the environment, Canon will continue to deepen its connection to the earth based on the principle of *kyosei*.

## Canon Group Lifecycle GHG Emissions in 2018 (CO<sub>2</sub> Equivalent)



# Management Approach

Contributes to a development of a sustainable society throughout the product lifecycle.

## Materiality and Environmental Aspects

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

In order to promote environmental assurance activities efficiently and effectively, companies must first understand the characteristics of their own business activities, their impact on the environment, and social needs such as the Sustainable Development Goals (SDGs). They then need to clarify priority initiatives. Every year, Canon identifies the major issues of material significance through the materiality analysis described below.

First, Canon analyzes how our business activities relate to global environmental issues and needs. We then assign them a level of priority based on the relative interests of stakeholders and the relative impact on our business activities.

In the analysis of a stakeholder survey conducted in 2018, we found out that “reuse and recycling of used products” was the issue of greatest interest to stakeholders, followed by “management of chemical substances contained in products,” “management of air emissions and prevention of pollution,” “management of raw material use,” and “reduction of energy consumption.”

Considering next the issue of relative impact on our business activities, we recognize that issues relating to resource circulation and the prevention of global warming, such as “reuse and recycling of used products” and “management of raw material use” have a major impact on our business activities in terms of product competitiveness, costs and other factors, which is why we give them high priority.

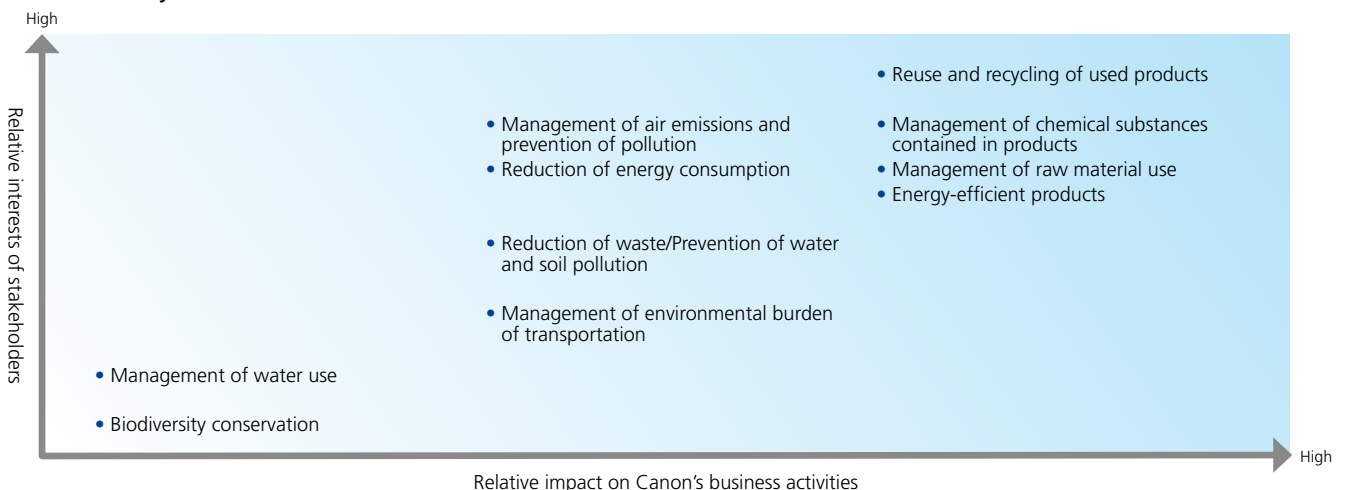
Also, the issue of the “management of chemical substances contained in products” is one to which Canon assigns a high level of priority because of its potential links to health issues and environmental pollution and the resulting global trend toward stricter and more extensive regulation of chemical substances. We recognize it as a social issue within our corporate responsibility where more efficient communication of information along the supply chain is important.

We recognize the importance of initiatives relating to the “management of air emissions and prevention of pollution” in regions where the Canon Group has operations. We continue to ensure to meet the targets and emissions standards that we have set in this area along with “reduction of energy consumption.”

As for “biodiversity conservation,” while the relative interest of stakeholders is not as high, there are elements that are directly and indirectly related to various aspects of our business. So we consider this a material issue to address.

We recognize the importance of carrying on with initiatives concentrated in four areas that we have identified of material concern: (1) contributing to a low-carbon society; (2) contributing to a circular economy; (3) eliminating hazardous substances and preventing pollution; and (4) contributing to a society in harmony with nature. By continuing and developing activities in these areas throughout product lifecycle, we are committed to an ongoing response to the material topic of protecting and conserving the global environment.

### Materiality Matrix



## Relationship with SDGs

By pursuing environmental initiatives in our four material areas, we are contributing to the attainment of the Sustainable Development Goals (SDGs), adopted by the United Nations in 2015, together with our customers and business partners. Our approach, which takes account of the whole product lifecycle, covers the following activities:



Strengthen the means of implementation and revitalize the global partnership for sustainable development

## Contributing to a Low-Carbon Society



Take urgent action to combat climate change and its impacts



Ensure access to affordable, reliable, sustainable and modern energy for all

We take various initiatives, such as the improvement of energy efficiency and reduced CO<sub>2</sub> emissions across the whole product lifecycle, utilization of renewable energies reflecting the particular character of the region, and activities to support customers and society to reduce their environmental burden. Through these initiatives, we are contributing to the attainment of goals 7 and 13 of the SDGs.

## Contributing to a Circular Economy



Ensure sustainable consumption and production patterns



Ensure availability and sustainable management of water and sanitation for all

We promote more compact and more lightweight products, remanufacturing, re-use and recycling of consumables to achieve an advanced resource circulation process. Moreover, we tackle efficient water utilization and waste recycling at operational sites. Through these initiatives, we are contributing to the attainment of goals 6 and 12 of the SDGs.

## Eliminating Hazardous Substances and Preventing Pollution



Ensure sustainable consumption and production patterns



Ensure availability and sustainable management of water and sanitation for all

We manage chemical substances by getting our suppliers to follow Canon's green procurement standard. Also, we proactively establish frameworks to manage chemical substance information more effectively in the supply chain. Moreover, we reduce chemical substances used in our own production process and control air, water and soil emissions. Through these initiatives, we are contributing to the attainment of goals 6 and 12 of the SDGs.

## Contributing to a Society in Harmony with Nature



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and stop biodiversity loss

Based on our Biodiversity Policy, we take initiatives to conserve ecosystems globally. A typical initiative is the Canon Bird Branch Project, which highlights the Cycle of Life through various activities focusing on wild birds. Moreover, based on our Basic Policy of the Procurement of Timber Products, we procure timber products from a sustainable supply chain. Through these initiatives, we are contributing to the attainment of Goal 15 of the SDGs.



## Continuous Risk/Opportunity Appraisal

The environmental issues facing the world are constantly evolving. For instance, the Intergovernmental Panel on Climate Change (IPCC) issued a special report in October 2018 in which it stated that, as a result of the increasingly clear impact of global warming, the warming, by atmospheric temperatures from the pre-industrial period to the year 2050, would now need to be limited not to less than 2°C, but to less than 1.5°C. For business activities, this raises the risk of reinforced regulation for energy efficiency, but at the same time presents an opportunity to enhance corporate image by proactively disclosing information on CO<sub>2</sub> emission reduction initiatives.

The importance of resource recycling is once more being underlined, not only by the implementation of the European Union's Circular Economy Package, but also by worldwide debate over the marine pollution caused by microplastics, and with the Chinese National Sword Policy to ban imports of plastic waste, this kind of movement has now extended to Southeast Asian countries. These developments raise the risk of countries introducing tougher requirements to make products resource-efficient and to collect and recycle used products. At the same time, it offers the opportunity to increase competitiveness by benefiting from advanced recycling technology.

Canon has designated the risks and opportunities in various fields outlined in the table below. In the

process, Canon undertook continuous monitoring of external trends based on information from specialist institutions and government agencies. Climate data whose disclosure is recommended by the Task Force on Climate-related Financial Disclosures (TCFD) were also taken into consideration.

The designated risks and opportunities, and the results of the materiality analysis mentioned above are input into the Canon Group's medium-term plan and are also reflected in environmental targets and measures. All business divisions, operational sites, and Group companies operate a PDCA cycle in the environmental management system to ensure appropriate risk management and utilization of opportunities. The results of each organization's environmental performance, together with its business results and other performance indicators, are reflected in the consolidated performance evaluation and reported to top management.

Meanwhile, as an overall environmental target, Canon has set a target to achieve an average improvement of 3% per year in the product lifecycle CO<sub>2</sub> emissions improvement index per product. We are promoting our environmental initiatives to achieve this target, bearing in mind the consistency from a long-term perspective with CO<sub>2</sub> reduction goals in major countries.

### Risks and Opportunities in Four Areas of Materiality

	Risks	Opportunities
Contributing to a Low-Carbon Society	<p><b>Risks by transformation:</b></p> <ul style="list-style-type: none"> <li>Strengthened energy-efficiency regulation and associated compliance costs</li> <li>Increased business costs due to delay in applying economic measures for emissions control</li> <li>Missed opportunities due to delay in adapting to low-carbon product demand</li> </ul> <p><b>Physical risks:</b></p> <ul style="list-style-type: none"> <li>Negative impacts on operation due to increasing severity of cyclones, floods and other extreme weather events</li> </ul> <p><b>Reputational risks:</b></p> <ul style="list-style-type: none"> <li>Worsening external evaluation due to insufficient information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Expanded opportunities for sale of energy-efficient products</li> <li>Contribution to a low-carbon society in the value chain through supplying IT solutions and making sale of energy-efficient industrial products</li> <li>Reduced energy costs through increased efficiency in production and transportation</li> <li>Expanded opportunities for use of renewable energy through lower associated costs</li> <li>Enhanced corporate image through proactive disclosure of activity results</li> </ul>
Contributing to a Circular Economy	<ul style="list-style-type: none"> <li>Increased procurement costs of raw material due to resource constraints</li> <li>Increased business costs due to delayed response to recycling regulations</li> <li>Missed sales opportunities due to delay in introduction of highly resource-efficient products</li> <li>Increased costs for collection and recycling of used products in various regions</li> <li>Impairment of stable water supply and negative impacts of operation due to extreme weather events</li> </ul>	<ul style="list-style-type: none"> <li>Business cost reduction through improved resource efficiency</li> <li>Enhanced competitiveness through 3R design and development of advanced recycling technology</li> <li>Enhanced corporate image through showcasing of our advanced approach to resource circulation</li> </ul>
Eliminating Hazardous Substances and Preventing Pollution	<ul style="list-style-type: none"> <li>Increased chemical substance management costs due to reinforced and expanded regulations</li> <li>Disruption of parts supply chain due to suppliers being ordered to suspend operations on grounds of non-compliance with local regulations</li> </ul>	<ul style="list-style-type: none"> <li>Supplying safe products and confidence to the market, and maintaining competitiveness through reliable chemical substance management</li> <li>Cost reduction by introducing more efficient management process across the supply chain</li> <li>Enhanced corporate image through contribution to international standardization, etc.</li> </ul>
Contributing to a Society in Harmony with Nature	<ul style="list-style-type: none"> <li>Decreasing supply and price increase of printing paper due to dwindling forestry resources</li> <li>Restraints on business activities due to disturbed balance of local ecosystems</li> </ul>	<ul style="list-style-type: none"> <li>Applicable usage of our products and technologies to conservation of ecosystem</li> <li>Enhanced corporate image through contribution to local communities</li> </ul>



# Environmentally Conscious Management

## Canon's Approach to Environmental Assurance

Based on our corporate philosophy of *kyosei*, Canon's approach to environmental assurance centers on maximizing resource efficiency to harmonize our environmental and economic activities. The EQCD concept, which stands for environment (E), quality (Q), cost (C), and delivery (D), forms part of our basic policy on environmental assurance, which we define as a qualification for product manufacturing.

In 2008, we formulated our environmental vision, Action for Green, based on the Canon Group Environmental Charter. Our vision for the future is a society that achieves a beneficial balance between enriched lifestyles and the global environment. With this vision in mind, the Canon Group is working with its customers and business partners to create products that combine high functionality with minimal environmental impact across the entire product lifecycle.

### Canon Group Environmental Charter

Corporate Philosophy: *Kyosei*

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

Environmental Assurance Philosophy

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


Fundamental Policies for Environmental Assurance

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

EQCD Concept

E: Environment (environmental assurance)	..... Companies are not qualified to manufacture goods if they are incapable of environmental assurance.
Q: Quality	..... Companies are not qualified to market goods if they are incapable of producing quality goods.
C: Cost	..... 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 Environmental Vision

## Action for Green

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

Canon Group Environmental Charter

## Environmental Targets and Achievements

### Overall Target, Product Targets and Operational Site Targets

Canon takes account of environmental impacts at each stage of the product lifecycle and works to reduce them. This applies not just to our own development, production and marketing activities but also includes the production of raw materials and components by suppliers, the transport of products to retail outlets, and even customer use, disposal and recycling.

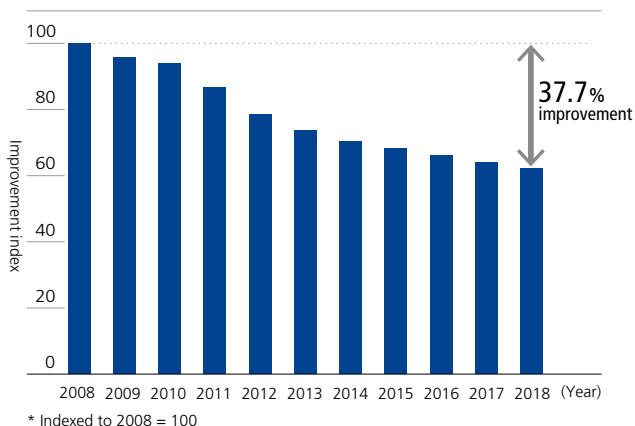
To gauge our progress in reducing these impacts over the entire product lifecycle, we convert each type of environmental impact to CO<sub>2</sub> equivalents, and, using these as benchmarks, we set an overall target for our Medium-Term Environmental Targets to achieve an average improvement of 3% per year in the lifecycle CO<sub>2</sub> emissions improvement index per product.

We have broken down the overall target into product targets and operational site targets. We have established a product target of an average 3% improvement per year in the raw materials and usage CO<sub>2</sub> emissions improvement index per product, and operational sites have unit improvement targets covering energy consumption, total waste generation, water usage, and emission of controlled chemical substances. We will continue working toward these targets.

### Achievement of Medium-Term Environmental Targets

In 2018, we achieved our target of improving lifecycle CO<sub>2</sub> emissions per product by an average 3% per year, recording an average improvement of 5.0% (2008–2018) thanks to the ongoing efforts of our business units throughout the entire product lifecycle. This represents an improvement of 37.7% compared to 2008.

### Lifecycle CO<sub>2</sub> Emissions Improvement Index per Product



### Achievement of Medium-Term Environmental Targets from a Long-Term Perspective

A 3% average yearly reduction in product lifecycle CO<sub>2</sub> emissions, which is the overall target set in 2008, would mean a roughly 50% reduction from 2008 levels by the year 2030. We recognize this to be in line with the level of reduction called for by the Paris Agreement. We will continue to undertake target reviews from a long-term perspective as a way of checking our contribution to the realization of a low-carbon society.

### Achievement of Product Targets

In 2018, due to continuing efforts to make products more compact, lightweight, and energy efficient, we achieved an average annual improvement of 3.0% (2008–2018) in raw materials and usage CO<sub>2</sub> emissions per product, compared to a target of 3%.

### Achievement of Operational Site Targets

An overview of the achievement of operational site targets is as follows:

- **Energy consumption per basic unit at operational sites**  
The Facilities Management Headquarters is the primary driver of energy-reduction activities. In 2018, energy consumption per basic unit improved by 5.6% over the previous year, exceeding the 1.2% improvement target.
- **Total waste generation per basic unit**  
As a result of such initiatives as reducing waste at manufacturing sites and recycling waste generated internally at manufacturing sites, we met our target of a 1.0% improvement with a 6.0% reduction in total waste generation over 2017.
- **Water usage per basic unit in production**  
Water usage per basic unit in production declined by 2.4% compared to 2017 thanks to efforts to improve water management including more efficient water use and greater reuse of wastewater. This exceeded our target of a 1.0% improvement.
- **Emissions of controlled chemical substances per basic unit**  
We achieved a 6.8% improvement over 2017 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.

## Environmental Targets and Achievements

	2018–2020 Medium-Term Environmental Targets	2018 Achievements	2019–2021 Medium-Term Environmental Targets
Lifecycle	3%-per-year average improvement in lifecycle CO <sub>2</sub> emissions improvement index per product	Avg. improvement: 5.0% p.a. (2008–2018)	3%-per-year average improvement in lifecycle CO <sub>2</sub> emissions improvement index per product
Products	3%-per-year average improvement in raw materials and use CO <sub>2</sub> emissions improvement index per product	Avg. improvement: 3.0% p.a. (2008–2018)	3%-per-year average improvement in raw materials and use CO <sub>2</sub> emissions improvement index per product
	2018 Environmental Targets	2018 Achievements	2019 Environmental Targets
Operational Sites	1.2%-per-year improvement in energy consumption per basic unit at operational sites (excluding marketing sites) (compared to 2017)	5.6% improvement over 2017	Improve energy consumption per basic unit at operational sites (excluding marketing sites) by 1.2% (compared to 2018)
	Improve total waste generation per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2017)	6.0% improvement over 2017	Improve total waste generation per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2018)
	Improve water usage per basic unit for production by 1% (compared to 2017)	2.4% improvement over 2017	Improve water usage per basic unit in production by 1% (compared to 2018)
	Improve emissions of controlled chemical substances per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2017)	6.8% improvement over 2017	Improve emissions of controlled chemical substances per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2018)

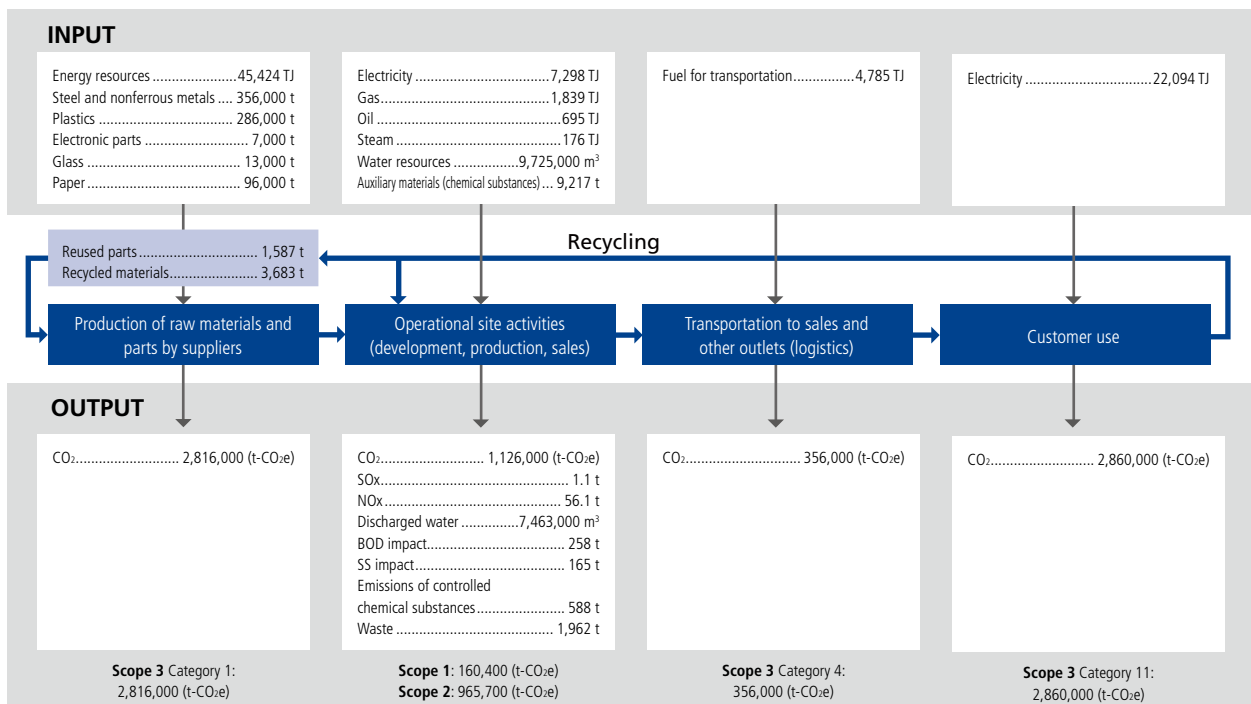
## Overview of Environmental Impacts

The resources (input) that Canon used in its business activities over the entire product lifecycle and emissions into the global environment (output) are as shown in the following figures.

Total lifecycle CO<sub>2</sub> emissions in 2018 were approximately

7.16 million tons, a decrease of roughly 0.26 million tons compared to 2017. This figure reflected initiatives at all stages of the product lifecycle, from the manufacture of raw materials and components by suppliers through activities at development, production and sales sites to logistics operations and customer use.

## 2018 Material Balance



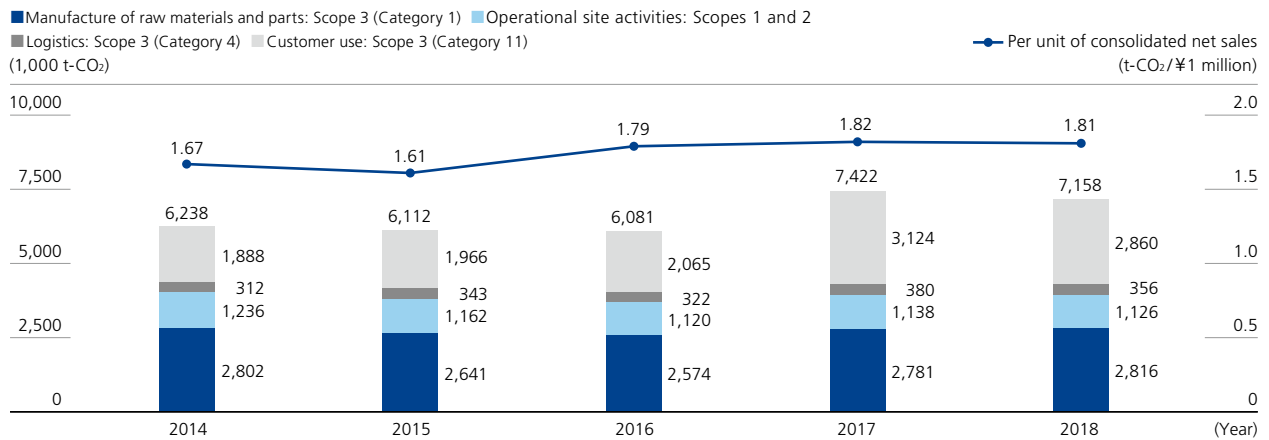
\* Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)

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])

Calculation of categories 1, 4, 11 from Scope 3 of the GHG Protocol

## Lifecycle GHG Emissions (CO<sub>2</sub> Equivalent)



### Basic Approach to CO<sub>2</sub> Calculations

Canon compiles data for greenhouse gas (GHG) designated under the Kyoto Protocol (revised version). Past data may be revised due to improvements in the precision of data collection.

Until 2014, figures used in Japan for CO<sub>2</sub> emission factors for electricity were published by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan. Outside Japan, figures used in regions were published by the International Energy Agency. From 2015, figures provided by individual electricity supply companies are used, but publicly disclosed region-specific figures are used when figures are not provided by electricity supply companies. (Please refer to Operational Sites Covered in the Environmental Section on page 92)

For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifetime and printing volume, and converted to the CO<sub>2</sub> equivalent using CO<sub>2</sub> emission factors for electricity which are calculated in the same way as the above methods. Other CO<sub>2</sub> emission factors use coefficients from the Carbon Footprint Communication Program of the Japan Environmental Management Association for Industry (JEMAI).

### Third-Party Verification of GHG Emissions (Converted to CO<sub>2</sub>)

Third-party verification has been obtained for CO<sub>2</sub> emissions data appearing in "2018 Material Balance" and "Lifecycle GHG Emissions (CO<sub>2</sub> Equivalent)," and for each data in "Scope 3 GHG Emissions in 2018."

## Scope 3 GHG Emissions in 2018

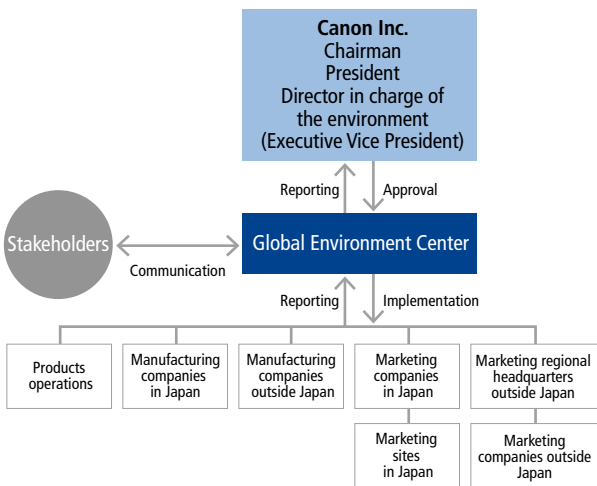
(1,000 t-CO<sub>2</sub>e)

Category	Scope	2018	Calculation Method
1	Purchased goods and services	2,816	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	492	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	96	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	356	Logistics from the supplier to Canon manufacturing sites is calculated by finding the average transport distance and transport volume and then multiplying this by the emission factor for transportation. Logistics from manufacturing site to customer's warehouse is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	1	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	49	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 of fuel consumption.
7	Employee commuting	130	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 combustion.
8	Upstream leased assets	0	CO <sub>2</sub> emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	52	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor of 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	2,860	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	223	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		7,074	

## Global Environmental Promotion System

Canon Group companies around the world are working as one in carrying out environmental assurance activities to achieve our environmental targets and realize the above-mentioned environmental vision. Led by the Global Environment Center (GEC) under the supervision of the Executive Vice President of Canon Inc., who serves as the director in charge of the environment, we carry out environmental activities in a global system that unites product operations, manufacturing sites and marketing companies worldwide. The GEC reports each month to its director about all environmental activities to gain approval and receive instructions on any required improvements.

### Global Environmental Promotion System



## Environmental Management System

The Canon Group has established an environmental management system (EMS) covering its operational sites in Japan and outside Japan as a mechanism for continually improving the quality and efficiency of environmental assurance activities according to ISO 14001 standards.

This 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 audit programs” 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.

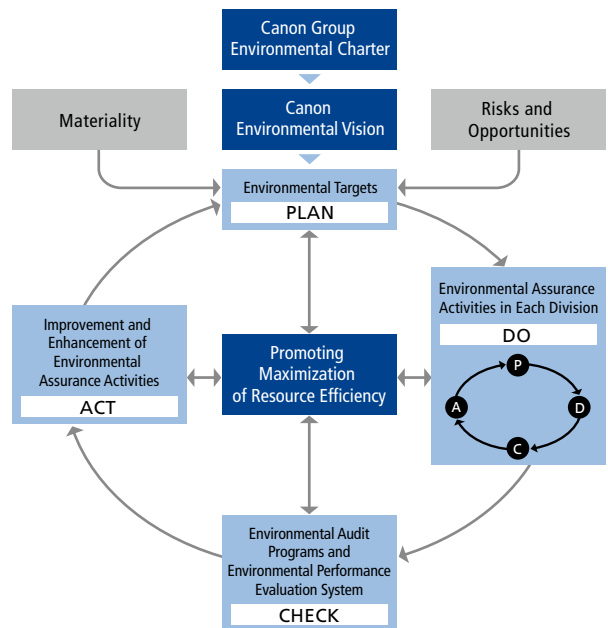
The Global Environment Center ensures the smooth management of this system by gathering information on environment-related laws and regulations, establishing environmental policies and rules for the entire Group, and planning and managing evaluation methods for environmental assurance activities.

Manufacturing and sales companies in Japan and outside Japan obtain ISO 14001 consolidated certification as an objective third-party evaluation of EMS effectiveness. As of 2018, ISO 14001 consolidated certification covers Canon Inc. as well as 129 Group companies in 40 countries and regions around the world.

The acquisition of consolidated Group certification has supported efficient environmental management within the Canon Group. Under this system, the Global Environment Center oversees the environmental assurance activities of the entire Group. Following management review, it submits a report on the progress of relevant activities for the approval of the Chairman and the President of Canon Inc. and the Executive Vice President, who is responsible for environmental matters.

Reference: ISO 14001 Certifications Obtained  
<https://global.canon/en/environment/data/pdf/canon-list-e.pdf>

## Canon’s Environmental Management System

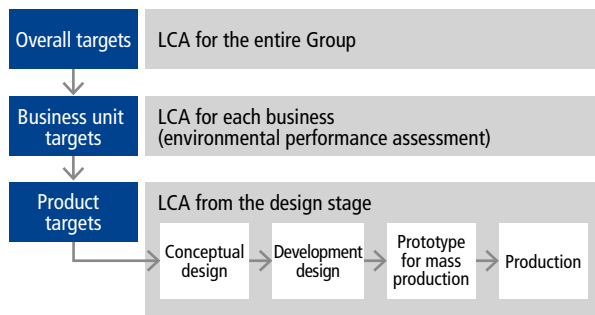




## Product Development System Using LCA Methodology

Canon's environmental initiatives are not limited to its manufacturing processes, but undertaken over the entire product lifecycle. Lifecycle assessment (LCA) methodology has been introduced in the product development stage to help 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 ensures that CO<sub>2</sub> emissions can be calculated from the development and design stages, which we use when manufacturing products as we move toward our environmental targets.

### Flow Chart of Environmentally Conscious Design Using LCA Methodology



Reference: Canon's Life Cycle Assessment  
<https://global.canon/en/environment/lca/index.html>

## Product Environmental Assessments

At the product realization stage, Canon conducts an environmental assessment to check whether a product meets product environmental legal requirements and

other requirements applicable for products and has achieved the necessary environmental performances.

In the first step of the assessment, an environmental performance target is assigned to the product at the product planning stage. Before the decision is made to realize 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.

## Environmental Assurance Activities in Cooperation with Suppliers

In addition to its own environmental initiatives, Canon gives attention to the operations of partners that supply parts and materials. 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.

Canon has manufacturing bases around the globe. Through steady efforts such as these initiatives, we are striving to prevent pollution and lessen the environmental impact throughout the supply chain.

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

## Requirements of the Canon Green Procurement Standards

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

■ Evaluation per supplier (A-C)   
 ■ Evaluation per part and material (D)

## Stronger Risk Management within Supply Chain (Preventing Pollution)

It was already Canon practice to check suppliers regarding the organization and environmental performance of their business activities and any corrective measures taken. Now, it has further strengthened its risk management to help prevent pollution in its supply chain.

For example, in order to ensure compliance with strengthened regulation of operating sites, 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 that pollution is prevented in advance.

### Canon Recognized as “Five-Star Green Supply Chain” Company

The Canon Group was certified as a “Five-Star Green Supply Chain” company by the China Environmental United Certification Center\* (CEC), an influential body that assesses companies’ activities based on the Ministry of Environmental Protection of the People’s Republic of China (currently the Ministry of Ecology and Environment of the People’s Republic of China)’s policy of “promoting green supply chain management through green procurement and production.” In addition to practicing green procurement, the CEC recognizes our efforts to build trust with suppliers as part of establishing a green supply chain satisfying the highest compliance standards.



The five-star Certificate of Green Supply Chain Assessment

\* The China Environmental United Certification Center, approved by China’s Ministry of Environmental Protection to certify product ecolabels on behalf of the country. The Center is also China’s first third-party organization to perform green supply chain rating certifications.

## Environmental Audits and Environmental Performance Evaluations

In order to check the current status of environmental initiatives, Canon primarily uses two systems: internal environmental audits that ascertain the effectiveness of environmental management systems, and an environmental performance evaluation system that measures progress toward targets and achievement.

### Internal Environmental Audits

Internal environmental audits composed of headquarters environmental audits performed by the Global Environment Center, 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 also carried out in certain locations.

Results of internal environmental audits conducted throughout the year are compiled by the Group audit management section of the Global Environment Center, and reported to the Chairman, President and Executive Vice President in management reviews.

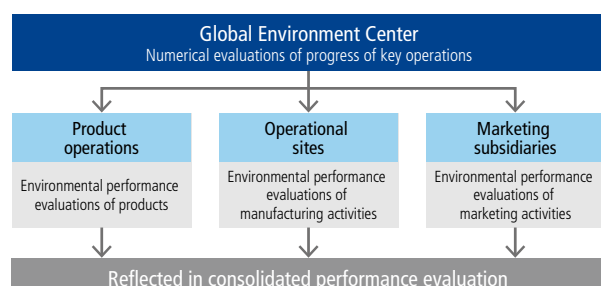
In 2018, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

## Environmental Performance Evaluations

Through environmental performance evaluations, the outcomes of the environmental activities at individual product operations, operational sites and sales companies are evaluated and scored twice yearly. These are incorporated in consolidated performance evaluations along with business performance.

The Global Environment Center sets the environmental evaluation criteria and carries out the evaluations, which account for approximately 10% of the overall consolidated performance evaluation. Environmental evaluation indicators include compliance with laws and company rules, achievement of environmental targets, improvements in the environmental performance of products, and environmental communication, among others. Results are announced to the Group every six months.

### Environmental Performance Evaluation Process



### Canon Hi-Tech (Thailand) Awarded Green Industry Level 5

Under the Green Industry Project operated by the Thai Ministry of Industry, Canon Hi-Tech (Thailand) has been certified as a company engaged in continuous environmental activity in the whole of its supply chain that has contributed to sustainable industrial development. Canon Hi-Tech (Thailand) demonstrated the network extension throughout a green supply chain by supporting their business partners entering into accredited green industry processes, in addition to establishing an environmental management organization and process internally. In addition, Canon Hi-Tech (Thailand) is the first firm from the electric and electronics industry to receive the top rating award of Level 5.

### Environmental Education

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

The awareness training program is aimed at giving employees full recognition of the importance of environmental assurance activities as well as the policies, targets, and rules of their own divisions, while the specialized training program is aimed at enhancing the capabilities of employees involved in environmental assurance activities.

The specialized training program consists of product environment, operational site environment and environmental audit sections. Of these, product environment training involves detailed programs to enhance the abilities of those responsible for product environmental assessments, product surveys and integrated management of chemical substances.

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 reinforcing its education course for risk management globally, and has been using training materials in English and Chinese since 2016. As of the end of 2018, employees involved in related operations had completed this training program (total of 3,414 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, practical training in recycling is given, including instruction in how to disassemble multifunctional office equipment.

### Environmental Awards and Environmental Exhibition

#### Cultivation of Outstanding Practice Across Whole Organization and Employee's Environmental Awareness Raising

To promote improved staff awareness and activities in relation to the environment, Canon started holding an internal exhibition introducing good practices of environmental activities from Japan in 2003. The exhibition went global in 2008, when good practices 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 served to activate internal development of exceptional environmental activities and proven to be valuable opportunities to raise employees' environmental awareness. Started in 2013, the simultaneous holding of a virtual exhibition on the Group intranet has allowed Group employees unable to attend the exhibition to easily access the event, which has helped to cultivate best practices across the entire organization.

Meanwhile, every year, the design team and global environment team together create and distribute posters to Group companies around the world. These posters help raise employee awareness about the environment globally.



Top management judges entries at the Environmental Awards ceremony



Original environmental awareness-raising poster

## 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 students and environmental programs run in cooperation with regional organizations. Canon has held a total of 171 outreach classes on toner cartridge recycling since 2011 for more than 8,800 participants. In 2017, this program was accredited by the Tokyo Organising Committee of the Olympic and Paralympic Games as “Tokyo 2020 Official Programme (Sustainability).”

Meanwhile, Canon Group companies worldwide have been switching off their lights to participate in the global environmental event, Earth Hour\*, since 2016.

\* Earth Hour is a global lights-off event started by the WWF (World Wildlife Federation) in 2007.

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



An environmental outreach class

## Start of Information Transmission 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 a plant field trip course that includes Canon’s automated toner and ink cartridge recycling systems and a showroom introducing Canon’s wide variety of environmental activities such as the Canon Bird Branch Project, along with information panels, videos, and hands-on contents. In this way, it is not only a place where customers can come to observe our operations, but also serves as an environmental education center for elementary school pupils and other groups from the general public. Our educational programs include environmental seminars where participants can take part in experimental sorting of materials by magnetism, weight, size and other properties, and observational visits to see in action the recycling technology they have learned about in the seminars. In doing so, participants get to see the knowledge they have acquired in science lessons being applied in practice for the benefit of recycling.

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



Learning about the environment at the Canon Eco Technology Park showroom


## Environmental Regulatory Compliance and Response to Complaints

As a result of implementing an environmental management system coordinated across the Group, Canon came through 2018 without a single legal violation or accident that seriously impacted the environment. The Canon Group also did not incur any fines. Operational sites received complaints about issues such as facilities generating noise and foul odors emitted by factories, all of which were resolved satisfactorily via appropriate measures.

## Contributing to a Low-Carbon Society

Canon is working toward the realization of a low-carbon society through initiatives to reduce CO<sub>2</sub> emissions and improve energy efficiency throughout the product lifecycle.

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

<p>Contributing to a Low-Carbon Society Climate Change, Energy</p> 	• Designing energy-efficient products	Target 13.2	Target 7.3
	• Improving energy efficiency at operational sites	Target 13.2	Target 7.3
	• Increasing use of renewable energy	Target 13.2	Target 7.2
	• Reducing CO <sub>2</sub> 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

### CO<sub>2</sub> Reduction in Product Development

#### Energy-Saving Designs for Medical Equipment

The Canon Group is driving forward energy-efficient design across a wide range of product types. One example from the field of medical equipment is the Xario g-series, a new diagnostic ultrasound system from Canon Medical Systems. In addition to Canon's unique high-resolution imaging, it features high-speed automated startup in just 2 seconds and batteries allowing continuous use for up to 8 hours, while newly adopted features including cable-free ECG electrodes and a foot switch provide enhanced mobility. Additionally, the Xario 200G, launched in April 2018, achieves a 29% reduction in electric power consumption compared to previous models. These products not only improve the quality of medical treatment but also contribute to protecting the environment.



Xario g-series diagnostic ultrasound system  
 Xario 200G (left)  
 Xario 100G (right)

#### Energy-Saving Designs for Office Equipment

The multifunction office device imageRUNNER ADVANCE Gen3 3rd Edition is fitted with a range of features that contribute to increased efficiency in office operations, including a human sensor that activates automatic recovery from sleep mode and reduced waiting time for sleep mode recovery. Meanwhile, the imageRUNNER ADVANCE C5550F III pursues energy-efficient design through features such as on-demand fixing technology, a newly developed main controller, and a newly developed toner designed for optimal melt characteristics. These features enable it to achieve approximately 47% reduction in CO<sub>2</sub> emissions during customer use compared to the imageRUNNER ADVANCE C5250F. It thus manages to combine improved product functions with reduced CO<sub>2</sub> emissions. Meanwhile, the A4 monochrome laser multifunction device Satera MF521dw boasts a sleep mode recovery time of 4 seconds or less, approximately 50% faster than the previous Satera MF511dw model. In this way, it not only contributes to more efficient office operations, but also realizes a reduction of approximately 17% in TEC value.\*

\* TEC value: An environmental indicator for the typical amount of electricity consumed by a product while in normal operation during a one-week period.



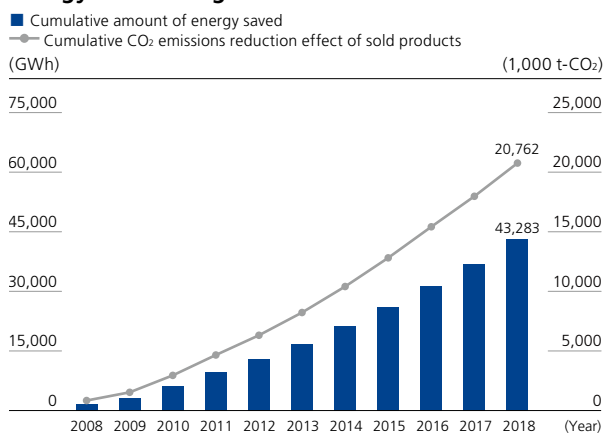
imageRUNNER ADVANCE C5500F III Series (left)  
 Satera MF521dw (right)



Thanks to energy-saving technologies used in office equipment, between 2008 and 2018 Canon products achieved cumulative energy savings of 43,283GWh (equivalent to a reduction of 20,762,000 tons of CO<sub>2</sub>).

Reference: Environmental Technologies  
<https://global.canon/en/technology/support05.html>

### Energy/CO<sub>2</sub>-Saving Effects of Office Products



- \* Covered products: Electrophotographic multifunction devices and laser printers for offices (excluding production printers).
- \* Energy-saving effect using the average energy (electricity) consumed by products sold in 2007 as a baseline.
- \* Cumulative yearly effect assumes that products sold in each year are used for 5 years.
- \* CO<sub>2</sub> emissions factors are calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies (in Japan) and the International Energy Agency (outside Japan).

### Contributing to CO<sub>2</sub> Reduction Across the Whole of Society

In addition to reducing CO<sub>2</sub> through hardware measures such as launching energy-efficient products, we are deploying a range of IT solutions to improve the efficiency of work operations, reduce the movements of people and objects, and realize savings in the consumption of resources and energy. This also promotes CO<sub>2</sub> reduction in the office and in society as a whole. For example, the computerization of paper documents through the use of multifunction devices and scanners not only allows more efficient document management, but also contributes to savings in paper resources used and storage space required, enabling customer enterprises to reduce resource consumption and CO<sub>2</sub> emissions. By delivering to society a range of IT solutions in addition to its individual products, Canon will continue contributing to reducing CO<sub>2</sub> emissions across the whole of society.

### Helping Customers Reduce Their Environmental Impact

#### Using the Carbon Offset Program (Japan)

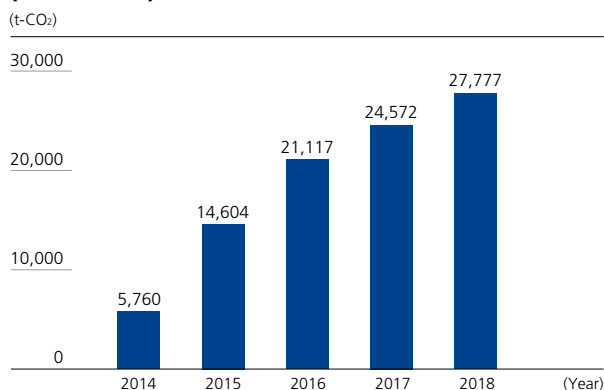
Canon promotes initiatives that help customers reduce their CO<sub>2</sub> emissions.

To enable customers to select products with lower CO<sub>2</sub> emissions, we strive to disclose relevant information and are also in the process of obtaining carbon footprint (CFP) certification under the Japan Environmental Management Association for Industry's CFP communication program.

Additionally, by utilizing the Carbon Offset Program making use of CFP\* promoted by the Ministry of Economy, Trade and Industry, we have been able to realize products with practically zero lifecycle CO<sub>2</sub> emissions. With some of these products, such as the imageRUNNER ADVANCE series and the 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 CO<sub>2</sub> 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 2018 totaled 27,777 t-CO<sub>2</sub>.

#### Carbon Offsets Linked to Customer Demand (Cumulative)



- \* 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.

Reference: Products qualifying for Carbon Footprint (CFP) Declaration (Japanese website only)

<https://canon.jp/ecology/products/cfp/index.html>

Reference: Canon's carbon offset initiatives (Japanese website only)

<https://cweb.canon.jp/ecology/carbon-offset/index.html>

Reference: Products certified under Carbon Offset Program making use of carbon footprints (Japanese website only)

<https://cweb.canon.jp/ecology/products/cfp-certified/index.html>

## CO<sub>2</sub> 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. In an approach whose key concept is the 5Gs\*, the group has worked to reduce energy consumption by undertaking a thorough-going review of operating conditions at production facilities, 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. Meanwhile, staff from a dedicated department at Head Office carry out energy-efficiency diagnosis on visits to production sites and suppliers 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. In the four years since the launch of this

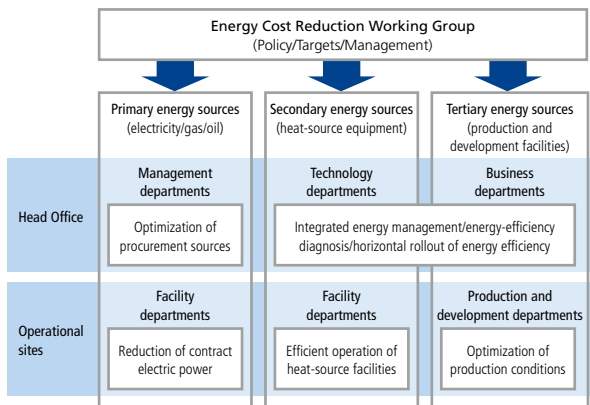
initiative, it has resulted in a Group-wide energy saving of 95,650KL (crude oil equivalent).

To take one example, Fukushima Canon experiences fluctuations in thermal demand due to fluctuating levels of production. It responded with an improvement measure to reduce from three to two the number of refrigerator installations used to supply cooling water, which achieves a yearly reduction of 2,033MWh in electric power consumption.

Canon Prachinburi (Thailand) promoted improvements in electric power consumption and cost through measures to visualize the relevant figures for each production area and analyze the differences. Also, by changing the temperature of the cooling water from the chiller, an approximate 1,174MWh saving in electric power consumption was achieved.

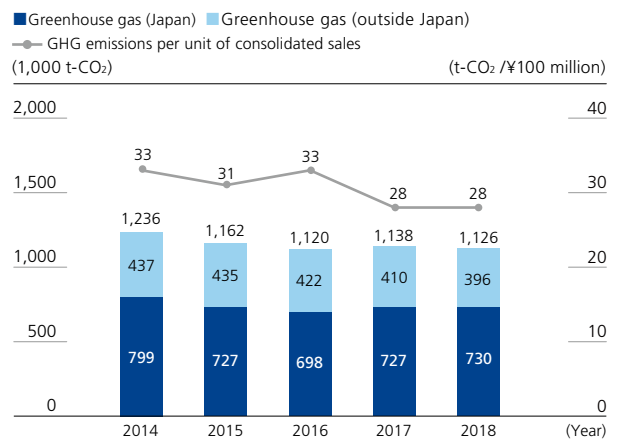
\* The 5Gs is an operational improvement methodology for problem-solving. It adds theory "genri" and principle "gensoku," which are the foundation of decision making, to the well-known 3Gs — visit the actual site "genba" in person and recognize the actual facts "genjitsu" through the actual parts or things "genbutsu." The 5Gs takes its name from the five Japanese terms, all of which start with the letter g.

### System of Energy Cost Reduction Working Group



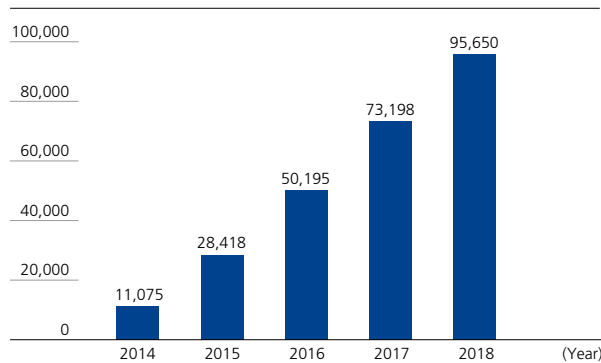
In 2018, thanks to a rigorous program of energy conservation measures across operational sites in Japan and overseas, led by the activities of the Energy Cost Reduction Working Group, we achieved a year-on-year reduction in greenhouse gas emissions of 12 kt-CO<sub>2</sub> to 1,126 kt-CO<sub>2</sub>.

### Greenhouse Gas Emissions at Operational Sites



### Cumulative Energy Saving Through Working Group Activities

(KL: crude oil equivalent)



\* Canon's calculation of total greenhouse gas emissions calculation of energy-derived greenhouse gas CO<sub>2</sub>, and non-energy derived greenhouse gases PFCs, HFCs, SF<sub>6</sub>, N<sub>2</sub>O, methane, and NF<sub>3</sub>. Through 2014, conversion to CO<sub>2</sub> is made using annual coefficients for each region. Coefficients supplied by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan are used for site activities in Japan, and coefficients supplied by the International Energy Agency (IEA) are used for site activities in regions outside Japan. From 2015, CO<sub>2</sub> conversion coefficients from the Electric Power Council for a Low Carbon Society are used, and where coefficients are not provided by electric power companies, publicly provided coefficients by region are used. As the latest CO<sub>2</sub> conversion coefficients become public after compilation of CO<sub>2</sub> data for the report, the data is adjusted retroactively in future reports.

\* Figures for 2017 onwards include Canon Medical Systems.

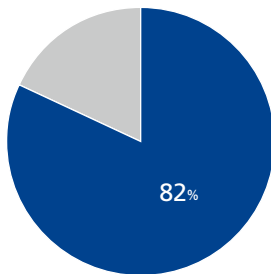
## Increasing Use of Renewable Energy

### Use of Renewable Energy Suited to Regional Characteristics

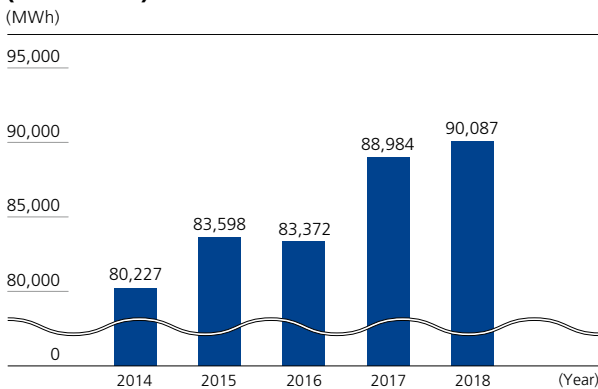
As of the end of 2020, Canon aims to derive from renewable sources at least 300MWh of the energy it uses at sites in Japan, and at least 85,000MWh of the energy it uses at sites outside Japan. We are currently working to expand the use of renewable energy, especially in Europe, while keeping regional renewable energy uptake status and economic feasibility under consideration. Océ -Technologies in the Netherlands employs a geothermal HVAC system that uses the temperature differential with groundwater to power heating and cooling systems.

As a result of these initiatives adapted to local conditions, total renewable energy consumption by Canon Group companies worldwide in 2018 was 90,087MWh, an increase of about 1,100MWh compared with 2017. Canon Group companies in Europe sourced about 30% of total energy needs from renewable sources. Of total energy consumed, electric power accounted for around 35%. Of this electric power, generation from renewable sources has reached around 82%.

### Share of Energy from Renewable Sources in Electric Power Consumption (Europe)



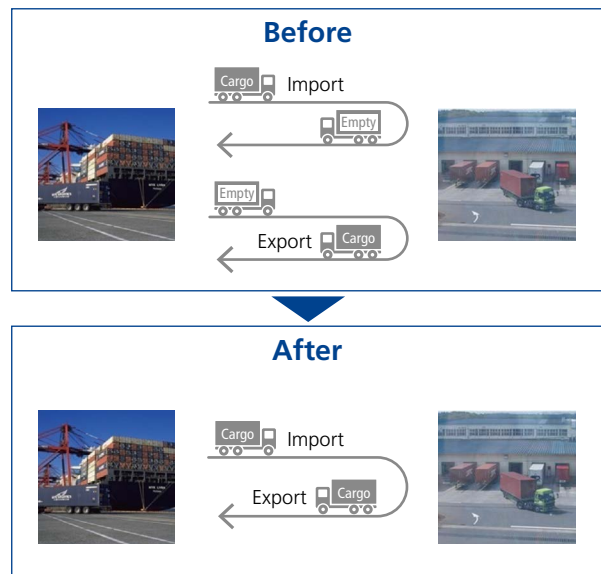
### Expansion of the Use of Renewable Energy (Worldwide)



## CO<sub>2</sub> Reduction in Logistics

In order to reduce CO<sub>2</sub> emissions from the logistics process, Canon has undertaken several initiatives: modal shifts that utilize transport modes with a lower environmental impact, improving loading efficiency by downsizing of products and packaging, diversion or direct-shipment from production sites, and shortening routes by consolidating distribution centers. Modal shift initiatives have also been extended to the field of industrial equipment. As one example, after successfully resolving issues associated with the effects of vibration and heat, we have switched from truck to rail for the distribution of parts for flat-panel display (FPD) lithography equipment. This has brought about a large reduction in the volume of CO<sub>2</sub> generated by logistics. In addition to these initiatives, to further improve transport efficiency, instead of the traditional one-way transport of containers with cargo, we have been actively pursuing Container Round Use (CRU), which includes not just containers within the Canon Group, but also containers imported by other companies for us to export. We are working with carriers and container transporters to expand the initiative. Also in our overseas sites such as Vietnam we have been promoting the same initiative.

### Overview of Container Round Use



# Contributing to a Circular Economy

Canon pursues reductions in resource consumption and product-to-product recycling with the aim of contributing to the development of a circular economy.

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

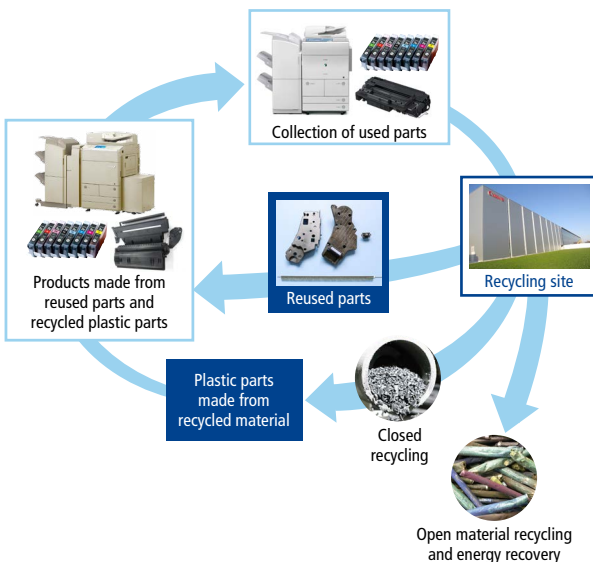
	• Designing more compact and more lightweight products	Target 12.2	Target 12.5
	• Remanufacturing products	Target 12.2	Target 12.5
	• Recycling consumables	Target 12.2	Target 12.5
	• Reducing waste through prevention, reuse and recycling	Target 12.4	Target 12.5
	• Using sustainable water resources	Target 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 their 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 at Canon

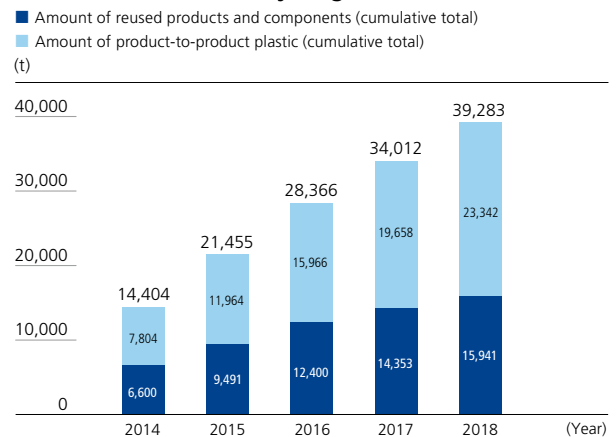
Canon pursues product-to-product recycling—in other words, recycling used products into new ones. In particular, we have emphasized such initiatives as closed-loop recycling of toner cartridges and the remanufacturing of office multifunction devices—collecting them post-use and making them into products 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 Canon's Circular Economy

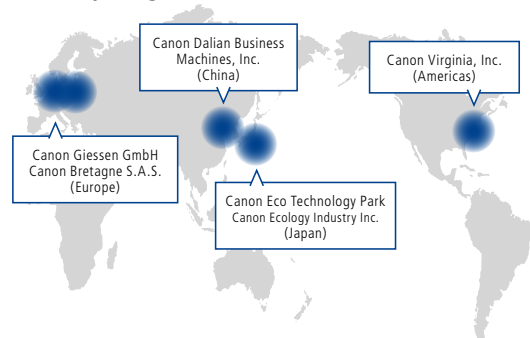


In the last five years, we have taken 23,342 tons of plastics from used products for recycling as raw materials, and another 15,941 tons of products and parts were reused directly.

### Product-to-Product Recycling Amounts



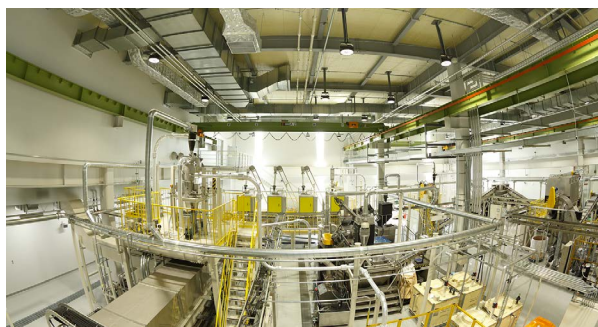
### Canon Recycling Sites Worldwide



## State-of-the-Art Automated Recycling Plant Built 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 features advanced systems to boost recycling efficiency further. The Canon Automated Recycling System for Toner Cartridges (CARS-T) is a process whereby 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, materials for pallets used in logistics, or in stationery products. 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



CARS-T



CARS-I

## Product Development Aimed at Efficient Use of Resources

### Recycling-Conscious Design

There is an emerging global trend toward the recycling and reusing of resources due to concerns about natural resource depletion. Canon gives careful consideration to collection and recycling of end-of-life products from the design and development stage, through the use of Lifecycle Assessments (LCA) and the Product Assessment System.

To assist these efforts in the design stage we formulated the Environmentally Conscious Design Guidance, which covers an array of considerations, including product-related environmental laws and regulations, Green Public Procurement standards, and environmental label standards in the countries where we sell our products.

The Environmentally Conscious Design Guidance contains a wide variety of design guidelines relating to such matters as recycling-conscious design by making products longer-lived, and easier to maintain, ease of disassembly, ease of sorting materials following disassembly, and information disclosure.

### Designing Smaller and Lighter Products

Canon strives to make its products smaller and lighter to help reduce the consumption of resources in the form of raw materials.

In the PIXMA series of inkjet printers, optimization of the internal mechanical layout and the continuation of other downsizing technologies enable the new TS8200 series model, launched in 2018, to achieve approximately 35% compacter dimensions than the previous MG7100 series model (2013). We are also moving ahead with compact and lightweight design in the imagePROGRAF series of large-format inkjet printers. In the new TM-305 model (2018), a redesign of the printer's internal parts layout succeeds in reducing weight by approximately 13% compared to the previous iPF785 model (2014).

In the SLR camera, meanwhile, the optical design of super-telephoto, large-diameter lens models for professional use are completely retooled, while the adoption of an electric focusing ring optimizes the mechanical structure. The EF400mm f/2.8L IS III USM model realizes high resolution at the same time as reducing weight by a substantial 25% or greater compared to the previous EF400mm f/2.8L IS II USM model.

Reference: Eco-Conscious Technology for Inkjet Printers  
<https://global.canon/en/environment/products/ij-printer.html>



### Remanufacturing of Multifunction Devices

Canon remanufactures 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. To take the example of the imageRUNNER ADVANCE 6265-R, a remanufactured monochrome multifunction device, reused parts account for 86.6% of its gross weight.



Remanufacturing in progress



REFRESHED



Logos for remanufactured products (left: Japan; right: Europe)

### Toner Cartridge Closed-Loop Recycling

In 1990, Canon launched its Toner Cartridge Collection and Recycling Program, the first such program in the industry. The program is continuing operating 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.

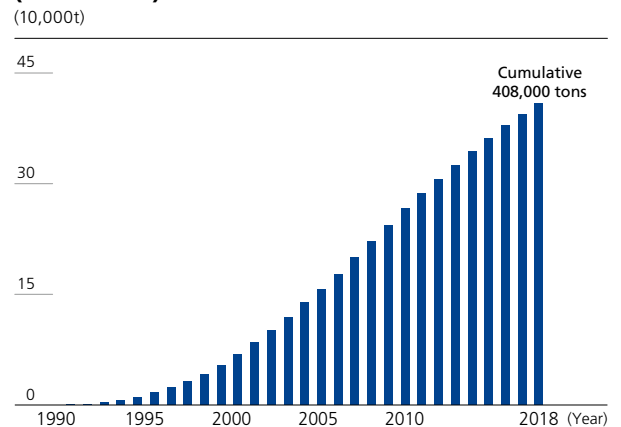
The primary material of toner cartridges is the high-impact polystyrene (HIPS) used primarily for the housing. HIPS can be used repeatedly to make new toner cartridges a unique feature of Canon's closed-loop recycling process.

We conduct used toner cartridge collection in 23 countries and regions (with a cumulative collection volume of about 408,000 tons as of the end of 2018) for recycling at four sites\*, in Japan, the United States, France, and China (recycling in the same region where the product is used).

Thanks to our recycling initiatives, as of 2018 we have achieved a cumulative reduction in the use of new resources of approximately 285,000 tons.

\* Toner cartridge recycling sites  
 Japan: Canon Ecology Industry  
 United States: Canon Virginia  
 France: Canon Bretagne  
 China: Canon Dalian Business Machines

### Used Toner Cartridge Collection Volume (Cumulative)



## Collection and Recycling of Ink Cartridges

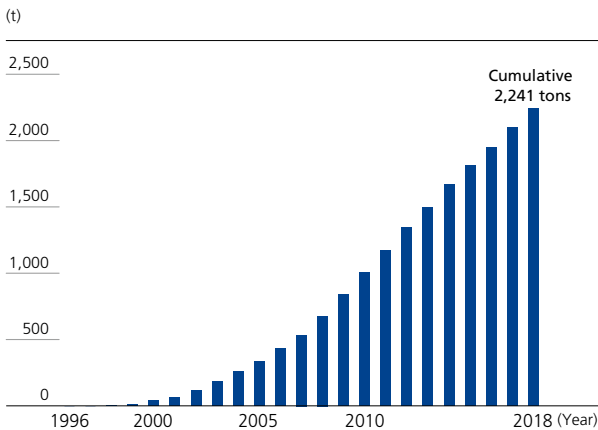
Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2018, Canon's collecting program was operational in 35 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2018 reached 2,241 tons.

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.

Reference: Ink Cartridge Satogaeri Project (Japanese website only)  
<https://cweb.canon.jp/ecology/satogaeri/index.html>  
 Reference: Collection activities related to the Bellmark Campaign (Japanese website only)  
<https://cweb.canon.jp/ecology/bellmark/index.html>

### Used Ink Cartridge Collection Volume (Cumulative)



\* Data scope is worldwide. Figures include cartridges for large-format inkjet printers and compact photo printers.

## Initiatives to Reduce Waste at Operational Sites

### Reducing Waste

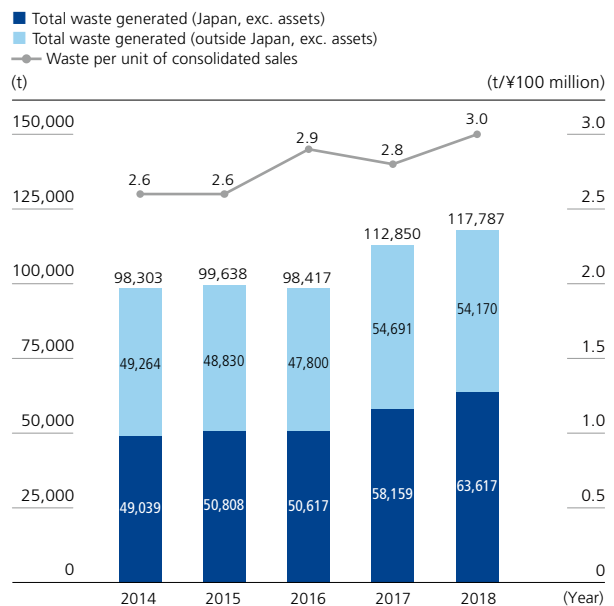
Canon is working hard to reduce the amount of waste it generates. Efforts include increasing recycling through sorting and collection and minimizing initial waste generation.

In particular, we have sought to determine which factors most significantly affect waste generation for each division and each production process. Based on these findings, by an actual versus forecast comparison, we have implemented a number of ongoing initiatives to curb waste generation.

Meanwhile, in response to growing public concern over plastic contamination of the oceans, we have begun a campaign to reduce the use of disposable plastics, for instance in the straws and cups issued at staff canteens and elsewhere. Measures include switching to substitute materials and encouraging staff to bring their own multi-use utensils.

In 2018, we worked at all operational sites to reduce waste generation and promote internal recycling. However, due partly to the effect of a change in waste treatment methods at some sites, total waste generation increased by 4,937 tons year on year to 117,787 tons.

### Total Waste Generated



\* Figures for 2017 onwards include data for Canon Medical Systems.

### 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 2018, contracted companies processed 114,817 tons of waste from Canon back into materials.

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

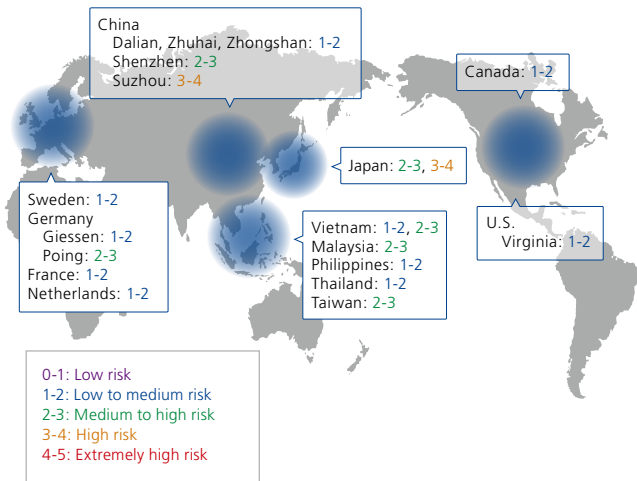
### Adapting to Regulations on the Import of Waste Plastics and Similar Materials Spread Widely in Asia

In January 2018, China introduced a ban on the import of waste plastics and used paper under the National Sword policy. Subsequently, moves to adopt the import ban have spread to southeast Asian nations, notably Malaysia and Thailand. To curtail as far as possible the generation of waste plastics, used paper, and other waste materials outsourced, Canon works with production sites to further improve the accuracy of separation processes and to expand in-house recycling through in-process recycling measures. We will also be making efforts to improve material yield so as to reduce material wastage as part of initiatives across the whole of the supply chain.

### Aiming for Sustainable Water Resources Water Risk in Regions Where Canon Production Sites Are Located

Canon assesses locations to confirm available water intake volume before establishing operational sites and facilities. We use the AQUEDUCT water-risk mapping tool provided by the World Resources Institute\* for quantitative evaluation and reconfirmation of water risk in regions where production sites are located.

### Water Risk (Quantitative) in Regions Containing Major Production Sites



\* Results using World Resources Institute (WRI) AQUEDUCT mapping tool  
\* Result of assessment "physical risk quantity" for region containing production site

The results of our evaluations show that no regions where Canon has production sites are considered to be extremely high risk.

Approximately 40% of the water resources consumed by Canon are utilized in the production process. Particularly the lens and semiconductor manufacturing processes require large quantities of water, making it a crucial element in our operations. By improving

the efficiency of our water use, we are working to reduce its environmental impact.

\* 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.

### Reducing Water Usage

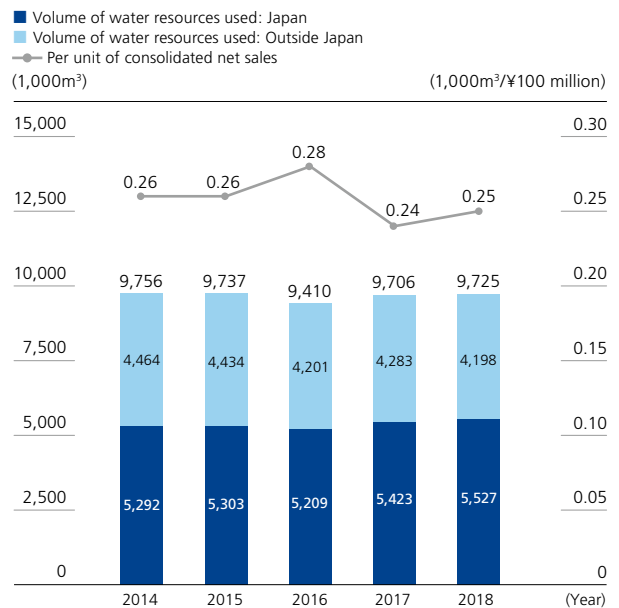
Canon collects water data by intake source (public water system, industrial water system, or groundwater) and manages water resources carefully so as not to exceed intake limits for the different regions in which it operates. We also set and manage targets for the volume of water used in production,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

### Water Recycling at Production Sites

Canon promotes the recycling of water resources. The Kitsuki Plant of Oita Canon Materials Inc. is located on Beppu Bay, home to precious natural resources and habitats. In consideration of the impact on the ecosystem, the plant employs a closed wastewater system that discharges nothing but rainwater.

In 2018, we worked at all operational sites to reduce water consumption and promote recycling. Nevertheless, total water consumption showed a slight year-on-year increase of 19 TCM to 9,725 TCM.

### Use of Water Resources





\* Figures for 2017 onwards include data for Canon Medical Systems.  
\* Figures of volume of water resources used for 2018 onwards obtain third party verification.

# Eliminating Hazardous Substances and Preventing Pollution

Canon thoroughly manages chemical substances in products and those used in manufacturing processes to prevent environmental pollution and adverse effects on people’s health.

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

<p><b>Eliminating hazardous substances and preventing pollution</b></p>  	<ul style="list-style-type: none"> <li>Managing chemicals contained in products, meeting international standards</li> </ul>	Target 12.4	
	<ul style="list-style-type: none"> <li>Managing chemical substances in production processes</li> </ul>	Target 12.4	
	<ul style="list-style-type: none"> <li>Reducing discharges into the air, water and soil</li> </ul>	Target 12.4	Target 6.3
	<ul style="list-style-type: none"> <li>Green supply chain</li> </ul>	Target 12.4	

\* Target 12.4: Achieve the environmentally sound management of chemicals and all waste throughout their 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

### Canon’s 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 emit 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.

### Compliance with Additional Restriction of Substances Under the European Union’s RoHS (Restriction of Hazardous Substances) Directive

Following the amendment of the European Union’s RoHS Directive, from July 22, 2019, the use of 4 phthalates

(DEHP, BBP, DBP, DIBP) will be restricted in electrical and electronic equipment sold on the EU market. These substances are in general use as plasticizers for improved flexibility and moldability, for instance in the covering of electric power cables.

As part of its Green Procurement system, Canon has identified products containing the phthalates and has been preparing for the new regulation by working with parts suppliers on evaluations and studies and investigation of alternatives. These activities mean that customers will be able to continue using our products with complete confidence after the amendment of the RoHS Directive.

The phthalates are known to have the property of migration, which means that matter can be transferred to other products on contact. Canon is responding by ensuring compliance with industry guidelines throughout the supply chain.

### Proactive Contribution to International Standards for Transmitting Information 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 the suppliers for the information about chemical substances in products,

which meant that suppliers were requested to respond to their customers multiple times in different formats even with regard to 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 is expected to enable 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, around 99% of survey replies 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 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.

\* IEC62474: 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 electro-technical industry in the global supply chain.

## 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 prohibited under 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/SF<sub>6</sub>), other soil and groundwater pollutants, and substances that significantly impact people’s health.

Greenhouse gases other than PFC/HFC/SF<sub>6</sub>, 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.

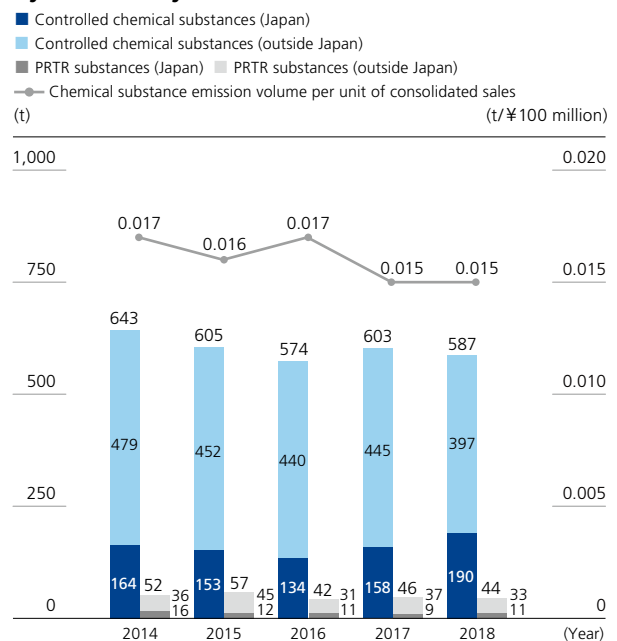
Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

## 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 2018 amounted to 587 tons, a year-on-year decrease of 16 tons, which was achieved through activities to reduce chemical substances used in the production process and measures to promote re-use.

## 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.

\* Figures for 2017 onwards include data for Canon Medical Systems.



## Reducing Emissions into the Atmosphere and Waterways and Preventing Pollution

Canon alleviates the environmental impact of its operational sites by reducing emissions of NO<sub>x</sub>\*<sup>1</sup> and SO<sub>x</sub>\*<sup>2</sup>, which are major causes of air pollution and acid rain; reducing discharges of phosphates and nitrogen compounds, which cause the eutrophication of water environments; and, reducing BOD\*<sup>3</sup> and SS\*<sup>4</sup>, which indicate an environmental impact in water areas.

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

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

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

\*1 Nitrogen oxides (NO<sub>x</sub>)

A major cause of air pollution, acid rain and photochemical smog, NO<sub>x</sub> is generated when the nitrogen in fuels is oxidized or when nitrogen in the atmosphere is oxidized during high-temperature combustion.

\*2 Sulfur oxides (SO<sub>x</sub>)

A major cause of air pollution and acid rain, SO<sub>x</sub> 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 shows worse water quality.

\*4 Suspended solids (SS)

A collective term used for substances of less than 2mm in diameter that float in the air and do not dissolve.

## Soil and Groundwater Remediation 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.

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, remaining fully aware of the national and regional standards where each site is located in order to implement countermeasures according to the situation at each location.

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 2018, 13 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 5 capacitors and transformers and 1,922 fluorescent ballasts in storage.

This PCB waste is processed sequentially by Japan Environmental Storage & Safety Corporation (JESCO).

## Status of Soil and Groundwater Clean-up Activities\*


Operational Site	Substances	Measures
Shimomaruko	Trichloroethylene, etc.	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, excavation and elimination, water quality measurement
Bando	1,1-dichloroethylene, etc.	Pumping, covering, water quality measurement
Nagahama Canon	Hexavalent chromium and its compounds	Covering, water quality measurement
Canon Components	Mercury and its compounds	Covering

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

# Contributing to a Society in Harmony with Nature

We launched the Canon Bird Branch Project, which highlights the “Cycle of Life,” as one of the various activities based on our Biodiversity Policy that we promote worldwide.

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

 <p><b>Contributing to a Society in Harmony with Nature</b></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 preservation, 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, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

### Canon’s 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.

#### Biodiversity Policy

**Basic Policy**  
 Canon fully recognizes biodiversity as an important basis for a sustainable society, and promotes activities that contribute to biodiversity conservation.

**Action Guidelines**

- Canon strives to conserve biodiversity with consideration for various regional characteristics from a global perspective.
- Canon actively works to reduce the impact on biodiversity associated with various business activities, and to conduct social-contribution activities that lead to biodiversity conservation.

**Specific Actions**

- “Utilization of Canon technologies and products for biodiversity conservation”  
 Support for biodiversity conservation activities and projects
- “Consideration for biodiversity centered on operational sites”  
 Ascertaining the impact of our business activities on biodiversity, and conservation of animal and plant habitats around operational sites
- “Contribution to the realization of a community rich in biodiversity”  
 Promotion of biodiversity conservation activities and educational activities in collaboration with local communities

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

To help support biodiversity, Canon promotes the use of sustainable forestry resources as the raw materials for paper production within the value chain. 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.

#### Basic Policy on the Procurement of Timber Products

- 1. Use sustainable forest materials**  
 In its procurement of timber products, the Canon Group uses materials supplied from forest resources managed exclusively for use as timber products.
- 2. Trace the origin of forest resources used**  
 We seek the cooperation of business partners to ensure the traceability of products throughout the manufacturing process, from the harvest of raw materials onward.
- 3. Confirm evidence of traceability**  
 Canon works with its business partners to ensure the traceability of materials used in Canon products (or OEM products) and their packaging that are subject to timber product regulations in each country.

## Group Initiatives to Conserve Biodiversity

### Canon Bird Branch Project

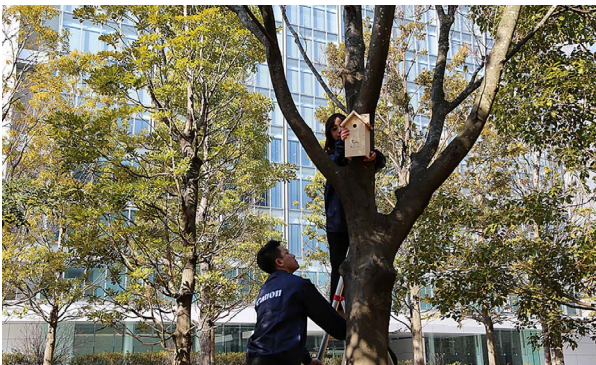
Biodiversity refers to the way living things interact as they coexist on earth. Within this sphere, birds occupy the top position in a local ecosystem pyramid of plants, insects, and small animals, symbolizing the cycle of life. In line with this concept, Canon promotes the Bird Branch Project as a symbol of the activities it conducts based on its Biodiversity Policy.

As part of the Bird Branch Project, a wild bird habitat has been created at Canon Global Headquarters in Tokyo, where birdlife is monitored with network cameras and regular bird census are conducted. Canon Group plants at Toride, Susono and Oita and the Kawasaki Office have also joined the Bird Branch Project and conduct bird census at their sites in collaboration with the Wild Bird Society of Japan. Similarly, overseas sites in France, the Netherlands and elsewhere are collaborating in activities with local partners. Meanwhile, at the Canon Medical Systems Nasu Headquarters, which joined the Bird Branch Project in 2018, we are working together with employees and members of the local community on activities to protect biodiversity around the concept of building a company that coexists with nature.

We plan to increase the number of operational sites participating in the project in Japan and overseas as part of our efforts to conserve and protect biodiversity.



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



Installing a nesting box at Canon's Kawasaki Office

### Canon Canada Branch Out

Canon Canada celebrated the fifth anniversary of Branch Out in 2018. The 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. Over the past five years, employees have volunteered more than 8,000 hours in 45 locations across the country. Their achievements so far include planting more than 33,000 trees, removing 2,600 m<sup>3</sup> of non-native vegetation and restoring nearly 650 m<sup>2</sup> of shoreline.



Clearing invasive plant species

### Working with the Local Community to Restore Seaweed Beds (Thailand)

With the collaboration of the Marine and Coastal Resources Research and Development Center and local communities, Canon Hi-Tech (Thailand) worked on a project to protect the marine ecosystem by restoring coastal seaweed beds in the Sattahip District of Chonburi Province. A 200-strong team made up of 150 Canon employees and 50 local government employees and community members took part in an operation to restore seaweed beds using a total of around 10,000 individual plants.



Action to protect the marine ecosystem

# Data Summary

## Data on CO<sub>2</sub>

### Total GHG Emissions by Scope

(t-CO<sub>2</sub>)

	2014	2015	2016	2017	2018
Scope 1	176,894	169,974	164,769	174,342	160,439
Scope 2	1,059,561	992,380	955,338	963,185	965,720

\* Figures for 2018 obtain third party verification.

## Data on Energy

### Energy Consumption by Region in 2018

(TJ)

	Electricity	Gas	Oil	Other (steam, wide area heating and air conditioning)
Japan	4,625	1,429	251	36
Americas	407	155	6	0
Europe	342	169	409	65
Asia and Oceania (except Japan)	1,924	87	29	75
Total	7,298	1,839	695	176

\* Electricity includes the amount generated by renewable energy sources.

\* Figures obtain third party verification.

### Use of Renewable Energy by Region in 2018

(MWh)

(TJ)

	Electric power	Geothermal power
Japan	259	0
Americas	6,654	0
Europe	77,894	18
Asia and Oceania (except Japan)	196	0
Total	85,003	18

## Data on Waste

### Recovery Volume by Type of Waste in 2018

(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.	24,103
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	22,401
Metals	Raw materials for metals, roadbed materials, etc.	31,393
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	12,272
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	7,945
Wood	Construction boards, bedding for plants, pulp materials, fuels, fertilizers, etc.	5,669
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	360
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	10,673
Total		114,817

### Landfill Amount of General Waste Generated by Business Activities

(t)

	2014	2015	2016	2017	2018
General landfill waste generated by business activities	2,382	2,188	2,343	2,105	1,962

## Atmospheric Emissions

### SOx and NOx Emissions

(t)

	2014	2015	2016	2017	2018
SOx	0.7	0.7	0.6	1.2	1.1
NOx	67.8	65.6	62.1	61.7	56.1

## Data on Water Resources

### Total Wastewater Discharge

(1,000m<sup>3</sup>)

	2014	2015	2016	2017	2018
Japan	4,084	4,122	4,108	4,491	4,377
Outside Japan	3,751	3,744	3,433	3,306	3,086

### Wastewater Amount by Discharge Route in 2018

(1,000m<sup>3</sup>)

	Rivers	Sewerage System	Total
Japan	996	3,381	4,377
Outside Japan	693	2,393	3,086
Total	1,689	5,774	7,463

### 2018 Water Quality Data

(t)

	2018
SS	165
BOD	258

### Water Consumption in 2018 by Type

(1,000m<sup>3</sup>)

	Public Water	Industrial Water	Groundwater	Total
Japan	1,632	2,530	1,365	5,527
Outside Japan	3,227	726	244	4,198
Total	4,859	3,256	1,609	9,725

### Use of Recycled Water and Recycling Rate in 2018

	Recycled Water (1,000m <sup>3</sup> )	Recycling Rate (%)
Japan	1,472	26.6
Outside Japan	87	2.1
Total	1,559	16.0

\* Figures obtain third party verification.

## Data on Chemical Substances

### Substances Canon No Longer Uses

	Substance Eliminated	Date Eliminated
Ozone-Depleting Substances	Chlorofluorocarbons (CFCs), 15 types	December 1992
	1,1,1-Trichloroethane	October 1993
	Hydrochlorofluorocarbons (HCFCs), 34 types	October 1995
Greenhouse Gases* <sup>1</sup>	Perfluorocarbons (PFCs)	December 1999
	Hydrofluorocarbons (HFCs)	December 1999
Soil Contaminants	Trichloroethylene	December 1996
	Tetrachloroethylene	December 1996
	Dichloro methane (for cleaning)	December 1997
	Dichloro methane (for thin film coating)* <sup>2</sup>	October 2003

\*1 Excludes use in semiconductor manufacturing

\*2 Discontinued use in Japan in December 2001



### Amount of Chemical Substances in 2018

	Amount
Japan	8,146
Outside Japan	1,071
Total	9,217

(t)

### VOC Emissions in 2018

	VOC Emissions
Japan	156
Outside Japan	254
Total	410

(t)

### 2018 List of Chemical Substances Subjected to the PRTR Act

Statutory No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Recyclables
7	N-butyl acrylate	1	0	0	0	55,333
20	2-aminoethanol	269	43	2	13,476	13,128
31	Antimony and its compounds	1	0	0	0	130
53	Ethylbenzene	781	7	0	8,237	15,100
71	Ferric chloride	0	0	0	2	167,679
80	Xylene	7,969	9	0	7,849	145,612
125	Monochlorobenzene	1,807	0	0	9,679	48,381
128	Methyl chloride	4	0	0	0	0
150	1,4-dioxane	441	0	0	0	642
202	Diphenylamine	0	0	0	0	62
232	N,N-dimethylformamide	288	0	0	0	366
240	Styrene	259	0	0	0	135,949
259	Tetraethylthiuram disulfide	0	0	0	0	0
296	1,2,4-trimethylbenzene	196	0	0	20	13,511
298	Tolylene diisocyanate	0	0	0	0	334
299	Toluidin	1	0	0	0	0
300	Toluene	12,690	34	0	2,028	70,094
306	Hexamethylene diacrylate	0	0	0	0	83
308	Nickel	299	0	298	2	1,555
309	Nickel compounds	0	0	0	11	2,767
343	Pyrocatechol	10	0	0	0	3,320
349	Phenol	72	0	0	2	2,618
374	Hydrogen fluoride and its water-soluble salts	5	23	1,200	0	542
395	Water-soluble salts of peroxodisulfuric acid	0	0	38	1	4,837
408	Poly (oxyethylene) octylphenyl ether	0	0	0	0	950
412	Manganese and its compounds	0	0	0	0	226
438	Methylnaphthalene	118	0	0	0	670
448	Methylenebis (4,1-phenylene) diisocyanate	1	0	0	0	16,022

(kg)

## Environmental Accounting

Calculations performed according to the Environmental Accounting Guidelines (2005 edition) issued by Japan's Ministry of the Environment.

### Environmental Conservation Costs

(Billions of yen)

Category	Details of Key Activities	2018	
		Investment	Cost
(1) Business Area Cost		2.37	8.39
Details	1. Pollution Prevention Cost	1.43	4.32
	2. Global Environmental Conservation Cost	0.86	1.72
	3. Resource Circulation Cost	0.09	2.35
(2) Upstream / Downstream Cost	Green procurement initiatives, product recycling* <sup>1</sup> , etc.	0.11	7.10
(3) Administration Cost	Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.04	3.95
(4) R&D Cost* <sup>2</sup>	R&D for reducing environmental impact	0.0	0.0
(5) Social Activity Cost	Contributions to organizations, sponsorships, memberships, etc.	0.01	0.13
(6) Environmental Remediation Cost	Soil remediation	0.0	0.04
(7) Other	Other environmental protection-related costs	0.02	0.0
Total		2.55	19.61

\*1 In connection with the recycling of used products, expenses for product collection, storage, sorting, shipment, etc.

\*2 Expenses for basic research on environmental technologies

### Environmental Conservation Benefit

Details of Benefit	Environmental Protection Indices		
	Index	Index Value	
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO <sub>2</sub> )	38,189
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	114,817
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (1,000 t-CO <sub>2</sub> )* <sup>3</sup>	2,945
		Recovery of used products (t)* <sup>4</sup>	65,840

\*3 CO<sub>2</sub> reduction resulting from energy-conservation technologies in electrographic multifunction devices and laser printers.

\*4 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		2018
Revenue	Sales revenue from waste recycling	2.43
Cost Reduction	Reduction in energy costs from energy conservation	1.83
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling	1.52
Total		5.78

### Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit		2018
Lower energy costs from reduced product energy consumption* <sup>5</sup>		75.90
Profit from used product recycling		5.99

\*5 Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2018 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

## Product Standards Compliance

### 2018 Standards Compliance for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / Multifunction Devices (MFDs)	30/30 (100%)	30/30 (100%)	30/30 (100%)
Laser Printers	–	–	–
Inkjet Printers	11/11 (100%)	8/11 (73%)	11/11 (100%)

\* Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.

\* No new laser printers were released for sale in 2018.

### 2018 Standards Compliance for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner Cartridges	–	–
Ink Cartridges	40/40 (100%)	40/40 (100%)

\* Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.

\* No new toner cartridges were released for sale in 2018.

## Operational Sites Covered in the Environmental Section

Name	Location
<b>Canon Inc. (15 operational sites)</b>	
Headquarters	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
Tsukuba Parts Center	Ibaraki
<b>Marketing Headquarters in Japan</b>	
Canon Marketing Japan Inc.	Tokyo
<b>Manufacturing Subsidiaries in Japan (24 companies)</b>	
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
Hita Canon Materials Inc.	Oita
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
<b>Manufacturing Subsidiaries Outside Japan (20 companies)</b>	
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
Océ Technologies B.V.	The Netherlands
Océ Printing Systems GmbH. & Co. KG	Germany
Axis Communications AB	Sweden
Canon Electronics Vietnam Co., Ltd.	Vietnam
<b>Marketing Headquarters Outside Japan</b>	
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
<b>Other Companies Subject to Reporting (80 companies)</b>	
<b>In Japan (21)</b>	
<b>Outside Japan (59)</b>	

\* The scope of third-party verification of GHG includes the 130 companies covered in Canon's consolidated ISO certification and one other company not included in consolidated certification, all listed above.

\* Figures for 2017 onwards include data for Canon Medical Systems.

# Responding to People and Society as a Good Corporate Citizen



Young People Programme conducted by Canon Europe (→P 122)

## Management Approach

Work as a good corporate citizen to help realize a better society

### Why It Matters

GRI103-1

The wave of globalization that has swept the world since the fall of the Berlin Wall in 1989 has prompted many firms in the manufacturing industry to internationalize management structures and establish operations overseas. The expansion of the global economy, however, has caused various societal issues to emerge, including increases in poverty and inequality along with a range of labor-related problems. Yet the wave of globalization is expected to continue going forward.

Deriving around 80% of sales outside Japan, Canon has extensively globalized its business activities. In developing business globally, the important thing is to manage operations in accordance with local and regional cultural practices, behavioral norms and modes of thinking.

For instance, global utilization of head office employment systems would not necessarily work well overseas. While working to expand our business globally, we think it makes sense to follow the local or regional cultural and workplace customs when creating management structures and running operations.

“Respect for people” has been part of Canon’s corporate philosophy since its founding in 1937. As our business developed globally, in 1988 we established *kyosei* as the foundational philosophy that would guide our business activities. *Kyosei* refers to the aspiration of creating a society in which all people, regardless of race, language or culture, live and work together harmoniously for the common good into the future. Undertaking multifaceted initiatives to respond to

people and society is thus an essential part of ensuring the sustainable growth of a business.

We believe this thinking is also consistent with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 as a set of targets for global society to achieve through collective action.

In recent years, the media have highlighted various instances of corporate malfeasance, including poor

product quality and falsified test data, sparking increased customer concerns about manufacturers. Canon is fully committed to ensuring the safety and usability of its products. We regard continuous efforts to create high added value and gain the trust of customers as the duty of a manufacturer, so we will do our utmost to fulfill the expectations of all stakeholders.

## Canon's Approach

GRI102-11

GRI102-15

GRI103-2

Recognizing "Responding to People and Society as a Good Corporate Citizen" as an essential materiality theme, Canon undertakes a broad range of related business initiatives. Within this, we are developing activities as outlined below to respond to heightened stakeholder expectations in recent years in the areas of "Human Rights and Labor," "Product Responsibility," and "Social Contribution."

For "Human Rights and Labor," we are working to ensure all employees across the Canon Group can enjoy workplaces in which individuals with varied backgrounds and values are respected and each employee feels secure and highly motivated to work. Our initiatives in this area are divided into the subthemes of "Respecting Human Rights," "Hiring and Treatment of Human Resources," "Diversity and Inclusion," "Occupational Safety and Health Support," and "Human Resource Development and Personal Growth" (→P97).

On the issue of "Product Responsibility," we are seeking to build customer trust by focusing on the areas of "Quality Management," "Ensuring Product Safety," and "Improving Product Usability" (→P113).

For "Social Contribution," Canon is developing activities that utilize in-house technology, business expertise and human resources covering the fields of "Humanitarian Aid and Disaster Relief," "Environmental Conservation," "Social Welfare," "Local Communities," "Education and Science," and "Art, Culture and Sports" (→P121).

### Continuous Risk/Opportunity Appraisal

With ESG (environment, social and governance) increasingly used in corporate valuation, there is a growing expectation that companies will cultivate meaningful links with society in their business activities, and with local communities especially. When companies neglect to do this, it often leads to erosion of customer trust. Recognizing this risk, we view sincere initiatives

in "Responding to People and Society as a Good Corporate Citizen" as a key factor behind sustainable business growth.

Based on this thinking, we identify the following risks and opportunities in the three fields mentioned previously.

### Human Rights and Labor

Situations where human rights are overlooked can significantly damage a company's reputation. These include any discrimination related to race, religion, nationality, gender, or age; any harmful or disrespectful behavior such as harassment; and any case in which overwork damages the health of an employee.

In mitigating such risks, we believe it is important to create a workplace environment that allows each employee to realize their full potential. Allowing each employee to utilize their unique strengths and viewpoints leads to more business opportunities, allowing the company to realize sustained growth.

### Product Responsibility

Quality issues that affect customer safety can have a negative financial impact on the business or erode trust in the brand. Conversely, supplying products of high quality that meet customer needs while also developing innovative technologies to satisfy emerging requirements can yield immense growth opportunities.

### Social Contribution

Poverty, educational inequality and other social issues can affect corporate recruitment capabilities, while also posing a risk to the growth of global markets.

Canon seeks not only to reinvest business profits into local communities, but also to develop a wide range of activities to address issues faced by these communities. Besides building trust, these social contribution activities are essential to sustainable development.



## Relationship with SDGs

The materiality theme of “Responding to People and Society as a Good Corporate Citizen” incorporates a wide range of ways in which Canon can help to realize a sustainable society from the perspective of the Sustainable Development Goals (SDGs). In this section, we introduce SDG-related activities in the three fields of “Human Rights and Labor,” “Product Responsibility,” and “Social Contribution.”

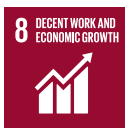
### Human Rights and Labor



Occupational health and safety is the foundation of Canon’s business activities. The principle of putting health first was established at the company’s inception, and activities to support employee health and safety continue today.



Recognizing the importance of continually creating new value by harnessing the talents of a diverse workforce, Canon actively promotes diversity and inclusion based on fair recruitment and promotion regardless of race, religion, nationality, gender, or age.



Canon strives to ensure fair treatment of employees as part of retaining high-caliber personnel around the world and enabling them to continue to exercise their abilities. This involves maintaining systems to develop human resources and support the personal growth of employees.



Respect for the rights of others has been an integral part of Canon’s corporate culture over its 80-year history. The Canon Group Code of Conduct clearly promotes respect for individuals while prohibiting all forms of discrimination and harassment across the Canon Group.

### Product Responsibility



Canon strives to develop products that different customers can use easily and with confidence. To ensure product safety, we are working to reinforce internal legal/regulatory compliance systems across all Canon Group divisions, while also promoting activities to improve quality assurance from the development stage.

### Social Contribution



As a corporate citizen with deep roots in local communities, Canon is involved in building schools to help instill children with knowledge and diverse values. We also engage in cross-cultural activities and programs to develop the next generation using cutting-edge technologies developed through our business activities.



Canon is engaged in a variety of social contribution activities to help address community-specific social issues and create environments in which all people can lead satisfying lives.

## Overview of Material Issues and Activities in 2018

GRI103-3

### Human Rights and Labor

- Respecting Human Rights

We continued to work throughout the Canon Group to create workplaces that are free of discrimination and harassment.

- Hiring and Treatment of Human Resources

We continued to focus on initiatives for making workplaces more attractive by upgrading employee welfare programs and facilitating better work-life balance.

- Diversity and Inclusion

We continued to focus on initiatives that support workplace diversity, including efforts to promote the active participation of women, LGBT persons and other sexual minorities at work; support local recruitment across all Canon Group operational sites; and create disabled-friendly workplaces.

- Occupational Safety and Health Support

We continue to reinforce efforts to eliminate workplace accidents across Canon Group sites in Japan, based on the Canon Occupational Health and Safety Management System introduced in 2017. Labor and management continue to cooperate in ensuring workplace safety and supporting the health of workers, maintaining an environment in which every employee can work with peace of mind.

- Human Resource Development and Personal Growth

Ongoing human resource development initiatives include the Canon Leadership Development Program, which was introduced in 2017 with the aim of cultivating the next generation of leaders within the company.

### Product Responsibility

- Quality Management

Our continued efforts to eliminate quality issues are led by a company-wide committee. Chaired by the President of Canon Inc. and including management executives from each business group, the committee focuses on improving product quality from the development stage. In addition, we continue to promote quality training for all employees and expand awareness-raising activities.

- Ensuring Product Safety

At Canon, our internal QA management standards go beyond legal and regulatory requirements as a guarantee of safety and peace of mind to our customers. This approach also means ensuring that we can evaluate product safety thoroughly and accurately.

- Improving Product Usability

We are continually focused on a range of initiatives to improve the usability of products, services and apps. These include field-testing and interviews to gain customer feedback, an in-house product tester system, and evaluations by usability experts.

### Social Contribution

Canon developed a variety of educational support initiatives in 2018, such as the *Miraisha* Programme, the Young People Programme, and the 4E's Project. The aim is to support the education of young people who are building the future of local communities.

We promoted activities to enable the sustainable development of communities based on supporting initiatives that address local or regional issues and related needs. This included making financial donations and helping to raise funds for people affected by major natural disasters worldwide. In Japan, as part of the Tsuzuri Project, we established a joint research project with the National Center for the Promotion of Cultural Properties, part of the National Institutes for Cultural Heritage aimed at giving more people the opportunity to develop a greater appreciation of major cultural assets.

# Human Rights and Labor



A local trainer provides instruction at Canon Hi-Tech (Thailand)

## Management Approach

Canon respects the diversity of employees, and aims to create workplaces in which employees can express their individuality and work with a sense of worth and achievement.

### Canon's Approach

With the global spread of economic activities, finding ways for individual employees of diverse backgrounds and values to utilize their individuality has become an important factor for sustainable development of corporations. In the international community, the United Nations "Guiding Principles on Business and Human Rights" and the International Labor Organization (ILO) "International Labor Standards" have been established, and the United Nations' Sustainable Development Goals (SDGs) are encouraging companies to respect human rights as well.

Based on *kyosei*, Canon strives to create a workplace environment that fosters mutual respect among its ethnically and culturally diverse workforce.

In addition to working to ensure full compliance with laws and regulations in each country and region and to respect human rights as part of the development of global business activities, under Phase V of the Excellent

GRI102-11

GRI102-15

GRI103-1

GRI103-2

Global Corporation Plan, Canon has set the cultivation of globally competent human resources that think and act with a global mindset as one of its key strategies. We are stepping up efforts to develop human resources that can provide leadership on the international stage. Moreover, alongside ensuring workplaces to support the health and safety of employees, Canon also provides varied types of training to assist employees with skills improvement.

### Related SDGs

Canon's efforts to address issues related to human rights and labor are contributing to the achievement of the following SDGs.



## Respecting Human Rights

We respect the rights of every employee and work to ensure that our workplaces are free of all forms of discrimination and harassment.

### Prohibiting Discrimination

The Canon Group Code of Conduct (→P33) prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds.

The Code of Conduct has been translated into many languages and given out to Group executives and employees inside and outside Japan.

### Preventing Harassment

Canon maintains a zero-tolerance policy on harassment, which it communicates to all management executives and employees.

In addition to sexual harassment and power harassment, Canon Inc.'s employment rules and Harassment Prevention Provisions prohibit other forms of harassment, including maternity harassment, which was added to legislation in Japan in 2017. These provisions have been disseminated throughout the Canon 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 to provide consultation services, and information is shared at liaison meetings of the consultation staff. Confidentiality is strictly maintained and a firm guarantee against detrimental treatment is provided to victims and informants. The number of harassment complaints has remained mostly unchanged in recent years.

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. Reviews of procedure manuals are conducted at such meetings, and guidance on how to respond to reports of harassment is also provided on an ongoing basis.

In addition, we periodically conduct employee awareness surveys that enable us to evaluate trends while gathering the opinions of employees. Based on this information, we then act to improve the workplace environment by instituting corrective measures as necessary.

### Educating Employees on Harassment Prevention

Canon conducts a variety of training programs and poster campaigns to raise awareness of harassment issues among employees.

Canon Inc. conducts harassment-prevention training for executives, managers and managerial candidates. The aim is to develop measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. In 2018, the number of participants in Japan totaled 314. Additionally, training was provided for 29 executives and managers returning from overseas postings.

The same training program will be held for staff in charge of Harassment Hotlines at Group companies, who will in turn assist with training employees at their respective companies.

### Eliminating Child Labor and Forced Labor

All Canon Group companies manage human resources in compliance with the laws and regulations of each country and region in which they operate, as well as Canon's own regulations.

With regard to child labor and forced labor, we carry out investigations every year at our main overseas manufacturing companies\*, primarily in Asia, to confirm their compliance with laws pertaining to minimum working age and health considerations.

To date, no Canon Group company has violated laws relating to child labor or forced labor.

\* The investigations cover more than 88% of employees at all our overseas manufacturing companies (As of the end of 2018).

### Respecting Basic Workers' Rights, Including Freedom of Association

Canon respects workers' basic rights, including freedom of association and collective bargaining. We also strive to address various 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.

In addition, in the Canon Group CSR Basic Statement (→P41), we clarify our intent to comply with the laws and regulations of various countries and regions.

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# Hiring and Treatment of Human Resources

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

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## Basic Policy

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

In line with its human resource measures, Canon is 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 Group 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 2018, Canon Inc. and Group companies in Japan embarked on a vigorous recruitment program, resulting in the hiring of 1,153 employees in total. Canon also has established various programs and systems, such as a career matching system (→P108) to support the continued employment of each and every employee so that they remain motivated and can maximize their skills and abilities over the long term. We regularly conduct employee surveys and work to improve employee satisfaction. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry. As part of maintaining high job satisfaction, regular employee surveys are conducted by Canon U.S.A., Canon Europe and Canon Group sales companies based 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.

Canon China actively promotes local employees to managerial positions as part of developing business operations. Local appointees occupied 76% of all managerial positions across the region in 2018, up from 38% in 2013.

## Creating Local Employment Opportunities at Production Bases

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

For example, Canon Prachinburi (Thailand), which started operations in 2013, has hired approximately 4,900 people locally, and Canon Business Machines (Philippines) employs approximately 5,600 local residents (as of December 31, 2018).



In addition, our production bases in Asia have created over 60,000 local jobs since 2007.

Canon ensures that 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 applied across the Group worldwide, and has already been adopted by the majority of 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.

Regarding basic salary amounts and increases as well as calculation and payment of bonuses, a committee meets with the Canon Workers' Union 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, employee benefit programs have been developed in line with each Group company's 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. Other Group companies in Japan have also set up their own corporate pension plans.

Canon Inc. also offers a defined-contribution pension plan with matching contributions, which, coupled with the defined-benefit pension plan, provides solid financial security.

### 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. We have also taken measures such as encouraging employees to take paid leave. Annual hours worked per employee were 1,737 in 2018, a reduction of 62 hours compared with the equivalent figure of 1,799 hours in 2010 when we initiated efforts to reduce working hours.

## 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. Based on this plan, we are 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 a number of 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, injury or illness, as well as an open vacation program in which employees can take five consecutive days of vacation once per year. Such programs are designed to promote a flexible approach to working.

In April 2018, we launched the sixth phase of the action plan outlined in the table on the following page. This phase spans the three-year period to March 2021.

## Supporting Working Parents/Care Givers

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

In 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.

We provide various support systems to help employees caring for aged relatives, including nursing care leave, 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 to fulfill family care responsibilities.

### Action Plan Phase VI (from April 2018 to March 2021)

Action Plan	Measures	Results as of the End of 2018
(1) Promote use of work-life balance programs with aim of raising participation rate.	<ul style="list-style-type: none"> <li>Regularly check the performance of employees using work-life balance programs, and have VIVID*1 and the Workstyle Innovation Committee work together to consider and implement specific measures before March 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Confirmed that, in addition to female employees, who have made up the majority of those taking advantage of these programs, the trend for use of these programs by male employees is on the upswing.</li> </ul>
(2) Promote workstyle reform further by encouraging workstyles that do not rely on overtime work, continuing efforts to promote use of paid leave, and maintaining an appropriate level of total work hours.	<ul style="list-style-type: none"> <li>Using total work hours as an indicator for work-life balance, bolster measures to encourage use of paid leave and maintain an appropriate level.</li> </ul>	<ul style="list-style-type: none"> <li>Prohibited overtime work, in principle, throughout the year.</li> <li>Implemented earlier work hours from July–September in a campaign to promote work-life balance, and continued efforts to promote workstyle reform. Provided employee benefits program for encouraging self-development during the earlier work hours.</li> <li>Total work hours company-wide decreased by 62 hours compared to 2010*2.</li> </ul>
(3) Continuing from Phase V, 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"> <li>Continue reaching out to local regions and communities and implement appropriate initiatives from April 2018 to March 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously conducted throughout Japan the following community contribution activities for children               <ol style="list-style-type: none"> <li>Unique tutorial program for children, including lessons on lens-crafting and environmental education outreach programs</li> <li>Junior Photographers photography classes</li> <li>Support for girls soccer (Canon Girls-eight, Canon Girls-Camp)</li> <li>Tag rugby lessons and rugby lessons, etc.</li> </ol> </li> </ul>

\*1 VIVID: Vital workforce and Value Innovation through Diversity, a company-wide horizontally integrated organization for promoting diversity (→P103).

\*2 The year that activities to reduce total work hours commenced.

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

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

### Supporting Employees' Volunteer Activities

In recognition of the growing interest in volunteer activities, Canon Inc. established a volunteer leave system in 1994.

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.

Every month, Canon Inc. convenes a Central Worker/Management Conference with the Canon Workers' Union\* to exchange opinions and information spanning a range of subjects. The CEO and senior management attend the monthly conferences.

Additionally, special committees have been established to consider wages, working hours, safety and health issues, and benefit programs. Based on these conferences, new systems are established and policies enacted. As of the end of 2018, combined employee membership in the Canon Workers' Union totaled 27,103, representing 81% of Canon Inc.'s workforce.

Group companies in Japan hold a similar 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 21 Group companies. In 2018, reports on the current situation of both labor and management throughout the Group as a whole were presented. As of the end of 2018, there were approximately 55,000 employees in unions that belonged to the Canon Group Workers' Union Conference.

In accordance with the labor laws of each country and region in which we operate, Canon continuously maintains proper labor relations based on thorough dialogue between labor and management at Group companies outside Japan.

Canon will continue to implement changes based on mutual understanding and trust with the Canon Workers' Union in its pursuit of continuous development.

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

### 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, Canon Group companies inside and outside Japan have established minimum notification periods in accordance with the laws and regulations of the countries and regions where they operate.

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# Diversity and Inclusion

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

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## Policy on Respecting Diversity

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

In 2012, Canon Inc. established Vital workforce and Value Innovation through Diversity (VIVID), a company-wide, horizontally integrated organization to promote diversity, headed by the Executive Vice President.

### Policies

- Respecting diversity as an important issue, promote the introduction of new systems across the Canon Group, seeking to replace existing systems, and strive to change employees' thinking and awareness of diversity issues.
- Revise HR policies and workplace conditions to avoid any limitations or restrictions being placed on the career opportunities afforded to talented people with the ambition to succeed.
- Promote internal/external dissemination of information on diversity promotion activities to help identify/develop role models and encourage wider adoption of optimal workplace conditions.

## Promoting the Active Participation of Women

As part of promoting diversity, Canon strives to create a workplace environment in which female employees can more actively participate.

At Canon Inc., we have implemented a number of initiatives to deepen understanding of diversity, including exploring issues using employee surveys and roundtable discussions as well as hosting lectures by outside experts.

Additionally, we are using our company intranet to post interviews with various people, including employees who have remained active in balancing their work with various life events, managers who support their activities, and male employees who have taken childcare leave.

Other initiatives include roundtables where female managers talk about their own life experiences, and back-to-work seminars where employees who have

returned after childcare leave review case studies with their managers.

## Career Support for Women

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

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 skills, including awareness, agenda setting and persuasiveness. Since its launch in 2012, a total of 154 women have completed the leadership 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 had risen to 111 in 2018, compared with 58 in 2011.

We also provide lectures and interviews with female executives to create opportunities for raising awareness around working with passion and balancing work with life events.

Meanwhile, Group companies in Japan are also promoting a range of initiatives to encourage active roles for women, including seminars to support women's career development, roundtable discussions and surveys to gauge awareness, and career training and courses for women who have returned from childcare leave.

In addition, to support higher levels of male participation in key life events, we publish interviews with, and organize seminars by, men who have taken paternity leave. Handbooks on related programs have also been distributed.

Each group company shares its activity plans and outcomes at meetings of company presidents, which have been held annually since 2016. For example, at Canon Finetech Nisca Inc., a manufacturing cell comprising only employees on reduced work hours has been established in response to feedback from a roundtable meeting of executives and female employees. In this manufacturing cell, innovative approaches to information sharing and multi-skill development have advanced, and a culture has emerged in which workers on reduced hours help one another, helping to boost motivation.

Meanwhile overseas, Canon U.S.A. for example has launched 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. Moreover, Canon India has held a series of "Ladies Power Lunch" events since 2016, to enable female employees from various divisions to discuss issues with the CEO. These events enabled direct communication of the company's expectations of female employees, boosting their motivation, while enabling management to grasp the kind of support required for female career development, resulting in various revisions to maternity leave system regulations.

### 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 and trans (LGBT) 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.

With regard to provisions for employees who identify as a sexual minority, Canon provides such amenities as gender-neutral washrooms. We also have an internal hotline for employees wishing to speak with a specialist counselor.

In other initiatives, in 2018 Canon invited a guest speaker to address a diversity seminar aimed at promoting understanding around various sexualities and expanded insight into communicating with members of sexual minorities. Over 100 employees attended.

### 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 re-employing 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 2018, there were 1,207 rehired employees in total.

### Proactive Support for the Participation of People with Disabilities in Society

Respecting the ideal of normalization\*<sup>1</sup> 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 have been proactive in employing persons with disabilities for many years. 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 has incorporated workplace experience and observation sessions into the selection process in some cases to ensure that new hires can contribute quickly after they are hired and assigned to a workplace. Canon Wind\*<sup>2</sup> 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 onsite 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 disabled people and ensure reasonable consideration at each site include providing individual consultations and personalized assistance or instruction during evacuation training drills and disaster preparedness training. In 2018, Canon Inc. established a dedicated internal unit and took other measures to bolster support for helping employees with disabilities to settle into their workplaces.

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 includes providing knowledge of hearing disorders and introducing sign language to help promote a smooth work flow. A total of 693 people participated in this training up to and including 2018.

\*<sup>1</sup> The principle of normalization: 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.

\*<sup>2</sup> Canon Wind: A subsidiary of Oita Canon formed in 2008 as a joint venture with the Social Welfare Corporation Gyoun Welfare Association with the aim of promoting employment for persons with intellectual disabilities.



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# Occupational Safety and Health Support

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

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## 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 support safety and health. 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. Chaired by the senior executive in charge of OSH, the committee establishes policies and plans regarding safety and health primarily at Group companies within Japan, while also promoting the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire and disaster prevention, and the creation of pleasant workplaces. Overseas, mostly at production bases in Asia, we conduct safety and health activities with consideration given to specific circumstances in each region and at each company.

## Occupational Safety

### Creating Workplaces Where Employees Feel Safe and Secure

Canon Inc. and Group companies in Japan strive to create workplaces that are safe and secure. Currently, we are working on the following priority initiatives.

#### Priority Initiatives for 2018

1. Entrench the Canon Group Occupational Safety and Health Management System
2. Promote greater machine safety
3. Prevent accidents through enhanced promotion of risk assessment

### Entrenching 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 each of our operational sites in Japan. System requirements are based on the Occupational Safety and Health Management System (OSHMS) of the Japan Industrial

Safety and Health Association (JISHA) and reflect Canon’s standards and rules.

Canon Group companies in Japan that employ the system are working to cultivate best practices across all sites based on reciprocal supervision as well as develop measures to tackle a variety of issues.

### Promoting Greater Machine Safety

We carefully conduct risk assessments, centered primarily on production bases in Japan, according to Canon’s uniform standards. Based on the results, we conduct follow-up checks with the aim of reducing residual risk. We are particularly focused on eliminating serious machinery-related accidents.

OSH representatives also conduct a training program for machinery and equipment technology to deepen employee understanding of production machinery and encourage workplaces to promote safer practices together. In addition, we take measures to mitigate accident risks, such as mechanical countermeasures and conducting orientation training.

### Preventing Accidents Through Enhanced Promotion of Risk Assessment

Canon’s repeated risk assessments centered on its production bases in Japan enables us to identify operations with a high risk of injury, illness or accident. By taking appropriate measures to mitigate risk and manage residual risks, Canon endeavors to prevent occupational accidents.

To ensure that risk assessments are carried out properly, workplace managers and people in charge of operations and risk assessments undergo training to learn and enhance their understanding of assessment methods according to Canon’s uniform standards. By making regular visits to worksites and reviewing assessments, we work to maintain and enhance the risk management system.

To prevent the risk of illness arising from work that involves exposure to chemical substances, we have established specific procedures for handling chemicals in routine manufacturing operations. We have also introduced a system that achieves uniform standards across the Group for the management of chemical substances, and we strive to ensure they are managed properly at all times.

In addition, for tasks involving heavy manual labor, we have rules for worker safety that place limits on maximum permitted physical loads.

### Initiatives to Improve Safety and Health at Overseas Group Companies

Canon is working to implement an occupational safety and health management system overseas, mainly at its production bases, on the same level as in Japan.

Three companies—Canon Zhuhai, Inc., Canon Hi-Tech (Thailand) Ltd., and Canon Opto (Malaysia) Sdn. Bhd.— have adopted an occupational safety and health management system based on the international standard OHSAS\* 18001.

\* OHSAS: Occupational Health and Safety Assessment Series

## Health Support

### Health Management Based on the “Health First” Principle

Canon believes that initiatives based on the “health first” principle can help individual members of the workforce reach their full potential. We therefore consider such initiatives a driving force for generating positive results, and systematically promote physical health-support measures.

We conduct various types of medical check-ups and stress checks in line with government regulations. We have established the Group’s internal standards for post-examination measures, and conduct individual follow-up checks as well. To prevent overwork, we coordinate with the health support department and human resources department on appropriate management of working hours. All employees with potential health issues have consultations with and receive instruction from a doctor according to certain standards, and we strive to prevent health issues or respond to them as soon as possible when they occur.

Employees of Canon Inc. and Canon Group companies in Japan have access to a website that brings together a range of health-related information. We also actively collaborate with the Health Insurance Union on effective measures to deal with medical fees, with a focus on preventing progression of lifestyle diseases.

Canon Inc. and Group companies in Japan are working on the following priority initiatives.

#### Four Key Items of Our Medium-Term Plan

1. Education and awareness activities for all employees by age group
2. Mental health-related measures
3. Measures against lifestyle diseases
4. Cancer-related measures (early detection and treatment of cancer, regular review of diagnostic systems to ensure effectiveness)

### Education and Awareness Activities for All Employees by Age Group

As an awareness-raising and educational activity tailored to different age groups, Canon Inc. provides health-related information every month on the company intranet for all employees. The information includes e-learning and individual mails to raise awareness, and is targeted at specific age groups. We also conduct campaigns to promote nutrition, exercise, and rest.

### Measures for Achieving Mental Health Through Self-Care

To promote comprehensive mental health measures in Japan, Canon conducts a variety of programs. These incorporate four care guidelines: self-care, care from workplace supervisors, care from occupational health staff, and care from organizations outside Canon. The programs also promote three prevention guidelines: primary prevention, (preventing illness and improving health), secondary prevention (early detection and appropriate treatment), and tertiary prevention (support for return to work, prevention of recurrence). In recent years, we have conducted stress checks and focused attention on employee and manager education and the training of occupational healthcare staff, including human resource staff members.

### Measures to Prevent Lifestyle Diseases or Prevent Their Progression

Canon Inc. and Canon Group companies in Japan carry out lifestyle interviews during regular annual medical examinations with the aim of preventing lifestyle diseases. Based on the results of these checks, we have set improvement targets for each company in order to help employees improve their health and prevent the progression of lifestyle diseases that may already be present.

### Cancer-Related Measures in Cooperation with Canon Health Insurance Union

Canon works together with the Canon Health Insurance Union based on the three prevention guidelines and strives to raise awareness of cancer screening and to maintain an environment that makes it easy for employees to undergo screening.

### Expansion of Health Management Programs at Group Companies Outside Japan

Canon conducts various health management programs at its Group companies outside Japan as part of its health promotion initiatives for employees. Each Group company also actively conducts its own initiatives suited to its characteristics and needs.

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# Human Resource Development and Personal Growth

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

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## Human Resource Development System

One of the key strategies in Phase V of the Excellent Global Corporation Plan is to cultivate globally competent human resources that think and act with a global mindset. Under this key strategy, Canon is developing human resources that can contribute to its global operations in various fields, such as management, technology development, and manufacturing.

## Developing Globally Minded Personnel

With 387 operational sites\* worldwide as of the end of 2018, 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 consolidated subsidiaries and equity-method affiliates.

## Enhancing Senior Leadership at Group Companies Outside Japan

Canon offers Global Leadership Training to senior management of Group companies outside Japan in order to share the company's management philosophy and develop leaders that can spur innovation in a global environment.

## 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 between the United States and Asia, 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 region are based on it. Combining these policies allows us to further promote personnel exchanges and to share basic philosophies and structures, 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 2018, a total of 1,262 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 recruits who are 30 years old or younger to engage in practical study at local companies in Asia. The program started in 1995, and by the end of 2018, a total of 113 employees had taken part. The program sends trainees to countries and regions where languages other than English are used on a regular basis in professional settings where they engage in about six months of language training at a local university, then 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 had thus far provided training to a total of 60 employees, up to the end of 2018. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program.

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 up to the end of 2018, a total of 116 employees had participated in the program, studying at universities abroad. In line with our strategy to improve our R&D organization 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 each of the five core specializations noted above. These committees develop rank-based training programs, from new hires to junior engineers and all the way up to veteran leaders, as well as conduct courses and carry out other initiatives. We also offer training in specialized areas not represented by these committees, such as analytical technology.

In 2018, a total of 179 programs were held in these specializations, with 5,192 engineers from Group companies in Japan taking part.

Furthermore, in 2018 Canon Inc. established the Canon Institute of Software Technology (CIST) to cultivate software engineers. The institute makes it possible to undertake systematic and continuous human resource development, from increasing the skills of the engineers in charge of developing software for our products to providing foundational training for new employees and those seeking to work in a new field.



The newly established Canon Institute of Software Technology

### 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 2018, a total of 630 employees working at 10 overseas production bases took part in 74 training programs organized by the Monozukuri Advancement Center.

In order to promote training at overseas sites, Canon also focuses on instructor-development training that seeks to develop instructors for technological and technical skills training as well as workplace management training. In 2018, instructor-development training was held on 23 occasions, with a total of 89 employees participating.

A technical skills testing program, following the same standards as in Japan, has also been established at overseas sites. In 2018, testing was carried out for seven types of work skills, including injection molding, board mounting, and pressing, at a total of nine sites in Thailand, Vietnam, China, and Malaysia, with 392 employees participating.

### Canon's 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 enhances knowledge and skills required for carrying out the duties of each job grade, and fosters awareness of required actions defined by our guiding principles. Furthermore, as a supplement to rank-based training, elective training that includes e-learning programs and other programs to support self-development is available. These training programs also cover such issues as harassment prevention and compliance.

For the development of management personnel, we assess candidates at each level of management for suitability prior to promotion and provide training before and after promotion under the Canon Leadership Development Program (LEAD). This program is designed to help candidates switch to a management-oriented mindset and develop their leadership abilities while also reinforcing other strategic and practical capabilities. 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 in training in 2018. Related training costs per employee incurred by Canon amounted to ¥184,000.

### 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, interim, and end, to confirm duties and targets, monitor progress, and discuss career development.

When discussing the evaluation, supervisors offer advice and guidance on improving results and the employee's conduct. 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 2018, 160 employees were transferred through this system.

Since 2016, we have been providing a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and take up a position based on their skill level.

■ Other Career Development Support

To support career development for employees who are highly motivated for self-development, Canon Inc. provides a full complement of training, events, and e-learning programs. Some were held at weekends and others were held after work during the campaign period to promote work-life balance\*. In 2018, participants in these programs exceeded 3,600.

\* Campaign period to promote work-life balance: 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.

**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, the Quality Award, and the Production Innovation Award for outstanding activities; 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	Manufacturing training	Interpersonal skills and conceptual skills training
General employee		Training for newly appointed G3 level employees	Training for global staff	Specialized technical training	PC training
		Training for newly appointed G2 level employees	Asia/Europe-US Trainee Program		Language training
		Training for newly appointed G1 level employees	Overseas Study Program for Technicians		Correspondence course
		Training for newly hired employees Training for mid-career hires			
Unofficial graduate hires		Training course for provisional hires			



# Data Summary (As of December 31, 2018)

## Number of Canon Group Employees

	2014	2015	2016	2017	2018
Japan	69,201	68,325	72,913	73,665	73,460
Europe	22,356	24,826	25,511	25,623	25,281
Americas	18,029	17,635	19,160	18,448	18,361
Asia and Oceania	82,303	78,785	80,089	80,040	77,954
Total	191,889	189,571	197,673	197,776	195,056

## Breakdown of Employees (Canon Inc.)

		2014	2015	2016	2017	2018
Total Number of Employees		26,409	26,360	26,246	26,075	25,891
By Gender	Male	22,430	22,370	22,261	22,027	21,794
	Female	3,979	3,990	3,985	4,048	4,097
By Age Group	Under 30	3,404	3,193	2,922	2,853	2,938
	30s	7,764	7,508	7,253	6,924	6,462
	40s	8,072	7,843	7,772	7,419	7,218
	50s	6,409	6,919	7,280	7,747	7,991
	60 and over	760	897	1,019	1,132	1,282
By Classification or Contract Type	Regular Employees	26,384	26,335	26,227	26,002	25,779
	Non-regular Employees*	25	25	19	73	112

\* Non-regular employees: Contract workers and part-time workers

## Number of New Hires and Employees Leaving the Company (Canon Inc.)

		2014	2015	2016	2017	2018
Newly Hired Employees	Male	377	368	316	472	520
	Female	86	81	70	106	142
	Total	463	449	386	578	662
Employees Leaving the Company/Turnover Rate	Employees Leaving the Company	228	291	281	369	442
	Turnover Rate (%)	0.9	1.1	1.1	1.5	1.8

## Breakdown of Executives (Canon Inc.)

		2014	2015	2016	2017	2018
By Gender	Male	41	43	46	48	46
	Female	0	1	2	2	2

## Composition of Executives by Age (Canon Inc.)

		50s	60s	70s	80s
By Gender	Male	21	20	4	1
	Female	2	0	0	0

### Percentage of Employee Membership in the Canon Workers' Union\*<sup>1</sup>

	(%)				
	2014	2015	2016	2017	2018
Canon Inc.	83	81	81	80	81
Key Group Companies in Japan* <sup>2</sup>	89	87	91	87	85

\*<sup>1</sup> Figures for Canon Inc. are as of the end of the year. Figures for the key Group companies in Japan are as of the end of August.

\*<sup>2</sup> Key Group Companies in Japan: Member unions of the Canon Group Workers' Union Conference (19 companies).

### Ratio of Internationalization in Canon Group Companies Outside Japan

	(%)		
	Americas	Europe	Asia (excluding Japan)
Presidents	35	93	25
Managers	90	97	93

\* Share of non-Japanese appointed as presidents and managers.

### Comparison of Canon's Minimum Wage to Local Minimum Wage

		Japan	U.S.	China
Local Minimum Monthly Wage		147,750 yen	1,257 dollars	1,770 renminbi
Canon	Standard Minimum Monthly Wage	167,900 yen	1,924 dollars	2,508 renminbi
	Ratio Compared to Local Minimum Wage	114%	153%	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 : 106
	Non-Management Employees	100 : 117
Total Pay	Management	100 : 106
	Non-Management Employees	100 : 121

\* The compensation system is the same for men and women. Differences are due to such factors as age and grade level.

### Annual Hours Worked per Employee (Canon Inc.)

	(hrs)				
	2014	2015	2016	2017	2018
Total Hours Worked, Canon Inc.*	1,751	1,762	1,721	1,735	1,737

\* Regular/post-retirement employee survey data (Canon Inc.).

### Number of Employees Taking Childcare and Nursing Care Leave (Canon Inc.)\*<sup>1\*2</sup>

	2014	2015	2016	2017	2018
Taking Childcare Leave	168 (22)	184 (30)	186 (43)	186 (43)	216 (78)
Using Reduced Work Hours for Childcare	144 (7)	142 (10)	132 (4)	122 (11)	130 (9)
Taking Maternity Leave	27	34	30	21	29
Working Reduced Hours due to Pregnancy	6	7	5	2	4
Taking Nursing Care Leave	13	9	15	11	14
Using Reduced Work Hours for Nursing Care	6	6	4	4	5
Applications for Childbirth Support* <sup>3</sup>	222	260	248	255	208

\*<sup>1</sup> Number of employees in that year using the system for the first time.

\*<sup>2</sup> ( ) Number of male employees.

\*<sup>3</sup> Childbirth support includes leave and financial support for fertility treatment.

### Return/Retention Rates and Number of Employees Returning from Childcare/Nursing Care Leave (Canon Inc.)

		2014	2015	2016	2017	2018
Returning from Childcare Leave	Number of Returning Employees	132 (22)	169 (30)	185 (37)	164 (38)	210 (79)
	Return Rate (%)	100	100	97.3	98.2	98.6
	Retention Rate (%)	98.4	99.4	98.8	97.3	98.2
Returning from Nursing Care Leave	Number of Returning Employees	13	9	18	6	14
	Return Rate (%)	100	100	100	100	87.5

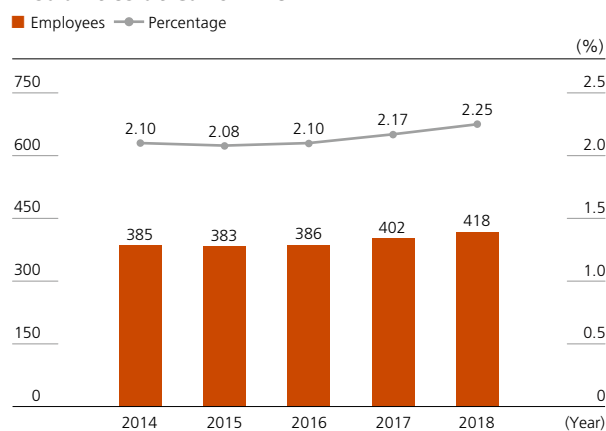
\* ( ) Number of male employees.

\* 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.

### Percentage of Women by Position (Canon Inc.)

	2014	2015	2016	2017	2018
Employees	15.1	15.1	15.2	15.5	15.8
Managers	1.9	2.0	2.2	2.6	2.6
Executives	0.0	2.3	4.2	4.0	4.2

### Number and Percentage of Employees with Disabilities at Canon Inc.



### Numbers and Frequency of Occupational Accidents (Canon Inc., Key Group Companies in Japan)

	2014	2015	2016	2017	2018
Accidents Requiring Time off Work	19	25	18	22	24
Accidents not Requiring Time off Work	133	110	112	101	106
Frequency Rate* <sup>1</sup> (%)	0.20	0.25	0.18	0.22	0.24
Severity Rate* <sup>2</sup> (%)	0.108	0.007	0.006	0.006	0.009
Frequency Rate for the Manufacturing Industry (%)	1.06	1.06	1.15	1.02	— <sup>*3</sup>
Severity Rate for the Manufacturing Industry (%)	0.09	0.06	0.07	0.08	

\*<sup>1</sup> Frequency rate indicates the prevalence of occupational fatalities and injuries per 1 million working hours.

\*<sup>2</sup> Severity rate indicates the degree of the disaster with the labor loss days per 1,000 total of working hours.

\*<sup>3</sup> The frequency rate and severity rate for the manufacturing industry for the year ended March 2019 has not been published as of April 2019.

# Product Responsibility



One of the largest semi-anechoic chambers in Japan where tests on large products can be carried out (→P116)

## Management Approach

At Canon, we do our utmost to ensure product safety and improve usability while at the same time working to add greater value to our products and build customer trust.

### Canon's Approach

Increasing recognition of the UN Sustainable Development Goals (SDGs) is bringing greater awareness of safety and the environment. Expectations are also growing for technological innovation that will increase the performance of safety-conscious and environmental products.

Canon's basic mission when it comes to quality is to ensure that customers have "no complaints, no trouble," and we work hard to ensure "Canon Quality" throughout the entire Group. In line with this creed, we created a quality management system that follows the requirements of international standards, and we strive to improve quality across the entire product lifecycle, from planning and development to production and after-sales service. In the area of safety in particular, along with establishing in-house product safety technical standards that are stricter than regulatory requirements in each country, we created a system for gathering comments and requests from Canon users worldwide, which we share with relevant divisions, as

GRI102-11

GRI102-15

GRI103-1

GRI103-2

means to improve our products and ensure safety. As part of the goal of Canon's medium- to long-term business plan to "reinforce/expand new businesses while creating future businesses," we also aim to leverage our superior technical expertise to drive innovation in a range of areas in addition to consideration for safety and the environment.

Additionally, we are working to promote greater accessibility in Canon products worldwide by ensuring customers can use them easily and with confidence. These initiatives include designing product manuals to make them easier to understand and actively adopting Universal Design principles in product development.

### Related SDGs



Canon's various activities relating to product responsibility contribute to the achievement of SDG 12, "Ensure sustainable consumption and production patterns."

## Quality Management

We strive to improve quality across the entire product lifecycle in order to provide customers with satisfying products.

### Approach to Quality

Canon's basic mission when it comes to quality is to ensure that customers have "no claims, no trouble." To achieve this, we promote our motto of "Canon Quality" both inside and outside the company, as part of our dedication to realizing customer safety, peace of mind, and satisfaction.

To realize this basic mission, we work to implement quality checks across the entire Canon Group at every stage, from product planning to design and development, production, sales, and after-sales service. We also ensure that continual improvements in quality are achieved through Group-wide activities, sharing quality information and customer feedback obtained from the market with divisions in charge of product planning, design, and development.

### Quality Assurance System

In order to fully realize "Canon Quality," Canon has established a quality management system\* that combines the requirements of ISO 9001, an international quality management standard, with work mechanisms unique to Canon.

Using our in-house quality management system as a base, the various Headquarters divisions at Canon Inc. work in cooperation with the Global Quality Management Center and Canon Group companies worldwide to implement optimal QA systems for the characteristics of each business 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, in 2017 Canon Inc. established a committee to focus on improving quality at the product development stage. Chaired by the President and including members from top management of each business division, this body has launched activities across the company. Through these activities, management will share quality-related issues and actively promote shared problem-solving among businesses.

\* 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 ISO9001.

### Training and Educational Activities

#### Making a Total Commitment to Canon Quality

In order to maintain outstanding quality, each employee belonging to product-related divisions must always be mindful of quality in every aspect of their work.

At Canon, we strive to educate and foster greater awareness of quality among all employees by continually sharing our basic philosophy and motto on quality and by conducting Group-wide quality education and surveys on quality awareness. Canon Inc. has designated November as Quality Month, and each year in November holds the Quality Fair and Quality Awards to recognize exceptional activities that have improved quality, and share them throughout the Group.

#### Continuing and Expanding Quality Education

Canon provides the Canon Quality Course for employees through a Group-based tiered training curriculum, highlighting the importance of quality on an ongoing basis. We customized a training program for each division, taking into account specific situations and issues needing to be addressed, and also actively conduct on-site training. Furthermore, since it is important that employees have a clear understanding of the Canon way of thinking at all companies within the Canon Group, including overseas offices, we created multilingual versions of the Canon Quality Introductory Guide, which contains our philosophy on quality. We also developed an online version of the Canon Quality Guidebook, which is used to foster understanding of our quality activities.

We focus particular attention on product safety training. In addition to training that broadly covers product safety, such as product safety regulations, chemical safety regulations, product liability laws, and substantial safety technology, we also conduct a condensed product safety-training course for new employees covering topics from these courses. 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.

In 2018, these training courses were held a total of 11 times. Courses on accident-prevention strategies, which began in 2016, were held a total of eight times in 2018.



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## 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.

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### Voluntary Action Plan Based on the Basic Policy on Product Safety

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

Moreover, 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.

### 2018 Activities Scorecard for Canon Inc.

- Management review by the president based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Revised six in-house standards documents, including standards for product and chemical safety
- 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 updated 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 regards the provision of safe products as one of the most fundamental and important missions of a manufacturer. We therefore require that all Canon products comply with our own Product Safety Technical Standards (for substantial safety\*), which take into account customer perspectives on product use, together with legally stipulated product safety standards.

For example, we employ 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 requests regarding safety and quality.

Based on these technical standards, we strictly enforce quality management in terms of safety at the design, evaluation, and production stages. We withhold from the market any products not meeting these exacting standards and ensure that all of our products are safe for use.

\* Substantial safety: This means safety not only in terms of what is required by laws and statutes, but any safety issue that can reasonably be expected to arise during customer use.

### 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 non-combustible parts and non-fail protective components
- Conduct safety-confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed in regions around the world where Canon products are sold
- Hypothesize abnormalities, such as failure, 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 has also obtained certification in public standards such as ISO\*<sup>1</sup>/IEC\*<sup>2</sup> and UL\*<sup>3</sup>, 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, a verification laboratory for testing the fire safety and ignition propensity of large products, shielded rooms, and semi-anechoic chambers for acoustic noise testing. In addition to EMC testing\*<sup>4</sup>, Canon is able to conduct in-house all testing necessary for applying for Blue Angel\*<sup>5</sup> certification.

\*1 ISO: International Organization for Standardization, a non-governmental organization that formulates international industrial and commercial standards.

\*2 IEC: International Electrotechnical Commission, an international standardization group that formulates standards on electrical and digital technologies.

\*3 UL: Underwriters Laboratories, Inc., a company that conducts independent testing and certification of the safety of products that pass its assessment tests based on its own product safety standards established to standardize function and safety.

\*4 EMC (Electromagnetic Compatibility) testing: Consists of 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.

\*5 Blue Angel: 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-related standards for receiving the Blue Angel mark must meet those standards. Canon will continue to respond in a timely manner to other regulatory developments, such as the introduction of the stricter ECMA-328\* standard.

We consider protection of our customers and the environment to be of the highest priority. We are currently reviewing our processes and promoting efficiency through automation in order to shorten the assessment period.

\* ECMA-328: 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.

### 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 the latter, starting in August 2014, Canon has been able to conduct in-house assessments of 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.

\* Good Laboratory Practice (GLP)

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.

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.

\* The Three Rs: 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.

## Qualification System for Electronic Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component, including integrated circuits and various electronic parts, to ensure products are safe and reliable. We have developed our own in-house quality certification system for electronic parts.

When selecting parts under this system, we evaluate reliability and structural soundness in accordance with standards for each type of part, ultimately using only electronic parts that meet these standards of quality.

In recent years, the market environment has undergone significant changes, including the consolidation or closure of electronic part manufacturers and the relocation of plants. In response, to ensure appropriate quality levels are maintained, we have upgraded the change management capabilities of Canon's in-house quality certification system. Canon is also working on enhancing its evaluation technologies to keep pace with advancements in electronic parts. This includes high-precision nondestructive evaluation technologies such as X-ray CT scans, and more detailed processing and observation technologies, as well as measurement technologies for higher-speed LSI.

## Software Security and Response to Vulnerabilities

More and more of Canon's products, including multifunctional devices and cameras, are being connected to other products via networks, greatly enhancing convenience. At the same time, cybersecurity risks, such as leaks of personal or confidential information from a network-connected device, have increased.

In response to such risks, Canon installs security functions for network-compatible products during software development and conducts various types of vulnerability testing. We have also worked to raise awareness about security, vulnerabilities, and risks, and to standardize company-wide approaches to testing methods.

In 2018, Canon began implementing a Secure Development Process designed to allow accurate risk assessments about security risks in product development. We also introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement at the time of production release approval. This parameter sheet is now used at Canon Inc. for vulnerability verification processes.

Moreover, recognizing the importance of minimizing the impact on customers when a vulnerability is found after products have been shipped, we strive to grasp and publish necessary information about any such issues in a timely manner. Accordingly, we have established a system to investigate market trends on vulnerability, including the products of other companies, and to quickly share information internally to prevent similar problems from occurring in our own products.

## After-Sales Support Online Support Services

In order to facilitate the resolution of issues, Canon provides customer-support services globally through its websites.

On these websites, customers can access support information, including FAQs, product specifications, and user manuals, and can download the latest software and drivers. Support information and software based on common content for worldwide use, as well as local content that has been added by marketing subsidiaries, are made available on our company websites in their respective languages.

Customer usage is continuously monitored and survey information analyzed, with feedback going to the divisions that created the relevant content. We continuously update the content based on frequently searched keywords, making it easier for customers to find what they are looking for.

In connection with the spread of mobile devices such as smartphones in recent years, Canon is making efforts to optimize display screens, making online support services easier to use.

### Enhancing After-Sales Service Worldwide

After-sales service is critical for customers to enjoy long-term use of Canon products. We are therefore expanding our after-sales service network on a global scale in order to offer the same level of prompt, reliable support in every market worldwide.

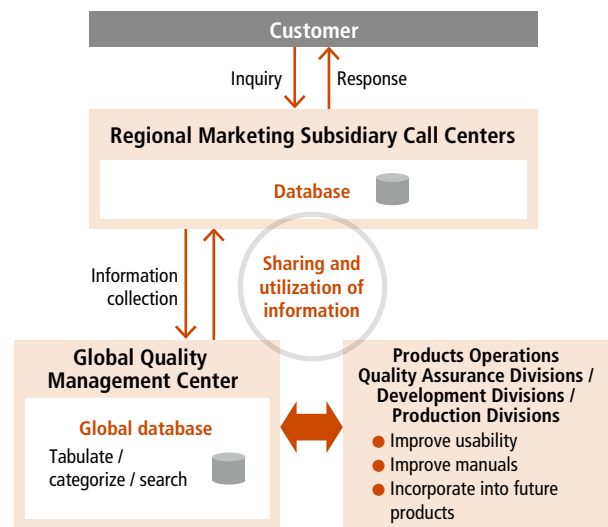
### Utilizing Feedback from Market Data Analysis in Product Improvements

In order to achieve the highest level of customer satisfaction, Canon incorporates user feedback in addition to conducting product evaluations from the customer's perspective at the development stage.

One way we do this is through the Call Information Collection and Analysis System, updated in 2015. This is a system to collect customer feedback and requests received by call centers at our marketing subsidiaries worldwide. The development and production divisions and marketing subsidiaries can view this information at any time, helping them improve quality, revise user manuals, and develop better products. The results of call analyses are fed back to development teams who then use that information to improve customer convenience by, for example, improving displays on product control panels or simplifying methods for connecting to wireless LANs.

The system currently covers 29 countries and regions in Japan, the Americas, Europe, Asia, and Oceania.

### Call Information Collection and Analysis System



### Responding to Product Safety and Quality Issues

Although Canon strives to prevent product safety and quality issues, in the event that one does arise, it has in place a framework that ensures a prompt and appropriate response, including causal investigation, free repair, and information disclosure.

We keep our customers informed about product safety as well as quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

In 2018, no product advisory statements were placed on our website. We did, however, post one quality notice.

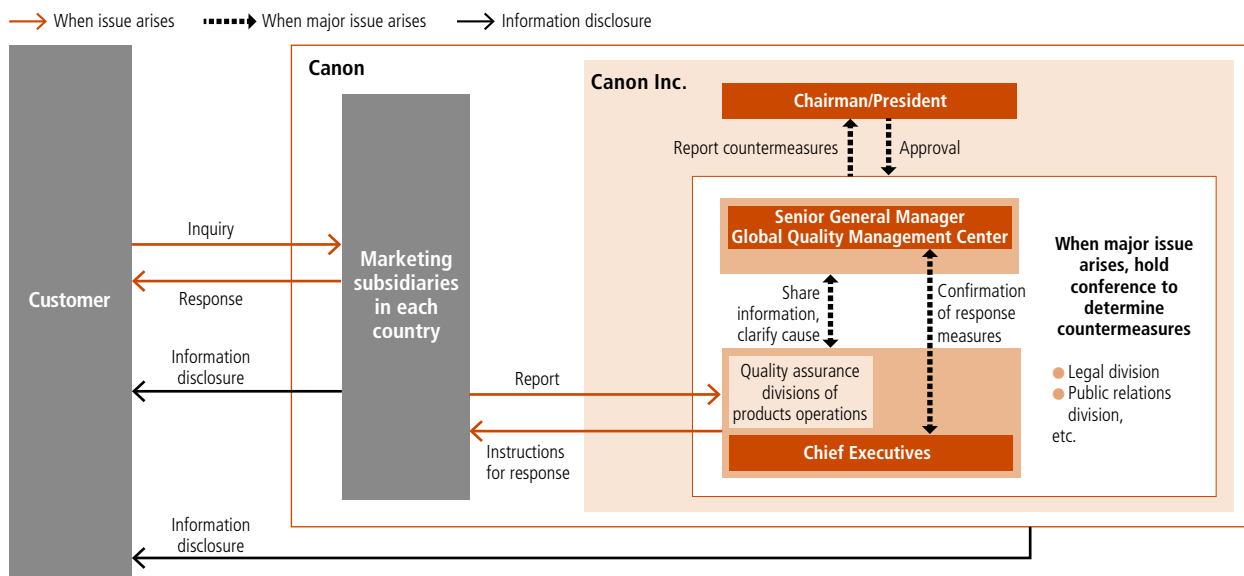
## Process for Responding to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as contact points for customers, file reports with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then investigates the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, the Global Quality

Management Center, legal division, and public relations division are consulted concerning response measures, and the matter is reported to the chairman/president.

When notification is made to customers via a company notice or Canon websites, we provide instructions to each marketing subsidiary in regions where the relevant product is sold, and, as a general rule, simultaneously release the information worldwide.

## Flowchart of Countermeasures to Quality Issues





## 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

With the aim of making products easy to operate, Canon conducts user tests through an in-house employee-based product tester system in the product development stage. We also ask in-house specialists to give us their assessment.

We objectively test human factors, including physical characteristics, perception, judgment, and operational skills, to develop products that customers can use comfortably and with ease. In a dedicated test room, we have installed equipment that allows clear, detailed observation and recording of the behavior and actions of testers as they operate devices.

#### Promoting Universal Design

Canon strives to create 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 conduct user-centric testing of displays, audible alerts, and voice guidance in our product controls, and check the extent to which terminology, icons, and other features match the perceptions of customers, so as to evaluate usability, accessibility, safety, comfort, and other criteria. Information obtained via such testing is valuable in the development of more user-friendly products.

Moreover, aiming to encourage efforts in universal design, Canon established a universal design policy and a company-wide Universal Design Project (UDP).

Based on the policy and project, we prepared a booklet that addresses the physical characteristics of users and various issues that arise during product use, and distributed it to all development divisions. We also created pamphlets and set up a website to inform customers about the UDP initiatives under way at Canon.

Through such means, we are sharing information on universal design both inside and outside the company.

In partnership with the Japan Braille Library, Canon has conducted research into the everyday challenges faced by the visually impaired. We aim to use such feedback to develop better products.

#### 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 create richer, more comfortable lives.

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.

Similar legislation is now being developed in Europe as well. Canon is committed to regularly gathering the latest information, and to developing products that are compliant with the accessibility requirements of each country.

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

# Social Contribution



Miraisha Programme developing imaging skills in Africa (→P122)

## Management Approach

Under its corporate philosophy of *kyosei* and through community relationships, Canon seeks to find solutions to issues faced by communities around the globe.

### Canon's Approach

Our world today is rife with complex social issues that include climate change, frequent natural disasters, poverty and inequality. As expressed in the Sustainable Development Goals (SDGs) adopted by the United Nations, companies have an increasingly important role to play in addressing these issues.

The spirit of contributing to society has been a part of Canon's corporate culture since its founding. Based on the philosophy of *kyosei*, and in line with the Canon Group CSR Activity Policy (→P42), we seek to meet social expectations by engaging in activities tailored to characteristics and issues of regions worldwide. This involves drawing on Group resources such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources.

GRI102-11

GRI102-15

GRI103-1

GRI103-2

Besides reinvesting business profits into local communities, we are committed to addressing social issues not only to strengthen trust with the communities where we develop business, but also because we believe such activities are essential to sustainable development.

### Related SDGs

Canon's social contribution activities assist to achieve the following SDGs.



## Social Contribution Activities

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

### **Miraisha Programme Aims to Increase Employment Opportunities for the People of Africa by Improving Their Skills in Imaging Technology**

Canon Europe has been promoting its *Miraisha* Programme, a social investment initiative in Africa, since December 2014. *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 and print industries. Workshops in photography, film-making and professional printing have been conducted in several African countries, including Kenya, Ghana, Nigeria, Ethiopia, Uganda, Cameroon and Ivory Coast. Through partnerships with local organizations, educational institutions and event organizers, and with the assistance of Canon Ambassadors, the *Miraisha* Programme has so far provided training to more than 4,800 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the *Miraisha* Programme. In 2018, a total of 10 people were accredited as Canon Certified *Miraisha* trainers, with one becoming a Canon Group employee.

### **Young People Programme Harnesses the Power of Positive Visual Storytelling**

As part of helping to realize a sustainable society, Canon Europe is developing the Young People Programme (YPP) to provide workshops that equip young people with the skills and tools to harness the power of positive visual storytelling, focusing on themes related to the Sustainable

Development Goals (SDGs). In 2018, the YPP was held in 18 countries, including the UK, Belgium, Nigeria, Germany and Poland. In Germany, local YPP participants displayed their photographic work on panels in the UN-sponsored booth as part of the UN SDG Action Campaign at the German Federal Government open day in Berlin on August 25-26. Many people visited the booth during the open day weekend event, which attracted over 130,000 visitors.

And, YPP ambassadors Marcin Jankowski and Mashid Mohadjerin joined three student participants from the 2018 YPP to make special photograph and video presentations at the United Nations Framework Convention on Climate Change (COP24) conference held in Katowice, Poland in December 2018.

### **The 4E's Project in India**

Canon India carries out the 4E's Project in cooperation with a local NGO, Humana People to People, India. The project provides various forms of assistance in the fields of eye care, education, environment, and empowerment to less privileged villages in the vicinity of the Canon India office.

As a manufacturer of ophthalmic equipment, Canon is dedicated to making advancements in the field of eye care to assist people with vision impairment. In India, where cataracts are a major cause of visual impairment, it is thought that 80% of such cases are preventable or treatable. Canon India opens vision centers in select villages to give eye examinations and provide treatment. A total of 1,845 people visited these centers in 2018, with 193 receiving free eyeglasses. A further 248 patients were referred for treatment in hospital, with 59 receiving minor surgery.

### **Sharing CSR Information Through Instagram**

From July 2017, Canon began sharing the CSR activities of Group companies using the popular global social media platform Instagram, which is optimized for sharing photos. The photos posted on Canon's official CSR Instagram account help convey the mood of our CSR activities in each region as well as the enthusiasm of participants. The links between each activity and the SDGs are indicated in the posts to help stimulate a sympathetic response to, and deeper understanding of, our CSR activities.



(Ref.) Canon's official CSR Instagram account @canon\_csr

In addition, mobile treatment centers, known as “eye checkup camps,” made a total of 11 visits to four villages to treat 897 people. Invitation pamphlets were distributed in each village to encourage people to attend to receive treatment.

These various activities were recognized in the CSR Leadership Awards organized by UBS Forums, an organization that supplies platforms for leadership development for both individuals and industry.



An eye camp at a school in India

### Support for Education in Asia

Canon is helping to support the education of the next generation across Asia.

In China, Canon funds the construction of Canon Hope Elementary Schools to provide local children in disadvantaged regions with educational opportunities. To date, ten schools have been built under this program. Each year, employees of Canon Dalian Business Machines assist with educational activities to broaden the knowledge of students from Hope Elementary Schools, including classes on environmental protection and tours of metropolitan cultural sites. The company also provides financial donations and other assistance. In 2018, activities were provided for Grade 4 students at four schools, and a total of approximately RMB107,000 was raised in donations for three schools.

In Vietnam, targeting schools in regions with lagging infrastructure development, Canon is involved in constructing classrooms and donating items such as desks and chairs. Employees regularly visit recipient schools to assist in the renovation of toilets, bathrooms and other facilities, and to present donations of school supplies. Canon Vietnam also provides scholarships to talented high school and university students from underprivileged families, and organizes bicycle loans for students needing to commute long distances. These activities provide Canon employees who volunteer for such projects with valuable opportunities to deepen connections with the community.

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 Asia. Approximately ¥1.14 million was donated to four NGOs/NPOs in 2018.



Young program beneficiaries in Vietnam

### Light & Color Laboratory Educational Program

Canon Inc. hosts a children’s educational program, Light & Color Laboratory, in partnership with the Japan Science Foundation. The program aims to spark children’s interest in science and technology by providing a place where they can enjoy learning. It explains the science behind the optics and color technologies in Canon products via an entertaining show format featuring various experiments. In 2018, a total of 7,550 children participated in the program.

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

Canon and the Kyoto Culture Association (NPO) launched the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in 2007.

The initiative seeks to make facsimiles of Japanese cultural assets such as folding screens and *fusuma* (Japanese sliding doors) by first photographing them with a digital camera, then processing the image with precise color-correction technology using a proprietary system, and printing the image on a large-format inkjet printer. Finally, with the application of traditional craft techniques from Kyoto, such as applying gold leaf and mounting, the facsimile, which is as close to the original as possible, is complete. These facsimiles are presented to former owners, related temples, museums, and local governments. The project has been highly acclaimed for both preserving important Japanese cultural assets and making use of high-resolution facsimiles.



In 2018, the Tsuzuri Project created high-resolution facsimiles of select artworks owned by the British Museum. “Birds and Flowers of Autumn and Winter” was donated to Tanzan Shrine (Nara Prefecture) and is now permanently displayed there. “River Festival at Tsushima Shrine” was donated to the cities of Tsushima and Aisai (Aichi Prefecture) and was exhibited in both cities in turn. “Battles of Ichi-no-tani and Yashima, from Tales of the Heike” was donated to the National Center for the Promotion of Cultural Properties (NCPCP), part of the National Institutes for Cultural Heritage and went on display at the Tokyo National Museum.

By undertaking joint research with the NCPCP to support the creation of high-resolution facsimiles, and by organizing artwork displays and educational programs with the Tokyo National Museum, Canon hopes to afford many people the opportunity to see these cultural assets and experience a deeper understanding of Japanese culture.

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

The Tsuzuri Project (Cultural Heritage Inheritance Project) has been certified as a “Tokyo 2020 Official Programme (Cultural Olympiad)” by the Tokyo 2020 Organising Committee.



Experience-type exhibition of *Pine Trees* (projection display using high-resolution facsimile)

### 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 ongoing prosperity and well-being of humankind. Operating completely independent from Canon’s business activities, the goal of the foundation is to promote research into science and technology and contribute to its broad development.

The foundation has established two research grant programs, the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, which are open to researchers working at universities and other public research institutions across Japan. Over the past 10 years, the foundation has disbursed a total of 147 research grants totaling ¥2.5 billion.

In 2018, the foundation disbursed 18 grants totaling ¥275 million, comprising 14 Creation of Industrial Infrastructure grants and four Pursuit of Ideals grants for food-related research. Research findings were presented on completion of the grant period, in June for Pursuit of Ideals and in July for Creation of Industrial Infrastructure grants.

Reference: Please refer to the Canon Foundation website for the details of FY2018 research grants (<https://www.canon-foundation.jp/eng/index.html>).

### Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Humankind

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

In this age of globalization, the Canon Institute for Global Studies actively measure Japan’s current position within the global economy and the direction it should take in the future, and then to draw up strategic policy proposals based on analysis of present world situations. The institute brings together researchers with diverse backgrounds in business, academia, and government to exchange ideas and information and to expand its global activities. Focused on three main research areas—macroeconomics; natural resources, energy, and the environment; and foreign affairs and national security—the institute disseminates information and policy proposals based on scientifically valuable research. Symposiums, conferences, lectures, and seminars are held to post results, and also to facilitate active discussions between researchers and policymakers among Japan and other countries.



Symposium on healthcare/welfare system reform organized by Canon Institute for Global Studies



# Collected Data

Focusing on the following six areas, Canon's social contribution activities seek to meet the needs of communities in countries and regions worldwide (as of December 31, 2018).

## Major Social Contribution Activities (not including those featured on P122-124)

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Disaster Relief Fundraising	Canon organizes fundraising activities to help those in regions affected by natural disasters worldwide. In 2018, we donated a total of about ¥31 million in response to disasters such as floods in western Japan and earthquakes in Hokkaido and Taiwan.	
	Disaster Recovery Support Programs	"Fukushima Community Support" and "Smile for the Future Project" are some of the programs aimed at reinvigorating local communities affected by the Great East Japan Earthquake.	
	Cooperation with UN Support Programs	Canon is a special sponsor of the UNHCR Refugee Film Festival, organized annually by UNHCR Representation in Japan and Japan for UNHCR*1. Canon also participates in "WFP Walk the World," a charity walk in support of the activities of 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	Accredited by the Organising Committee of the Tokyo 2020 Olympic and Paralympic Games as part of the "Tokyo 2020 Official Programme (Sustainability)," 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 USA 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.	
Local Communities	Canon Image Bridge Project	This program involves children from across Asia creating "exchange cards" that include photographs they have taken, along with brief messages. Students from elementary schools in China and Japan took part in 2018 to commemorate the 40th anniversary of Treaty of Peace and Friendship between Japan and the People's Republic of China.	
Education and Science	Canon 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.	URL: <a href="https://global.canon/en/jr-photographers/">https://global.canon/en/jr-photographers/</a>
	Internship Program for Students	This internship program aims to support the career development of students. Canon Inc. offered a total of approximately 1,700 internships to students on administrative, technical or specialist tracks in 2018.	
Art, Culture and Sports	New Cosmos of Photography	This project aims to discover, nurture, and support up-and-coming photographers through exploration of the potential of photographic expression.	URL: <a href="https://global.canon/en/newcosmos/">https://global.canon/en/newcosmos/</a>

## Third-Party Opinion



Co-Lead Research Unit Innovation Labs,  
Sustainable Production and  
Consumption Division,  
Wuppertal Institute for Climate,  
Environment and Energy  
[www.wupperinst.org](http://www.wupperinst.org)

**Dr. Justus von Geibler**

### Investors' Interest in Sustainability Reporting

Business, investors and other stakeholders increasingly recognize sustainability as both a desirable outcome for society and a powerful framework for delivering economic long-term value. For example, in the last ten years, the interest in responsible investment has grown strongly, a trend which coincides with more global assets managed according to ESG (Environmental, Social and Governance) criteria and the increasing support of shareholders for ESG-related resolutions. Consequently, investors and other stakeholders are increasingly turning their attention to the sustainability reporting of global companies.

Canon has responded to this trend and is shifting towards more integrated reporting, which potentially gives a more coherent representation of the company's performance in terms of both financial and other value-relevant information. This shift can be recognised in this report, not only in the report's subtitle or in the editing policy (→P1). Compared to last year's sustainability report, I see two important related changes: First, more information on the business strategy in the report; and second, a stronger interconnectedness between ESG factors and the business strategy. I focus my commentary on these two main changes and highlight why this information should be relevant for all interested stakeholders, not only for responsible investors.

### More Information on Business Strategy

This year's report shows an increased emphasis on financial aspects and business strategy, most prominently in the CEO's Message with a more detailed elaboration of the progress in Phase V of the Excellent Global Corporation Plan and the business portfolio transformation (→P4-5). Other examples can be found in the financial highlights with an overview of key financial performance indicators (→P13) or the section on the strategies in the business units (→P19-22).

I greatly welcome this development, since information on the business strategy and portfolio evolution helps the reader to get a better understanding of the core business and the specific decision-making context of Canon. At the same time, I see that information on business strategy is strongly focused on the past periods or near future. In future reports, I would appreciate seeing more details on medium- to long-term goals and targets across economic, social and environmental topics. Canon managed to condense reporting content and reduce the length compared to last year's report. References to detailed information provided separately could further support the consolidation in future reports.

### Stronger Interconnectedness of Information

Companies integrating and connecting financial, economic, social and environmental aspects into their core businesses are likely to become more innovative and competitive and recognize new business opportunities. I highly appreciate Canon's stronger presentation of such connections in this year's report, for example, in the illustration of the value creation process at Canon (→P15-16) or the clearer illustration of Canon's relationship to the Sustainable Development Goals (→P17-18). I would like to see even stronger prioritization and more graphical illustrations of the rationale for selection of material topics – such as the materiality matrix in the environmental section (→P62) – as not all material topics are of equal importance. This would also include more information on the strategy and management approach to Canon's research and development activities to further advance its innovation capacity to contribute to both value creation and sustainability goals, such as climate protection or circular economy.

I am very grateful for the opportunity to be involved in the development process of Canon's Sustainability Report. This year's dialogue has been more interactive, involving Canon's investor relations department for the first time, which I highly welcome. Based on my engagement and review of the report draft, I congratulate Canon and its reporting team for having again managed to significantly enhance the quality and relevance of its sustainability report, not only for investors. I look forward to Canon's continued advancements towards increased corporate transparency and contributions towards sustainability.

## Third-Party Opinion

### About Dr. Justus von Geibler

Dr. Justus von Geibler works at the Wuppertal Institute, a leading international sustainability research organization. He co-leads the research unit Innovation Labs in the Sustainable Production and Consumption Division. Based on more than 20 years of professional experience in sustainable assessment and innovation, his research focuses on sustainability standards, sustainability innovations in value chains, stakeholder engagement and open innovation in companies and living labs. He is the author of several books and more than 100 scientific publications.

## Third-Party Review Process

### Introduction

Over the many years that Canon has been providing sustainability reports to its stakeholders, the company has worked to develop its approach to reporting and its relationship with stakeholders. Since 2003, Canon has invited various external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Dr. Justus von Geibler has provided comment to Canon's reporting every year since 2008. Via a series of video conferences and written comments, he provided input at several points during Canon's report preparation process. The dialogues provide the basis for a degree of stakeholder engagement with Canon – on reporting, on the company's performance, and on Canon's relationships with stakeholders.

### Basis for the Commentator's Opinions

Canon has used the Global Reporting Initiative (GRI) to inform its report development for many years. Since 2018, Canon has incorporated the GRI Sustainability Reporting Standards (2016). This third-party commentary process is once again based on a portion of the GRI's four Reporting Principles relating to Defining Report Content\*:

\* A more complete description and guidance is available at <https://www.globalreporting.org/standards/gri-standards-download-center/gri-101-foundation/>

- **Materiality.** Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness.** Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context.** Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness.** Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

Using these principles as a guideline, Justus von Geibler assessed the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2019
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Canon is additionally working to develop its reporting in the future using the Integrated Reporting framework, which seeks to incorporate financial and non-financial information to encourage long-term thinking and management.

Sancroft International and its chief executive, Judy Kuszewski, provided advice and support to Canon by defining terms of reference for the third-party opinions, facilitating relationships with Justus von Geibler and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Sancroft nor Justus von Geibler functions as an assurance provider, but as well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting.

### What Canon and the Commentator Discussed

Through the video conference process and written submissions, Dr. von Geibler 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
Integrating sustainability into long-term value creation	The move toward integrated reporting encourages and enables a strengthening of Canon's views on value creation. This will be further strengthened by a deeper presentation of Canon's decision-making to achieve financial, economic, social and environmental outcomes. Canon's discussion of the value creation process is a positive move in this direction, which can be strengthened in the future by continued reference to the Excellent Global Corporation Plan and other aspects of business strategy, along with more engagement with investors on sustainability and related goals and targets.	Through close communication with stakeholders, including this dialogue, Canon is working to ensure disclosures are aligned with the needs of stakeholders. Alongside internal reviews, we utilize surveys to gauge stakeholder interest in designing the Integrated Report's framework. This year featured new sections such as "Canon's Value Creation Process" and "A History of Value Creation at Canon."
Validating and refining the material topics around which the Canon report is framed	Canon has made helpful improvements in the characterization of its materiality themes. Not all material issues are of the same importance, and Canon can improve the meaningfulness of the material topics by improving their specificity and determining their priority, linked to the company's business activities. In moving to integrated reporting, the business relevance of materiality themes should be more evident.	We review our materiality themes, taking account of a range of factors, including Canon's past activities, the business direction as in the medium-term business plan, and society's position on relevant issues. We disclose our process in "Identifying and Reviewing Materiality" (→P43). In addition to this, we have created a diagram to illustrate the connections between materiality themes and our business activities from a value-creation perspective in "Canon's Value Creation Process."
Linking to the Sustainable Development Goals (SDGs)	Canon continues to highlight its contributions to the SDGs as the key global reference for sustainability. Canon should be encouraged to continue to consult its stakeholders about its role in helping to deliver the SDGs over the short-medium- and long-term – in collaboration with governments, civil society and peers in business. There is no single answer to understand the role of a commercial organization in delivering on the SDGs, but Canon would do well to share its thinking with stakeholders from an early stage.	In line with changes in our activities, we review annually the connection between the environmental and social impacts of our business activities and the SDGs. For example, technical development involves not only joint projects with educational and research institutions possessing the latest technology, but also us collaborating with other firms in joint development projects. So we consider SDG 17 "Partnerships for the Goals" to be of the highest relevance to Canon's activities. We also have updated the design of the report to aid identification of those SDGs where our activities have the greatest impact. Moreover, we have introduced the SDGs with links to materiality themes and those where our stakeholders expect Canon to make a meaningful contribution.
Increasing depth and detail of description of management approach	The sections describing Canon's management approach are helped by the inclusion of discussion of relevant risks for each of the specific areas. All sections on management approach should be specified in more detail with regard to goals and targets, specific resources and responsibilities, the means of evaluating performance – across economic, social and environmental topics.	Whereas previous reports limited the discussion to environment-related risks and opportunities, this year we give a more comprehensive view of materiality themes at Canon. We will try to make further improvements based on the feedback we receive from this dialogue.

In addition, there was extensive discussion of the relevance of integrated reporting for Canon and how to uphold the principles of integrated thinking, management and performance, together with a

long-term view of value creation.

Dr. von Geibler's full statement can be found in "Third-Party Opinions" (→P126).

### About Sancroft

Sancroft is a sustainability consultancy that works with the world's biggest brands to improve their environmental and social performance. Sancroft advises on sustainability strategy, resource management, ethical trade, human rights, sustainability reporting and stakeholder engagement. Judy Kuszewski is Sancroft's chief executive. She is also chair of the Global Sustainability Standards Board, the independent governance committee of the Global Reporting Initiative responsible for GRI's Sustainability Reporting Standards.

# 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 2019 for the year 2018.



## LRQA Independent Assurance Statement Relating to CANON Group's GHG Emissions, Energy Consumption and Water Consumption Data within CANON Sustainability Report 2019 for the calendar year 2018

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

Lloyd's Register Quality Assurance (LRQA) was commissioned by CANON INC ("the Company") to provide independent assurance on its GHG Emissions, Energy Consumption and Water Consumption Data for the calendar Year 2018 within CANON Sustainability Report 2019 ("the Report"), that is, from 1 January 2018 to 31 December 2018, against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISO 14064-3:2006, 'Specification with guidance for validation and verification of greenhouse gas assertions' and the LRQA's verification procedure for energy consumption and water consumption. LRQA's verification procedure is in accordance with ISAE3000.

Our assurance engagement covered the Company's operations and activities in Japan and overseas and specifically the following requirements:

- Reviewing conformance with the Company's reporting methodologies
- Verifying GHG emissions as presented in the Report have been prepared in conformance with ISO14064-1:2006, 'Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals', and taking into account Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard'; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:<sup>1</sup>
  - Scope 1 GHG emissions (tonnes CO<sub>2</sub>e)
  - Scope 2 GHG emissions, market based and location based (tonnes CO<sub>2</sub>e)
  - Scope 3 GHG emissions associated with Categories 1 to 15 (tonnes CO<sub>2</sub>e)
  - Energy consumption (TJ)
  - Water consumption (m<sup>3</sup>)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties.

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 above
- Disclosed accurate and reliable performance data as no errors or omissions were detected

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

**Note:** 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 substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

<sup>1</sup> GHG quantification is subject to inherent uncertainty.





### LRQA's approach

LRQA's assurance engagements are carried out in accordance with our verification procedure and ISO 14064 - Part 3. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- 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 and water consumption data and records for the calendar year 2018.
- Visiting CANON INC.'s head office in Tokyo, Hiratsuka plant in Kanagawa Prefecture, Japan and CANON HI-TECH (THAILAND) LTD. in Thailand to investigate whether the data management systems have been effectively implemented.

### Observations

The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems for the GHG emissions, energy consumption and water consumption data management. This is particular to ensure effective internal verification processes at both the corporate and member company levels.

### 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.

LRQA is the Company's certification body for ISO 9001 and System Certification of Carbon Footprint Communication Program. The verification and certification assessments are the only work undertaken by LRQA for the Company and as such do not compromise our independence or impartiality.

Signed

Dated: 13 March 2019

Takahiro Iio  
LRQA Lead Verifier  
On behalf of Lloyd's Register Quality Assurance Limited  
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LRQA reference: YKA4005113

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The English version of this Assurance Statement is the only valid version. Lloyd's Register Group Limited assumes no responsibility for versions translated into other languages.

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# Major Awards, Citations, and Association Memberships

## Major Awards and Citations

Date of Award	Region	Award/Citation	Product or Award Detail	Presenter
December 2015	Japan	"Kurumin" authorization based on the Act on Advancement of Measures to Support Raising Next-Generation Children (Authorization received in 2015 and 2018)	Canon Inc. accredited for promotion of its life-plan-based systems and support measures for those returning to work after taking childcare leave.	Ministry of Health, Labour and Welfare
January 2018	Japan	Ranked 1st among manufacturing companies in Nikkei Inc.'s 21st Environmental Management Survey (2nd consecutive year)	Resource recycling for "product to product," etc.	Nikkei Inc.
	Japan	Minister of the Environment Prize in the 6th Contest for Corporate Activities on Biodiversity	Canon <i>Furusato</i> Project—Linking Our Dream to the Future	Contest for Corporate Activities on Biodiversity Committee
February 2018	Japan	The Seventh Monodzukuri Nippon Grand Award	"Aquilion ONE/GENESES Edition" of Canon Medical Systems Corporation.	Ministry of Economy, Trade and Industry
	Japan	Director-General's Prize, the Agency for Natural Resources and Energy in the Energy Conservation Grand Prize 2017	Promoting energy conservation activities throughout the company	The Energy Conservation Center, Japan
	Americas	2018 Copier MFP Line of the Year (3rd consecutive year)	Office multifunction device "imageRUNNER ADVANCE" series	Keypoint Intelligence
March 2018	Japan	JLCA Chairman's Prize, 14th JLCA Awards	Contribution to reducing environmental impacts through cartridge collection and recycling service	Life Cycle Assessment Society of Japan (JLCA)
April 2018	Asia	The Excellent Corporation Award in the PEZA Award for companies that perform excellently in employee development and building trust between labor and management (3rd consecutive year)	Received by Canon Business Machines (Philippines) Inc. in recognition of its employee development system.	Philippine Economic Zone Authority
	Europe	2018 TIPA Awards (24th consecutive year)	Digital SLR camera "EOS 6D Mark II," mirrorless camera "EOS M50," etc. (Total 6 products)	Technical Image Press Association (TIPA)
May 2018	Japan	The Prime Minister's Prize, 2018 National Commendation for Invention	Invention of image sensor that realizes phase detection autofocus (AF) (invention related to Dual Pixel CMOS AF)	Japan Institute of Invention and Innovation
		Minister of Education, Culture, Sports, Science and Technology Award in the 2018 National Commendation for Invention	Received by Canon Medical Systems Corporation for the invention of an ultrasound diagnostic device that uses the difference frequency of two basic waves and a second high frequency	
August 2018	Europe	EISA Awards 2018-2019 (30th consecutive year)	Digital SLR cameras "EOS 6D Mark II," mirrorless camera "EOS M50," single-focus medium telephoto lens "EF85mm f/1.4L IS USM," etc. (Total 4 products)	European Imaging and Sound Association (EISA)
	Asia	CSR-DIW Continuous Award	Received by Canon Prachinburi (Thailand) Ltd. and Canon Hi-Tech (Thailand) Ltd. for being companies that cooperate with the community while aiming for sustainable development	Department of Industrial Works, Ministry of Industry, Thailand
	Asia	Green Industry Project "Green Industry Level 5 - Green Network"	Received by Canon Hi-Tech (Thailand) Ltd. as a company contributing to sustainable industrial development through continuous environmental activities.	Ministry of Industry, Thailand
	Asia	Thailand Labor Management Excellence Award 2018 (15th consecutive year)	Received by Canon Hi-Tech (Thailand) Ltd. for its efforts to build relationships between labor and management through corporate activities and the trust relationship between labor and management	Ministry of Labour, Thailand
October 2018	Japan	Good Design Awards 2018	External flash "Speedlite 470EX-AI" (Good Design Best 100), etc. (Total 11 products)	Japan Institute of Design Promotion

Date of Award	Region	Award/Citation	Product or Award Detail	Presenter
November 2018	Asia	CSR Leadership Award	Received by Canon India Pvt Ltd. for its "4Es Project" which provides various support in Eye Care, Education, Environment, and Empowerment	UBS Forums
	Japan	Five awards including the Japan Institute of Invention and Innovation Chairman's Award in the Fiscal 2018 Kanto Local Commendation for Invention	Received by Canon Medical Systems Corporation for "X-ray Device Allowing Simple Setting of Optimal Conditions During Treatment (Patent No. 4585067)" (Japan Institute of Invention and Innovation Chairman's Award), etc.	Japan Institute of Invention and Innovation
December 2018	Japan	Special Prize "Commissioner for Cultural Affairs Award" in the Mécénat Award 2018	School Building Reminiscences Project jointly undertaken by Pentel Co., Ltd. and Canon Marketing Japan	Association for Corporate Support of the Arts
	Japan	Education, Culture, Sports, Science and Technology Minister's Prize for Outstanding Organizations Promoting Physical Fitness	Realizing outstanding results in improving health and nutrition in the local community and workplaces, and promoting the spread of sports and recreation	Japan Sports Agency
	Japan	Sports Yell Company	Canon Inc. accredited for initiatives that actively promote sports as a means of improving workers' health	
January 2019	Japan	The Excellent Company Award, 10th JUSE Quality Management Level Research Ranked 3rd overall	Recognition of Canon's internal quality management system structure and implementation activities	Union of Japanese Scientists and Engineers Nikkei Inc.
February 2019	Europe	2019 iF Design Awards (25th consecutive year)	Compact digital camera "PowerShot G1 X Mark III," large format inkjet printer series "imagePROGRAF PRO-6000/PRO-4000/PRO-2000," etc. (Total 9 products)	iF International Forum Design GmbH
	Japan	The Health & Productivity Stock Selection	Canon Inc. and Canon Marketing Japan accredited as companies working strategically by considering employee health and productivity management from a management perspective	Ministry of Economy, Trade and Industry and Tokyo Stock Exchange
	Japan	The Certified Health and Productivity Management Organization Recognition Program (White 500) (3rd consecutive year)	Canon Inc., Canon Marketing Japan, Canon IT Solutions, Canon System and Support, and Oita Canon Materials 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	Minister of Economy, Trade and Industry Award in the Grand Prize for the Global Environment Award	Canon Eco Technology Park with Canon Recycling Technologies – Efforts to Resolve Social Issues Aimed at Building a Recycling Society"	Fujisankei Communications Group
March 2019	Japan	Tokyo Sports Promotion Company	Certified as a model company undertaking initiatives with particularly large social impact or ripple effects among companies taking steps to promote employees sporting activities or supporting the sports field.	Tokyo Metropolitan Government
	Japan	Tokyo Barrier-free Mindsets Leading Corporation	Accreditation as a model company supporting companies that are taking particularly effective initiatives in spreading and raising awareness of the "Barrier-free Mindsets"	Tokyo Metropolitan Government
April 2019	Americas	ENERGY STAR® AWARD 2019 Partner of the Year - Sustained Excellence Award (2nd consecutive year)	Canon U.S.A. was awarded for its contribution to promoting energy saving	United States Environmental Protection Agency (EPA)

## 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)
- Economic Research Institute for ASEAN and East Asia (ERIA)
- Nippon Computer Security Incident Response Team Association (NCA)
- World Business Council for Sustainable Development (WBCSD)
- Responsible Minerals Initiative (RMI)
- Japan Intellectual Property Association (JIPA)
- License on Transfer Network
- chemSHERPA
- Ink cartridge Satogaeri Project

## Credit Rating by Key Agencies

(As of December 31, 2018)

Recognized for its solid financial standing and consistent ability to generate cash flow, Canon Inc. has received a high rating from credit rating agencies.

	Long Term	Short Term
S&P	AA-	A-1+
Moody's	Aa3	—
Rating and Investment Information, Inc.	AA+	—

## Tokyo 2020 Official Programme

The following Canon initiatives are certified as Tokyo 2020 Official Programme activities promoted by the Tokyo Organising Committee of the Olympic and Paralympic Games.

- The Tsuzuri Project (Cultural Heritage Inheritance Project) (→P123)
- Environmental Outreach Classes (→P73)

# Canon Group Directory

## Main Group Companies

We conduct business globally, with operational sites in more than 50 countries and regions.

\*Company name: As of December 31, 2018

### Japan (Consolidated subsidiaries 60)

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 171)

Canon Bretagne S.A.S.  
Océ Technologies B.V.  
Océ Printing Systems G.m.b.H. & 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

### Asia and Oceania (Consolidated subsidiaries 95)

Canon Dalian Business Machines, Inc.  
Canon (Suzhou) Inc.  
Canon Zhongshan Business Machines Co., Ltd.  
Canon Zhuhai, Inc.  
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 Information Systems Research Australia Pty. Ltd.  
Canon (China) Co., Ltd.  
Canon Hongkong Co., Ltd.  
Canon Singapore Pte. Ltd.  
Canon India Pvt. Ltd.  
Canon Australia Pty. Ltd.

### Americas (Consolidated subsidiaries 53)

Canon Virginia, Inc.  
Canon U.S.A., Inc.  
Canon Canada Inc.  
Canon Solutions America, Inc.  
Canon Financial Services, Inc.  
Canon Medical Systems USA, Inc.

Reference: Canon Group Directory  
<https://global.canon/en/corporate/information/group/>

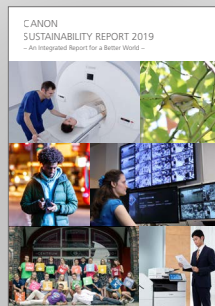
## Canon Group's System for Sharing CSR Information

Every year Canon publishes a Japanese- and English-language version of its Canon Sustainability Report covering the Canon Group's CSR activities. 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 region through websites and various reports.

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

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

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



Canon Sustainability Report (This publication)

Website on CSR  
<https://global.canon/en/csr/>

Website on the environment  
<https://global.canon/en/environment/>

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



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