CANON
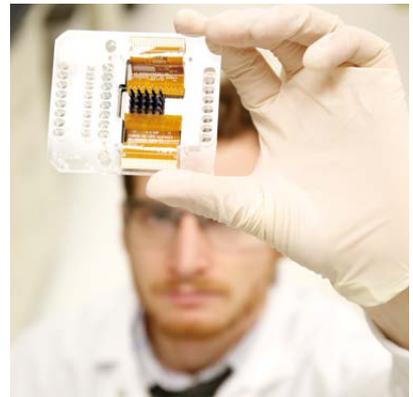# SUSTAINABILITY
REPORT
2017

About this Report

Editorial Policy

Every year Canon publishes the Canon Sustainability Report to share information on the diverse initiatives it is undertaking to contribute to the realization of a sustainable society. This year, the report introduces highlight articles on materiality initiatives related to Canon's CSR along six themes. It also explains the impact of Canon's activities on the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. The report is comprehensive in nature and provides a variety of CSR information under categories specified in the GRI Sustainability Reporting Guidelines (G4), namely, economic, environmental, labor practices and human rights, society, product responsibility, and management structure.

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 2016 (January 1 to December 31, 2016). 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 367 companies (60 companies in Japan and 307 overseas) that are consolidated companies of the Canon Group has been compiled and reported.

Date of Publication

August 2017 (previous: July 2016, next planned: August 2018)

Referenced Reporting Guidelines

· GRI Sustainability · Reporting · Guidelines (G4)
· Ministry of the Environment, Japan "Environmental Reporting Guidelines (2012 Edition)"
· Ministry of the Environment, Japan "Environmental Accounting Guidelines (2005 Edition)"

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 data presented in last year's report.

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 Canon, including Europe, the Middle East, Africa region, it is said to be "Europe".

Third-Party Opinion and Third-Party Assurance

Canon received a third-party opinion 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, Canon calculates direct greenhouse gas (GHG) emissions (Scope 1), indirect GHG emissions from energy sources (Scope 2), as well as other indirect GHG emissions (Scope 3, Category 1, 4, and 11), and has received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).

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.

Contact us

TEL: 03-3758-2111
E-mail: sus@list.canon.co.jp
Website: http://www.canon.com/csr/

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 principle of *kyosei*.

Corporate Philosophy

Kyosei

Employees
Local and Global Communities
Suppliers
Other Companies
Shareholders and Investors
National and Local Governments
Customers
Embassies and Foreign Governments
NGOs and NPOs
Educations and Research Institutions

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Message from Management

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

Looking Back on 2016

The year 2016 represented a period when voices calling for change were heard and the negative aspects of globalization had become apparent amid the ongoing global recession. This frustration was reflected in the victory of the "leave" side of the U.K. referendum to determine its continued place in the EU, as well as in the election of Donald Trump as president of the United States. From an economic perspective, stagnation occurred in the core global economies of Japan, the United States, Europe, and China, and conditions of low growth and low inflation continued. Currency exchange rates fluctuated with the yen appreciating against both the dollar and the euro throughout the year.

This challenging business environment had a significant impact on the Company's business performance, and both net sales and net income declined as a result. With that being said, the major reason behind this unfavorable business performance was the influence of currency exchange rates, and the Company was able to maintain high product evaluations and a competitive edge within the market. Furthermore, internally, we worked to integrate R&D, production engineering, manufacturing and procurement operations, giving rise to new wisdom and ingenuity that has helped realize cost reductions. In doing so, we were able to preserve our existing profit structure and continue to maintain a sound financial position.

Preparing for a Grand Strategic Transformation toward the Creation of New Value

In 2016, Canon embarked on Phase V of its Excellent Global Corporation Plan, which covers the five-year period from 2016 through 2020, and established "embracing the challenge of new growth through a grand strategic transformation" as the basic policy of this phase. 2016 also marked a groundbreaking year in which we established four new core businesses: commercial printing, network cameras, industrial equipment and healthcare. These new core businesses will drive future growth and have a high level of compatibility with our current business domains of cameras, multifunction devices, and printers. To fuel growth in commercial printing, we have acquired Océ, and to realize growth for our network camera business, we also welcomed Milestone Systems and Axis into the Canon Group. We are already seeing solid results from these acquisitions. In industrial equipment, we have put into place a system that allows us to demonstrate our strengths in the development of semiconductor lithography equipment that makes use of new technologies, in addition to advancing the development of organic LED (OLED) panel manufacturing equipment. We have also taken the next step for our healthcare business by welcoming Toshiba Medical Systems Corporation into the Canon Group.

Looking at the recent global situation, there has been an increased social need for safety and security in particular, due to the repeated occurrence of terrorist attacks, military conflicts and natural disasters. In addition, the field of healthcare is becoming ever more important as a result of global population growth and aging societies. Among our new core businesses, the network camera and healthcare businesses will help address the heightened need for safety and security. Accordingly, we expect the markets for these two businesses to expand and contribute to the further growth of the Company. At the same time, we also expect that these businesses will allow us to contribute more than ever before to the resolution of social issues as well as to the realization of a better society.

Our Corporate Philosophy of *Kyosei* and Society's Expectations

In recent years, the ethical role of corporations has increased in importance amid wide-ranging societal expectations and responsibilities. Canon adopted *kyosei* as its corporate philosophy in 1988, and since then we have worked to fulfill our responsibilities to society and build solid relationships not only with our customers and business partners, but also with countries, communities, nature and the global environment. The approach we take with our corporate philosophy harmonizes with the ideals laid out in the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. As members of society, high expectations are being placed on corporations. Accordingly, we will contribute to society by leveraging our technological capabilities to create new value, resolve social issues and engage in activities to preserve and protect the global environment.

Protecting and Preserving the Global Environment

Canon began tackling environmental issues early on. As we believe that businesses cannot be successful unless they are in harmony with the global environment, we possess large facilities that enable us to manufacture products efficiently and make use of diverse resources.

For example, in 1997 we began engaging in green procurement, which involves the sourcing of environmentally considerate parts and materials. Additionally, since then we have focused on environmental considerations throughout the product life cycle, by recycling factory wastewater and collecting used toner cartridges, for example. We are also putting effort into biodiversity initiatives. Based on our Canon Biodiversity Policy, we work on utilization of Canon technologies and products for biodiversity conservation, consideration for biodiversity centered on operational sites, and contribution to the realization of a community rich in biodiversity. At operational sites, for instance, we engage in bird-themed ecosystem activities, as well as the greening of factory sites.

As a comprehensive environmental indicator, we have set a goal of improving CO_2 efficiency in the lifecycle of our products by 3% annually, which we have been achieving year after year. In this way, we have been promoting efforts toward our environmental vision of realizing a society that promotes both enriched lifestyles and the global environment.

Consideration for People and Society

In recent years, the concept of Environmental, Social and

Governance (ESG) criteria has been adopted as a major indicator of corporate value. In particular, the number of opportunities has risen to respond to requests from our customers to confirm how we are responding to the needs of people and society at large within our activities in the B-to-B sphere and transactions with governmental and municipal entities, which we are working to strengthen. Quality control is fundamental to our efforts to earn the trust of customers and business partners. We are also reinforcing compliance, governance and risk management, and believe in the importance of enhanced sustainability. We are making efforts to ensure respect for the basic human rights of our employees, prevent discrimination, guarantee occupational health and safety, manage working hours and encourage dialogue between employees and managers. In addition to these efforts, we are promoting working style reforms that focus on realizing a positive work-life balance, and encouraging diversity centered on the active role of female employees. Moreover, we are cooperating with our business partners within the supply chain to confirm the prohibition of child and forced labor, and assist in avoiding human rights issues in conflict areas. Additionally, we conduct social contribution activities that support the arts, culture and sports and engage in ongoing initiatives on a variety of fronts, such as humanitarian and disaster relief and educational and academic support.

Developing Human Resources that Can Respond to Change

Canon and international society as a whole are in the midst of a grand transformation. We are pursuing drastic reforms in personnel organization and establishing an environment in which employees can display the Canon spirit—which consists of the *San-ji* (Three Selfs) Spirit and an enterprising spirit—to meet the significant changes that are occurring, head on.

For example, in response to the progressing automation of production, we are carrying out new educational activities for employees who previously worked on production lines, enhancing their scope of work and thereby creating opportunities for them to get involved in such high-value operations as the development of new production equipment. Furthermore, securing human resources well-versed in IT is a necessity for our corporate activities, including development, production and sales. To this end, we are internally recruiting and promoting job transfers for employees who are willing to take on challenges in new fields.

Canon is celebrating its 80th anniversary, thanks to the support of its stakeholders. By the 2020, final year of for Phase V of Canon's Excellent Global Corporation Plan, we aim to become a company that operates on an even higher level. At the same time, we will continue our efforts to achieve the ideals of *kyosei* and the SDGs towards realizing a better society by effectively harnessing Canon's advanced technological strengths, global business deployment and diverse, specialized human resources. We will also continue in our pursuit of becoming a truly excellent global corporation that is worthy of your admiration and respect and that continue to prosper for the next 100—or even 200—years.

We look forward to your ongoing support as we continue on this journey together.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Canon Group Business Operations (As of December 31, 2016)

Canon Inc. got its start as a camera manufacturer in 1937. The Company promoted globalization from early on, opening a New York branch in 1955. Marking its 30th anniversary of establishment, in 1967 Canon took up the challenge of diversification under the slogan, "Cameras in the Right Hand, Business Machines in the Left," marking its foray into the field of copying machines.

Not only is Canon currently a global leader in market share for such products as digital cameras with interchangeable lenses and inkjet printers but the Company is also growing four new businesses in the B-to-B field, namely, commercial printing, network cameras, healthcare, and industrial equipment.

Company Overview

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

Common stock : ¥174,762 million
Group companies : 367 consolidated subsidiaries
Affiliated companies accounted for by the equity-method : 9

Net Sales by Business Unit and Main Products

Industry and Others Business Unit
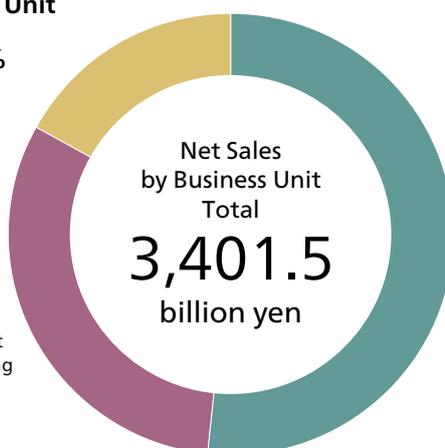
584.7 billion yen 17.2%

- Semiconductor lithography equipment
- Flat panel display (FPD) lithography equipment
- Digital radiography systems
- Diagnostic X-ray equipment
- Medical X-ray CT equipment
- MRI equipment
- Diagnostic ultrasound equipment
- Medical sample testing equipment
- Ophthalmic equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment
- Die bonders
- Micromotors
- Network cameras
- Handy terminals
- Document scanners

Office Business Unit

1,807.8 billion yen 53.1%

- Office multifunction devices
- Laser multifunction printers
- Laser printers
- Digital production printing systems
- High-speed continuous feed printers
- Wide-format printers
- Document solutions

Net Sales by Business Unit Total
3,401.5 billion yen

Office multifunction devices

Imaging System Business Unit

1,095.3 billion yen 32.2%

- Interchangeable lens digital cameras
- Digital compact cameras
- Digital camcorders
- Digital cinema cameras
- Interchangeable lenses
- Compact photo printers
- Inkjet printers
- Large-format inkjet printers
- Commercial photo printers
- Image scanners
- Multimedia projectors
- Broadcast equipment
- Calculators

Semiconductor lithography equipment

Digital production printing systems

Medical X-ray CT equipment

High-speed continuous feed printers

Inkjet printers

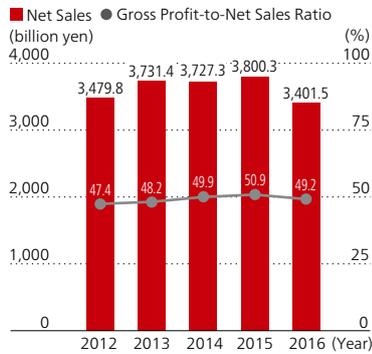Interchangeable lens digital cameras

Note: As consolidated net sales for business units include sales related to inter-unit transactions, the total is not 100%.

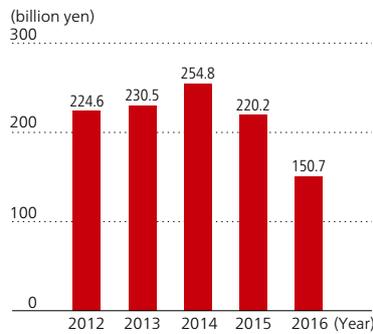# Major Financial Data and Employee Data

Net Sales and Gross Profit-to-Net Sales Ratio

■ Net Sales ● Gross Profit-to-Net Sales Ratio

(billion yen) / (%)

Year	Net Sales	Gross Profit-to-Net Sales Ratio
2012	3,479.8	47.4
2013	3,731.4	48.2
2014	3,727.3	49.9
2015	3,800.3	50.9
2016	3,401.5	49.2

Net Income Attributable to Canon Inc.

(billion yen)

Year	Net Income
2012	224.6
2013	230.5
2014	254.8
2015	220.2
2016	150.7

Number of Employees (Group)

Year	Employees
2012	196,968
2013	194,151
2014	191,889
2015	189,571
2016	197,673
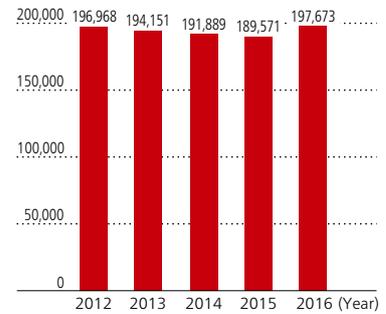
Net Sales and Number of Employees by Region

Net Sales by Region Total **3,401.5 billion yen**

- Europe: 913.5 billion yen 26.9%
- Americas: 963.6 billion yen 28.3%
- Asia & Oceania: 817.4 billion yen 24.0%
- Japan: 707.0 billion yen 20.8%

Employees by Region Total **197,673**

- Europe: 25,511 12.9%
- Americas: 19,160 9.7%
- Asia & Oceania: 80,089 40.5%
- Japan: 72,913 36.9%
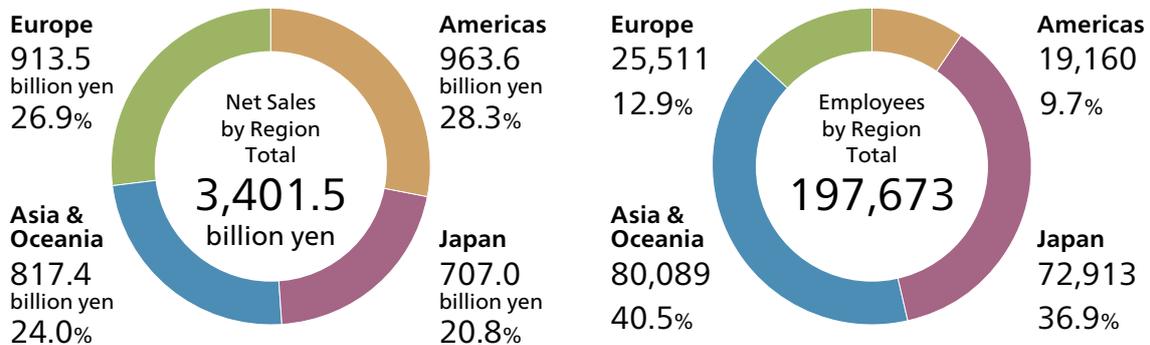
Main Group Companies
We conduct business globally, with operational sites in more than 50 countries.

Japan
(Consolidated subsidiaries 60)
Canon Precision Inc.
Fukushima Canon Inc.
Toshiba Medical Systems Corporation[1]
Toshiba Electron Tubes & Devices Co., Ltd.
Canon Chemicals Inc.
Canon Components, Inc.
Canon Electronics Inc.
Canon Finetech Inc.[2]
Nisca Corporation[2]
Canon Tokki Corporation
Canon ANELVA Corporation
Nagahama Canon Inc.
Canon Machinery Inc.
Oita Canon Materials Inc.
Oita Canon Inc.
Nagasaki Canon Inc.
Canon Marketing Japan Inc.
Canon System & Support Inc.
Canon Software Inc.
Canon IT Solutions Inc.

Europe
(Consolidated subsidiaries 160)
Canon Bretagne S.A.S.
Axis Communications AB
Océ-Technologies B.V.
Océ Printing Systems G.m.b.H.
Toshiba Medical Systems Europe B.V.
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.

Americas
(Consolidated subsidiaries 52)
Canon Virginia, Inc.
Toshiba America Medical Systems, Inc.
Canon U.S.A., Inc.
Canon Canada Inc.
Canon Solutions America, Inc.
Canon Financial Services, Inc.

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 (China) Co., Ltd.
Canon Hongkong Co., Ltd.
Canon Singapore Pte. Ltd.
Canon India Pvt. Ltd.
Canon Australia Pty. Ltd.

Reference: Canon Fact Book
http://global.canon/en/corporate/pdf/index.html

*1: In December 2016, Canon Inc. announced its decision to acquire the shares of Toshiba Medical Systems Corporation, make it a subsidiary, and change the name to Canon Medical Systems Corporation. The change is scheduled to take effect in early 2018 once procedures regarding the change have been completed under the Pharmaceutical and Medical Device Act in Japan and applicable laws in other countries.
*2: Canon Finetech Inc. merged with Nisca Corporation on July 1, 2017, changed its name to Canon Finetech Nisca Inc., and on July 3 of the same year, the Chemicals Division was spun off, and established "Fukui Canon Materials Inc." as a wholly owned subsidiary of Canon Inc.

CSR Management

The Canon Group Promotes its CSR activities with the Aim of Realizing a Better Society.

Canon Group CSR Basic Statement

The expectations and responsibilities placed on companies by society span a broad spectrum. These have been expanded with the times to cover a wide range, from product quality and safety, and measures to address environmental issues to compliance, information security, employees' human rights and labor management, and even further 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.

Under its corporate philosophy of *kyosei*, Canon has for many years taken proactive measures to fulfill its diverse social responsibilities in its corporate activities. These initiatives are disclosed in this report, which is published every year. In May 2017, Canon published the Canon Group CSR Basic Statement with the aim of explaining to stakeholders in an easy-to-understand manner the Group's attitude toward fundamental and universal elements of corporate social responsibility.

Enacted on May 8, 2017

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

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Canon Group CSR Activity Policy

Since its founding, Canon has adopted a corporate culture that focuses on contributing to society. In 2012, Canon formulated the Canon Group CSR Activity Policy in order for the entire Canon Group to fulfill its role as a member of society and to clarify its approach to do so. Based on this policy, as well as on Canon's corporate philosophy of *kyosei* (living and working together for the common good), Canon carries out its CSR activities in accordance with the needs of each country and region where it operates.

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

Canon promotes CSR activities on a Group-wide basis. While the Company's headquarters promotes initiatives related to the environment, quality, human resources and legal affairs, and other matters from a professional standpoint, the CSR Division takes the lead in tackling issues across divisions. Through collaboration with other CSR-related divisions, such as environment, procurement, human resources, accounting, legal, public affairs, and facilities management, the CSR Division plans and designs specific activities to address such issues. Furthermore, by cooperating with the CSR-related departments of each Group company, Canon is promoting CSR activities globally at Group companies around the world.

Educational and Awareness-Raising Activities

Canon promotes a variety of educational and awareness-raising activities for its employees. Each division provides specialized training required by employees of that division, covering topics such as compliance and quality assurance. By incorporating training for newly appointed managers that provides an overview of CSR trends and Canon's CSR initiatives, we are working to develop managers with a wide perspective regardless of whether they work in technical or administrative fields. We are also working to share information between CSR managers at Group companies.

CSR Promotion System
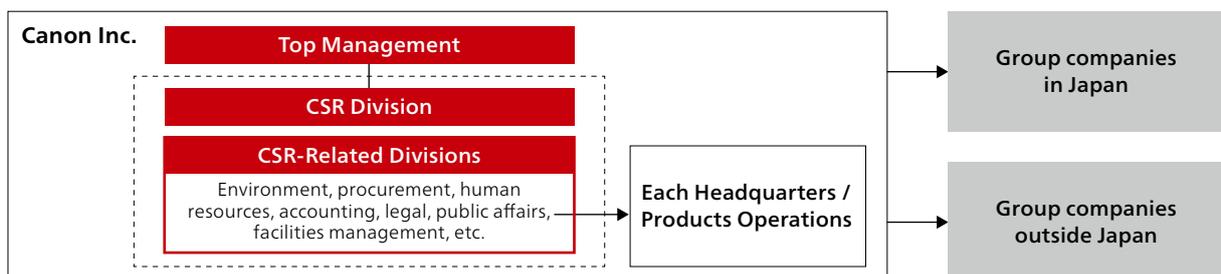
Identifying and Reviewing Materiality

To reliably meet the expectations of its stakeholders, Canon makes efforts to confirm the validity of its CSR-related materiality.

Identifying Materiality

In 2015, Canon conducted a questionnaire survey to ascertain stakeholder expectations. Through analysis of the survey results alongside our past initiatives and medium- to long-term management plans, we have identified two holistic themes of materiality for Canon Inc. In the environmental field, Canon also identifies materiality at the Aspect level as stipulated in the GRI Sustainability Reporting Guidelines (G4) (→P36).

Materiality Identification Process

STEP 1	**Identification of Issues** Identified Canon's CSR issues based on the 46 Aspects designated in the GRI Sustainability Reporting Guidelines (G4)

↓

STEP 2	**Identification of Stakeholder Expectations** Carried out stakeholder questionnaire survey on issues found in Step 1 (→P10)

↓

STEP 3	**Analysis of Stakeholder Questionnaire Survey Results / Confirmation of Validity**

↓

Selection of Materiality

↓ ↓

For **Society** Creating new value and solving social issues	For the **Earth** Protection and conservation of the global environment

Review of Materiality

In 2016, Canon again carried out a stakeholder questionnaire survey with the aim of garnering the opinions of stakeholders about their expectations of the Company and its activities. As a result, Canon was able to confirm the validity of the two holistic themes of materiality identified in 2015.

Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys once a year in order to ascertain 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 and makes an appropriate review. In addition, these surveys help Canon analyze its impact on society and further improve its CSR activities. Furthermore, starting from the previous fiscal year, Canon solicits the opinions of stakeholders regarding the Sustainable Development Goals (SDGs), which were adopted by the United Nations in 2015.

Interest toward CSR-Related Issues

Canon surveyed stakeholders on their expectations of the Company with regard to ten CSR themes of importance to Canon within a wide range of social issues, including items outlined in the GRI Sustainability Reporting Guidelines (G4). We

Going forward, Canon plans to utilize these opinions in enhancing its CSR activities.

Stakeholder Questionnaire Survey Outline

Method: Questionnaire survey
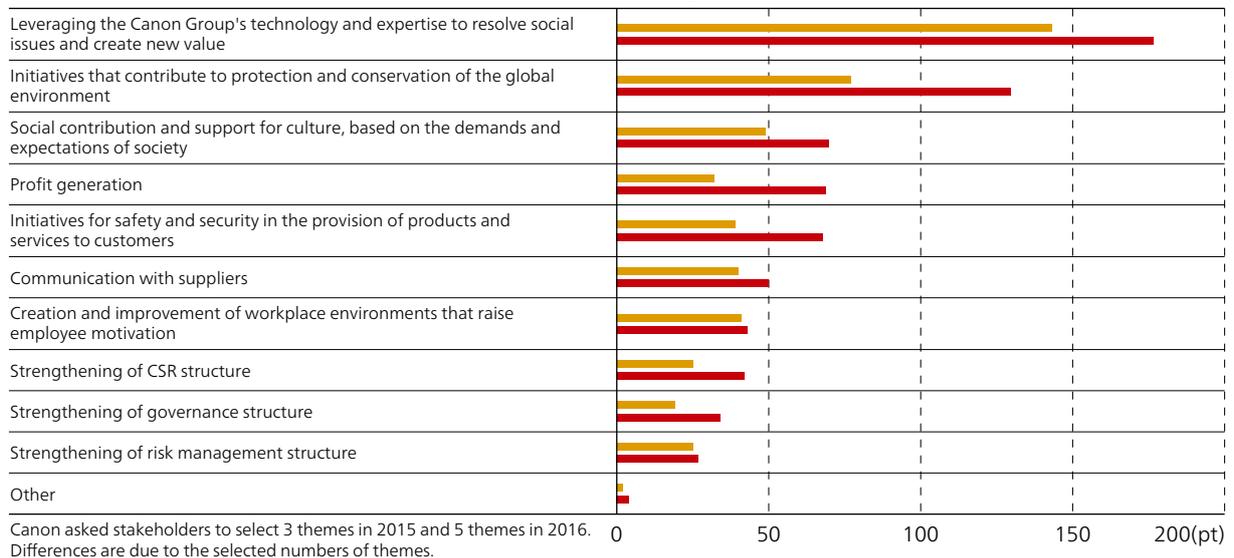Survey period: March to April 2015,
February to March 2016
Target: Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia

ascertained that stakeholder interest in "Leveraging technology and expertise to solve social issues and create new value," and "Initiatives that contribute to protection and conservation of the global environment" remains high, as in the previous year.

Level of Stakeholder Interest (2015, 2016 Questionnaire Survey Results)

Legend: 2015, 2016

Items:
- Leveraging the Canon Group's technology and expertise to resolve social issues and create new value
- Initiatives that contribute to protection and conservation of the global environment
- Social contribution and support for culture, based on the demands and expectations of society
- Profit generation
- Initiatives for safety and security in the provision of products and services to customers
- Communication with suppliers
- Creation and improvement of workplace environments that raise employee motivation
- Strengthening of CSR structure
- Strengthening of governance structure
- Strengthening of risk management structure
- Other

X-axis: 0, 50, 100, 150, 200(pt)

Canon asked stakeholders to select 3 themes in 2015 and 5 themes in 2016. Differences are due to the selected numbers of themes.

Interest toward SDGs

Canon asked stakeholders about which targets they expect Canon to contribute to among the 17 Goals adopted in the SDGs. Stakeholders' expectations of Canon were particularly high for the following three targets.

1) **5 GENDER EQUALITY** — Achieve gender equality and empower all women and girls

2) **8 DECENT WORK AND ECONOMIC GROWTH** — Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

3) **4 QUALITY EDUCATION** — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Canon's Growth Strategy and Sustainability

We will contribute to the sustainability of the global community and our planet through the growth of the Canon Group

The Canon Group has been promoting the Excellent Global Corporation Plan since 1996 in an effort to achieve medium- to long-term growth across the entire Canon Group. At the same time, Canon has contributed to the sustainability of society and the environment with the advanced technological strengths, global business deployment, and diverse, specialized human resources that it has cultivated through the diversification and globalization of its business operations.

From 2016, Canon will embark on Phase V of the Excellent Global Corporation Plan, confident in its strategy to foster growth amid the changing social and economic tides of recent years. At the heart of this management strategy are two holistic themes of materiality for sustainability that Canon will address in its efforts to provide solutions to the issues facing the global society.
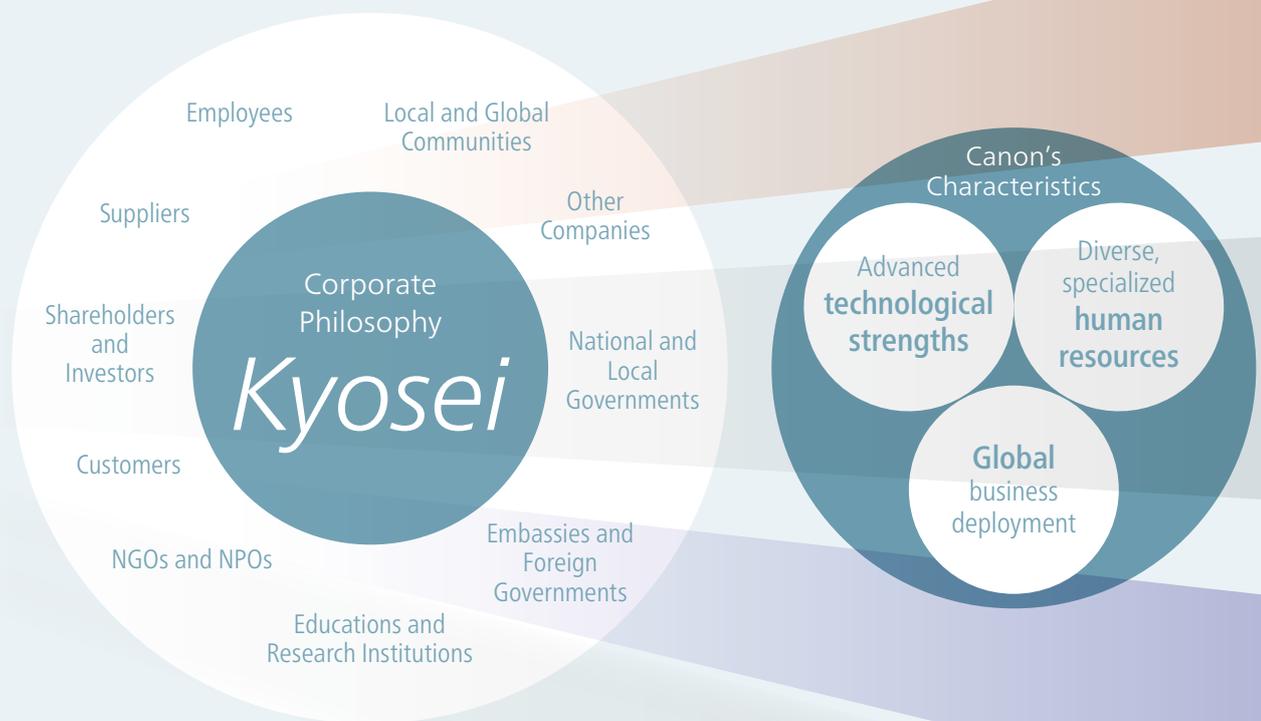
Key Strategies of Phase V of the Excellent Global Corporation Plan

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

Materiality
for Society

Creating new value and solving social issues

We will contribute to solving issues facing the global community by reinforcing and expanding businesses with high social demand, such as healthcare, security and industrial robots.

Phase V
of the Excellent Global Corporation Plan

Committed to becoming a truly excellent company admired and respected around the world

Contributing to the Realization of a Better Society

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

Materiality
for the Earth

Protection and conservation of the global environment

We will reduce environmental impacts across the entire product lifecycle in an effort to realize a society that supports both enriched lifestyles and the global environment.

For Society   Creating a Safe and Secure Society

The Potential of Network Cameras that Contribute to Crime Prevention and Improve Convenience for People

Issues and Approaches

Apprehension over public safety and security is growing due to rapid changes in the social environment. In particular, the need to anticipate potential dangers and resolve them appropriately, and to accurately record incidents for use as evidence is ever rising. Compact, high-definition network cameras meet this need. In the era of IoT, which links numerous objects over the Internet, we are drawing steadily closer to a society wherein most products connect to the Internet and big data is used in a variety of forms. Due to the development of image analysis technologies for network cameras, as well, there is a growing trend to use such cameras in the fields of manufacturing and marketing, as well as crime prevention.

In addition to its storehouse of core camera technologies, including optics, imaging sensors, imaging engines, and video analysis software, Canon is providing network cameras for disaster and crime prevention as well as surveillance worldwide leveraging the network controls and cloud-based services developed for its office equipment and the expertise of new Group members Axis, which offers image processing technologies, and Milestone Systems to offer video management software technologies. Canon is committed to advancing the development of network imaging solutions that can extract essential information from recorded images, with applications envisioned for a wide range of fields, including

healthcare, nursing, education, transport and urban development.

What's more, Canon is stepping up development of technologies that take both security and privacy into consideration through such innovations as using ultra-high-sensitivity multi-purpose cameras for crime-prevention purposes and functions that display individuals as silhouettes, contributing to the realization of a safe and secure society.

Related SDGs

Ongoing Expansion in the Market for Network Cameras
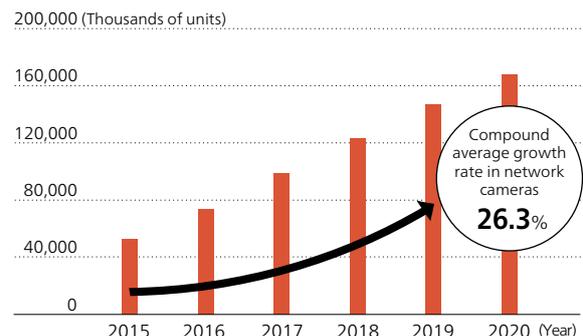
Source: "Video Surveillance Intelligence Service," IHS Markit Technology (published December 2016). Data for 2016 are estimates; those for later years are forecasts.

Creating Synergies with Axis, a Company with Superior Image Processing Technologies

Canon has deepened its collaboration with Axis since the company joined the Group in 2015, including exchanges in all areas of operations, from product development and quality assurance to sales and marketing. The result of this union was the merging of Canon's advanced optics and imaging technologies with Axis' network image-processing technologies in our first jointly developed product, the AXIS Q1659. With high-performance sensors delivering 20 megapixels—nearly 10 times full-HD resolution, this network camera system can be used for a variety of purposes from wide-area to long-distance surveillance thanks to a selection of seven interchangeable lenses. We will promote the AXIS Q1659 for use in city surveillance systems as well as at such locations as airports and stadiums.

Meeting with an Axis employee on a business trip at Canon headquarters

Pursuing Further Technological Innovations— Strengthening Solutions

The network camera market demands not only products but also solutions that record and analyze video. For example, Canon's software, capable of counting up to 1,500 people in an image can be used to determine crowding in various facilities. This capability helps in allocating security personnel and in arranging evacuation and other safety measures. In addition, Canon is developing technologies that quickly search for a specific person from a video feed and continuously track that person throughout a multiple camera system. Canon is working closely with Milestone Systems, a video management software developer that joined the Group in 2014, to enhance their solutions.

Counting people using the People Counter Version 1.0 software

Applications for Multi-Purpose Cameras

Canon's ME20F-SH multi-purpose camera features a proprietary 35mm, full-frame CMOS sensor with high sensitivity, enabling crisp, clean full-color image capture even in challenging low light conditions where it is difficult to distinguish the subject with the naked eye. This capability makes the camera ideal for a variety of settings, from monitoring and preventing natural disasters, and law enforcement to filming wildlife in its natural habitat, which had previously been difficult to record. In cooperation with the Tokyo Metropolitan Police Department at the Sumida River Fireworks Festival in July 2016, we used the ME20F-SH and were able to verify the camera's ability to capture images at night with the same brightness as in daytime by increasing its ISO sensitivity.

ME20F-SH

Image captured at the Sumida River Fireworks Festival Top of photo: Equivalent ISO sensitivity of 2,300; Bottom: Equivalent ISO sensitivity of 51,200[*]

* From gain at the time of imaging, standards published in "CCTV Equipment Spec Regulation Methods (TTR-4602B)," issued by the Japan Electronics and Information Technology Industries Association (JEITA) were used to calculate ISO sensitivity (theoretical values when imaged under color/no storage/F1.2/30P/50IRE conditions)

For Society — Promoting Healthcare

Becoming a Global Company for Medical Equipment that Supports the Lives and Lifestyles of People Worldwide

Issues and Approaches

The global population is roughly 7.3 billion at present. It is expected to reach approximately 9.7 billion by 2050. There is a widely held concern that the rise in the number of illnesses accompanying such population growth will put pressure on national healthcare budgets. Cutting the difference between healthy life expectancy and average life expectancy of five to ten years is also a topic of serious interest in aging societies. The answers to overcoming these challenges are disease prevention and early detection and treatment. Medical equipment is instrumental in detecting disease, monitoring disease status and tracking progression. It also provides information useful in diagnosis and treatment selection. We have high expectations for technologies that will advance disease visualization through advanced medical imaging to assist physicians in examinations, as well as noninvasive and minimally invasive techniques that relieve patient burden. Moreover, there is a need to establish infrastructure for medical networking, which will allow advanced medical care to be delivered remotely.

Canon contributes to the early detection and treatment of disease by offering equipment that utilizes diagnostic imaging technology, such as ophthalmic equipment and digital radiography. We also contribute to improving advanced medical care through the development of photoacoustic tomography and ultraminiature endoscopes. Moreover, we are expanding our businesses in the field of biomedicine in the United States. In 2016, we welcomed Toshiba Medical Systems Corporation, a pioneer in the field of diagnostic imaging, into the Canon Group. We aim to create new value by combining our respective technological capabilities, production technology expertise and product development strengths. The healthcare business is one of the key targets of our medium- to long-term management plan.

Related SDGs

3 GOOD HEALTH AND WELL-BEING

Average Life Expectancy and Healthy Life Expectancy Worldwide

Country	Average life expectancy (Age)	Healthy life expectancy (Age)	Unhealthy Period (Year)	Per capita nominal GDP (U.S. dollars / Rank)
Japan	83.7	74.9	8.8	38,917/22
Spain	82.8	72.4	10.4	26,609/30
Italy	82.7	72.8	9.9	30,507/27
France	82.4	72.6	9.8	38,128/24
Norway	81.8	72.0	9.8	70,392/ 3
United Kingdom	81.3	71.4	9.9	40,096/21
Germany	81.0	71.3	9.7	41,902/19
United States	79.3	69.1	10.2	57,436/ 8
Cuba	79.1	69.2	9.9	7,657/96
China	76.1	68.5	7.6	8,113/74

Source for data on average life expectancy and healthy life expectancy: "World Health Statistics 2016," World Health Organization (WHO)
Source for GDP statistics: Globalnote, a website specializing in international and country-specific statistics (Japanese website only)
http://www.globalnote.jp/post-1339.html

Developing Medical Equipment from Our Early Days

Soon after its establishment, Canon became involved in medical equipment, including the development of Japan's first indirect X-ray camera in 1940. Utilizing our long-cultivated imaging technologies, we have struck an optimal balance between high-quality imaging and compact sizing, compiling a product lineup that includes fundus cameras that reduce patient burden during photography as well as optical coherence tomography devices that can perform 3-D analysis of retinal disease, which is linked to vision loss. In recent years, we have expanded our digital radiography product lineup to meet the on-site needs of medical institutions. Our range of products includes lightweight and portable wireless models and models capable of fluoroscopic imaging, for use in such fields as disaster medicine, telemedicine and home care.

Diagnosis with optical coherence tomography

Product Development in the United States

Located in the United States, Canon BioMedical has commercialized solutions that support genetic researchers. The Canon BioMedical research products enable life scientists to detect variations in our DNA. The genetic variations that scientists can detect may impact human disease and therapeutic response. Canon BioMedical will continue developing new products to advance life science and molecular diagnostics. Furthermore, Canon is collaborating at its research laboratory in Boston with Harvard-affiliated medical institutions such as Massachusetts General Hospital and Brigham and Women's Hospital to develop cutting-edge endoscopes and other devices. With the ability to perform real-time inspections of areas of the internal anatomy that doctors could not previously examine, including the inside of joints and paranasal cavities, these devices are expected to be utilized in early treatment as well as in new diagnosis.

Canon BioMedical pursuing the development of genetic testing instruments

Canon Technology Selected for Inclusion in Japanese National Program

As signs of various diseases and medical conditions manifest in changes that occur within blood vessels, it is becoming extremely important to be able to visualize the blood vessel interior. Accordingly, Canon is promoting the development of groundbreaking photoacoustic tomography technology that can produce 3-D images of blood vessels without using radiation and in a non-invasive manner. By enabling high-resolution imaging of the vascular network, this technology is expected to be instrumental in testing for cancer, diabetes, and rheumatism. Such technologies have been selected for inclusion in the Impulsing Paradigm Change through Disruptive Technologies Program (ImPACT) promoted by Japan's Cabinet Office. Clinical research for photoacoustic tomography technology is currently being carried out in collaboration with Keio University and Kyoto University.

Clinical research for photoacoustic tomography underway at Kyoto University
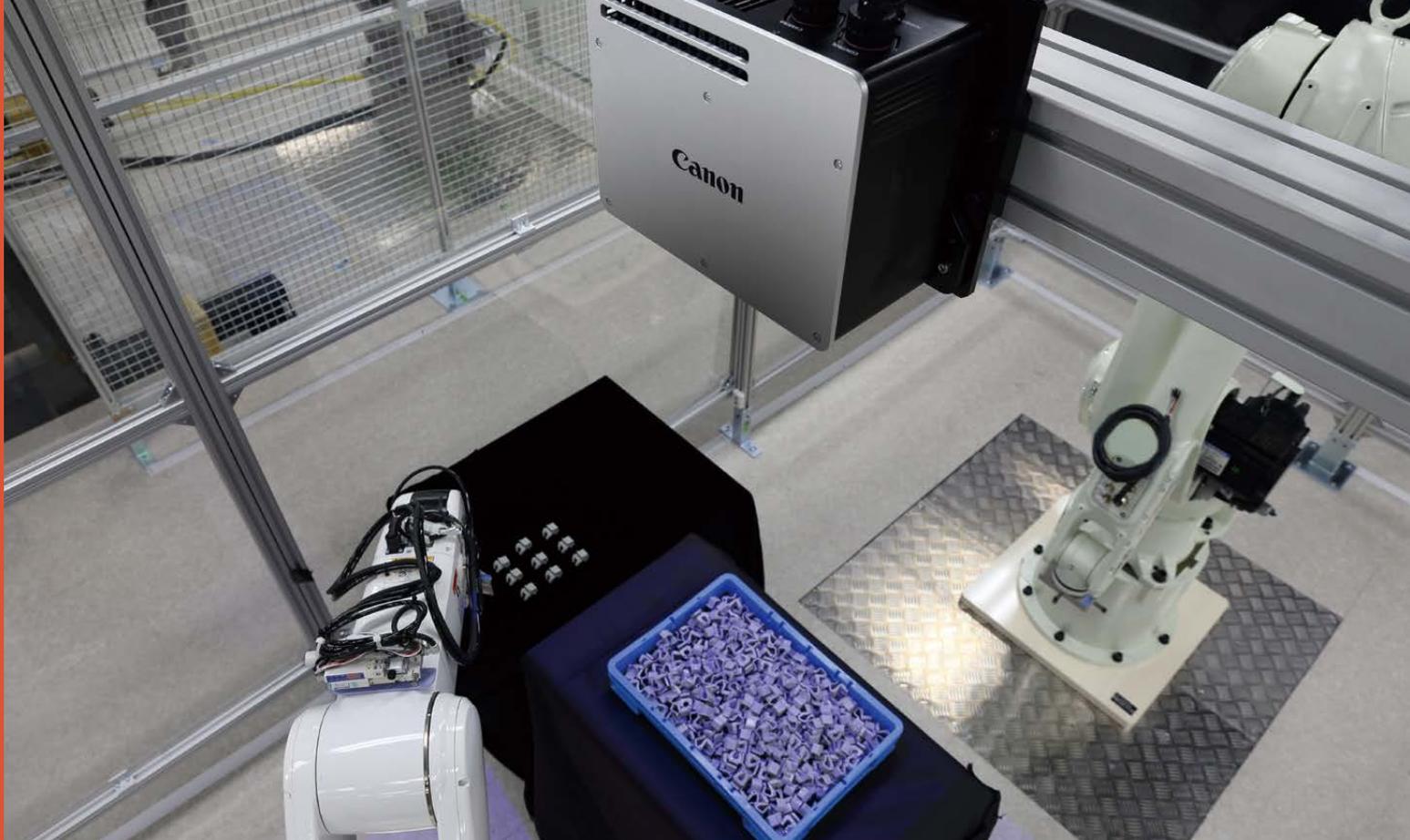
For Society   Supporting Industrial Innovation

Canon Technologies Helping Drive the "Fourth Industrial Revolution"

Issues and Approaches

In order for people around the world to enjoy an equally prosperous lifestyle, industrial development and economic growth are essential. Improvements to product capability and productivity through innovation by a large number of companies are expected to drive economic growth going forward. The reality, however, is that the growth rate of the global economy in recent years has been stagnant. As commoditization has progressed and prices of mass production products have fallen drastically, lowering manufacturing costs has become an urgent task for many companies. Meanwhile, there has been an advancing shift toward the so-called "fourth industrial revolution," which includes the utilization of the IoT, big data analytics, AI, and robotic technologies. With this shift, expectations are growing for companies to provide made-to-order and customizable products and services. To realize sustained economic growth, it is necessary to further improve efficiency in existing industries and actively pursue new industries.

In the new phase of its medium-term action plan, Canon has declared its intention to grow business domains in the B-to-B field. One such focus is the development of innovative 3-D machine vision systems that serve as the "eyes" of industrial robots. These systems leverage cutting-edge sensing technologies as well as 3-D recognition technologies. We are also putting energy into developing superior semiconductor exposure technology along with establishing nanoimprint lithography technologies, with a focus on achieving even finer pitch

semiconductors and lower production costs, thereby supporting semiconductor demand in the IoT era. Also, through the development of manufacturing equipment for organic EL displays, we are making significant contributions to the development of new display devices.

Related SDGs

Trends in Economic Growth of Advanced Countries and Emerging Countries
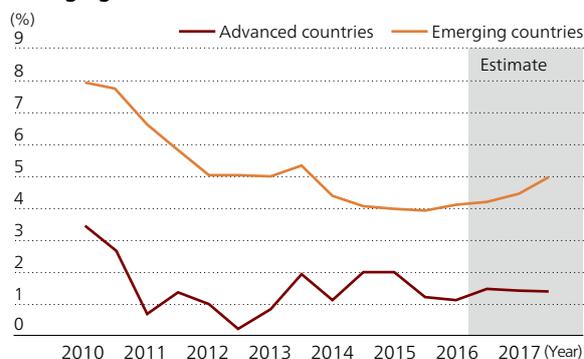
Source: "World Economic Outlook, October 2016," IMF

Nanoimprint Lithography — Groundbreaking Technology in the Semiconductor Manufacturing Process

Semiconductors are used in a wide range of products, from cellular phones, smartphones, and televisions to air conditioners, automobiles, refrigerators, and washing machines. As such, they are an indispensable part of people's daily lives.

Semiconductors are created using various technologies, including exposure technology that employs light to expose circuit patterns. Advancements to semiconductors have been realized by making these circuit patterns finer. Through the lengthening of short light waves that are used in the exposure process, a semiconductor linewidth of 350 nm (nanometers) was realized in the first half of the 1990s, followed by the realization of a linewidth of 38 nm in the second half of 2000s. However, this progression practically came to a halt due to the belief that the process of making finer circuit patterns through the lengthening of short light waves had reached its technological limit.

Following this conclusion, Canon began focusing its attention on nanoimprint lithography, a next-generation technology. Continuing our research since 2004, we succeeded in realizing an extremely fine linewidth within the 10 nm range. Due to the fact that the finer the linewidth becomes, the more difficult it is to create circuit patterns, semiconductor fabrication devices have become more complex and larger in size in order to create these circuit patterns, giving rise to various issues. Nanoimprint lithography technology resolves these issues by employing a simple method of stamping an etched circuit pattern (mask) on the surface material, thereby allowing fine patterns to be cleanly reproduced. Furthermore, this technology shortens the overall production process, leading to significant cost reductions.

We are currently working with Canon Nanotechnologies, Inc., located in the United States, to promote the development of next-generation semiconductor fabrication equipment. We expect this equipment to support society as an important technology in the IoT generation, which brings all types of things together.

Development progressing on nanoimprint lithography technology
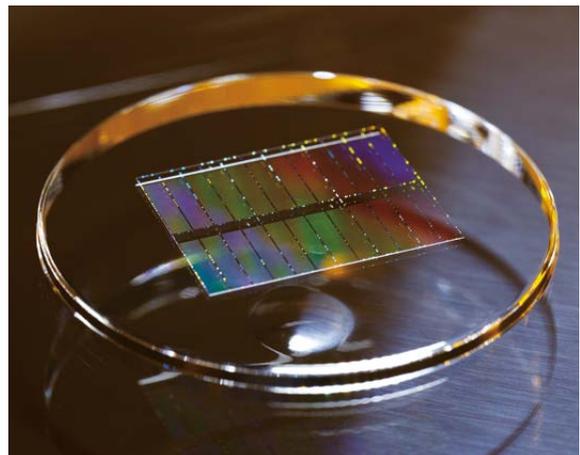
Mask etched with fine circuit patterns

Organic LED (OLED) Manufacturing Equipment of Industry-Leading Canon Tokki

Compared with conventional LCD panels, OLED panels are thinner and produce more vibrant colors. In addition, OLED panels have high expectations in terms of application, including the capability to be bent and, in the future, folded. Vacuum evaporation equipment developed and manufactured by Canon Tokki plays an essential role in the manufacture of OLED panels, and we take pride in its unsurpassed technological superiority. Supported by demand for various types of panel devices, including smartphones and televisions, this equipment will contribute to the creation of new value going forward.

Developing OLED manufacturing equipment

For the Earth Contributing to the Realization of a Low-Carbon Society

Toward a Next Stage for Further Reductions in CO_2 Emissions throughout Product Lifecycle. Supporting Customers' Low-Carbon Activities through Energy-Efficient Technologies and Carbon Offsets

Issues and Approaches

Adopted at the Conference of Parties 21 (COP21) held in December 2015, the Paris Agreement, which promises to reduce the amount of greenhouse gas emissions, went into effect in November 2016. At the Marrakech Climate Change Conference (COP22), each participating country decided to finalize important rules for carrying out the Paris Agreement by 2018.

Amid these kinds of global trends, detailed policies are being formulated so that each country is able to reach their established targets. These policies will include the establishment of specific targets for the industrial sector as well as the strengthening of regulations on energy efficiency.

To realize a low-carbon society and to pursue become completely carbon free, it is important for corporations to improve the efficiency of their activities throughout the entire product lifecycle.

In addition to initiatives at its production sites,

Canon is working to improve CO_2 efficiency throughout the entire product lifecycle, from use of raw materials, operational site activities, and distribution to product use, disposal, and recycling. In the lifecycle, as CO_2 emissions during product use has relatively a large portion and customers are demanding greater energy efficiency, we are working hard to make our products more energy efficient during product use. Additionally, we are utilizing a carbon-offset program in Japan to assist our customers in their low-carbon activities.

Related SDGs

Climate Change Risks

Additional risks in the event temperatures rise by 2°C

Average global temperature change (difference in levels before industrialization)

Additional risk level due to climate change
- Extremely high
- High
- Moderate
- Not detect

Highly distinct systems exposed to risk
Extreme weather phenomena
Distribution of impact
Total global impact
Large-scale, unique phenomena

Relationship between Climate Change and CO_2 Emission Amounts

Baseline

720-1,000

580-720

530-580

480-530

430-480

High potential for keeping increases under 2°C in the 21st century, GHG concentration converted to CO_2 430–480 ppm

Observed value in the 2000s

Cumulative CO_2 emission amounts resulting from human activities since 1870
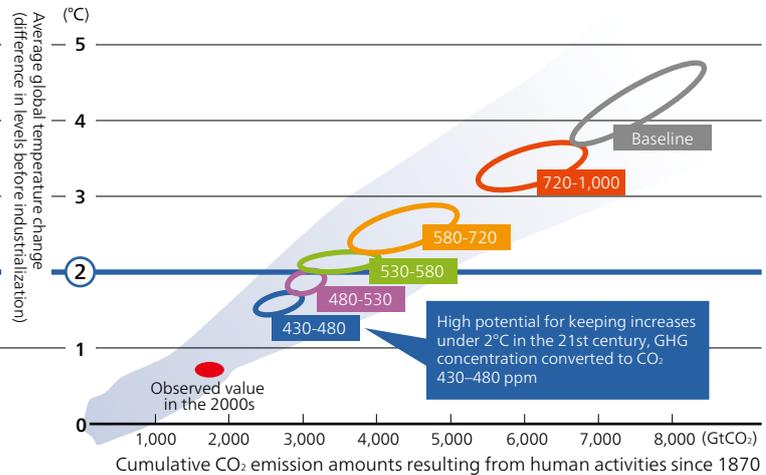
Source: "Annual Report on the Environment 2016," Ministry of the Environment, Japan (Created by the Ministry of the Environment, Japan from the IPCC '5th Assessment Report Summary for Policy Makers')

Expanding Carbon Offsets to the imagePRESS Series

With regard to energy savings for office equipment, we have used energy-saving technologies. These include on-demand and IH fixing technologies, which reduce standby power consumption. As a result, we have achieved cumulative energy savings of 31,359 GWh between 2008 and 2016 (equivalent to a reduction of 15,417,000 tons of CO_2).

Along with promoting the development of such energy-saving technologies, we are making use of a carbon-offset program promoted by the Ministry of Economy, Trade and Industry in Japan to support our customers in reducing CO_2 emissions during product use.

In addition to the Refreshed series of remanufactured multifunction devices (MFDs) and the imageRUNNER ADVANCE series of office MFDs, we expanded the range of products eligible for carbon offset in 2016 to include the imagePRESS series of production printers.

In the case of the imagePRESS C65, capable of printing high-resolution pamphlets, we have offset 4,800 kg of lifecycle CO_2 emissions per product in response to the request of customers.

By transferring the amount of offset CO_2 to our customers, we have eliminated CO_2 emissions per product during product use (2,700 kg/CO_2) as 0. This transfer also allows customers to report these reductions to authorized ministries in accordance with the Act on Promotion of Global Warming Countermeasures.

Furthermore, customers are now able to offset CO_2 emissions of printed items created with imagePRESS.

Energy-Saving Effects of Office Products

- Cumulative amount of energy conserved
- Cumulative CO_2 emissions reduction effect of sold products
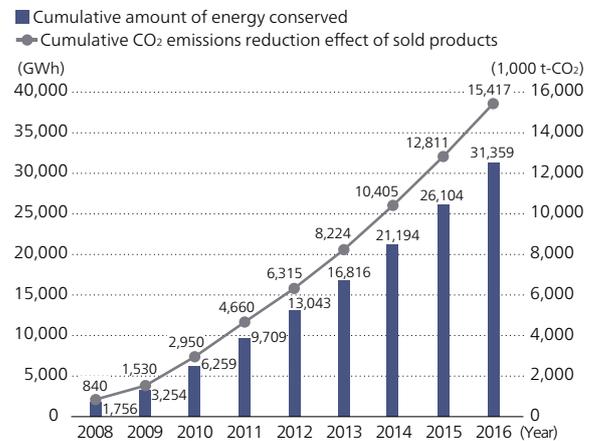
Lifecycle CO_2 Emissions of imagePRESS C65

Disposal recycle
170 kgCO2

Raw materials
1,800 kgCO2

Lifecycle CO_2 Emissions per Product
4,800 kgCO2

Production
130 kgCO2

Logistics
51 kgCO2

Use
2,700 kgCO2
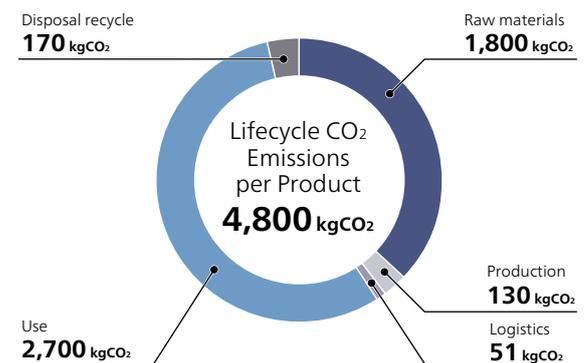
For the Earth   Contributing to the Realization of a Circular Economy

Working to Maximize Resource Efficiency Pursuing Product-to-Product Recycling

Issues and Approaches

For humans to continue sustainable consumption and production, we must address the issues of limited natural resources and waste generated when using these resources. To do so, it is necessary to realize a recycling-oriented society in which resources are used and reused in an efficient manner. In Europe, for example, deliberations are proceeding on the creation of a circular economy.

Canon is continuing initiatives to make products smaller and lighter, to reuse and recycle products, and to improve resource efficiency. We are also working to reduce waste at operational sites. In particular, as a product initiative Canon is pursuing "product-to-product recycling" as a way of recycling and reusing resources.

These initiatives provide a framework that encourages resources to be circulated continuously, rather than only once. By establishing a framework that involves recycling resources from product to product, we aim for the continued, long-term reuse of resources.

Guided by this aim, we are carrying out initiatives in the remanufacturing of MFD for offices, a process that takes used products and turns them into products with the same level of quality as brand-new items, as well as in closed-loop recycling of toner cartridges.

Related SDGs

Image of EU's Circular Economy
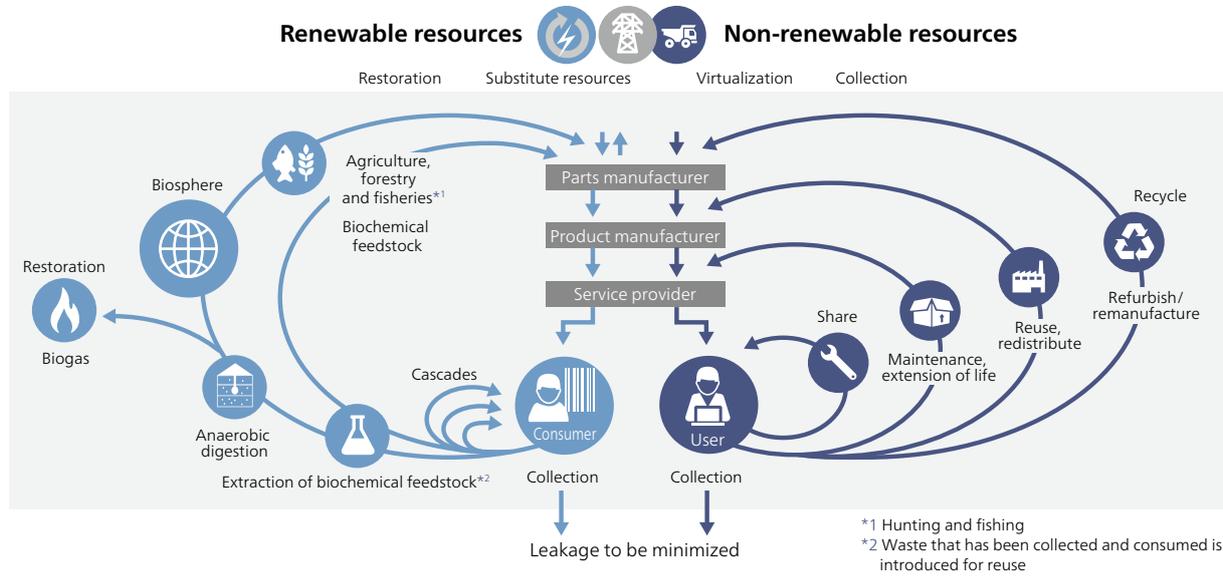
Source: "Annual Report on the Environment 2016," Ministry of the Environment, Japan
(Ellen MacArthur Foundation, SUN, and McKinsey Center for Business and Environment; excerpted by the Ministry of the Environment, Japan from a drawing from Braungart & McDonough, Cradle to Cradle (C2C))

Pursuit of Product-to-Product Resource Recycling

Canon carries out remanufacturing, which takes used office MFD and turns them into products with the same level of quality as brand-new items.

In the remanufacturing process, MFD are disassembled to the component level and cleaned using optimal technologies. Deteriorated and worn components are replaced in accordance with strict reproduction standards. The used devices are then put through a production and inspection process on par with lines for products made using entirely new components, thereby sufficiently confirming quality and reliability. The remanufactured products are ready to be shipped after this process is completed.

In addition, we conduct closed-loop recycling in which we extract plastic materials from used toner cartridges and use them as materials for new ones.

In the past five years of implementing these initiatives, we used 19,350 tons of plastic extracted from used products as materials for new products and reused 14,853 tons of products and components. Going forward, we will continue to reduce the amount of resources we use through the pursuit of product-to-product recycling.

**Product-to-Product Recycling Amounts
(2012–2016 Cumulative Total)**

■ Amount of reused products and components (cumulative total)
■ Amount of product-to-product plastic (cumulative total)
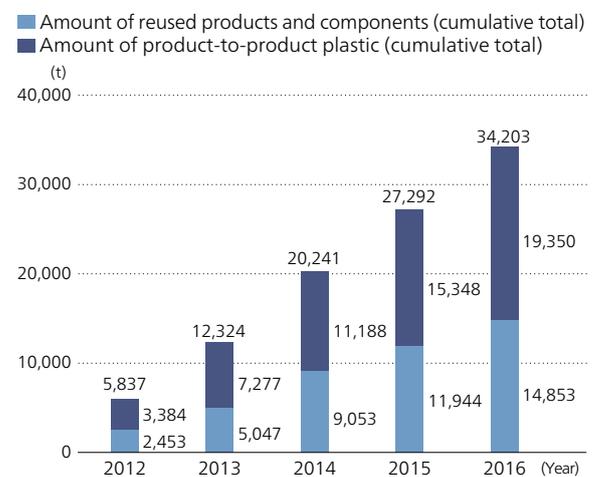
Toner cartridge recycling process

For the Earth   Contributing to the Realization of a Society in Harmony with Nature

Considering "Cycle of Life" through Various Activities Focusing on "Birds", the Symbol of the Ecosystem Pyramid. Launching the Canon Bird Branch Project on a Global Scale

Issues and Approaches

Valuable forest resources, biodiversity, and various natural habitats are disappearing due to climate change and overdevelopment. In response to this, global initiatives aimed at achieving the Aichi Biodiversity Targets adopted at COP10 are being pushed forward. The Sustainable Development Goals (SDGs), particularly Goal 15, call for the conservation of terrestrial ecosystems, and once again highlight the importance of protecting forests and the ecosystems of living creatures.

We also recognize the importance of conserving and protecting biodiversity and ecosystems. Based on our Biodiversity Policy, we are promoting conservation and protection activities around the world.

One such activity is the Canon Bird Branch Project, which examines the cycle of life by focusing on birds as a symbol of the top of the ecosystem pyramid consisting of plants, insects, and small animals that provide birds with food, as well as water and soil that enable these living things to grow.

Related SDGs

Ecosystem Pyramid

Top-level consumers (carnivorous animals)

Primary consumers (herbivorous animals)

Producers (plants)

Decomposers (soil organisms)
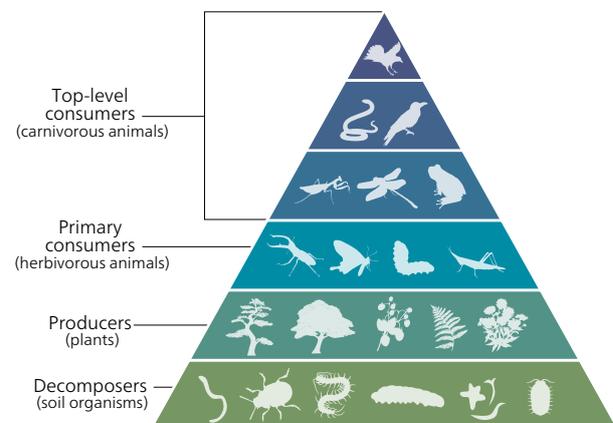
Source: *Let's Study Biodiversity*, Biodiversity Working Group, the Four Electrical Industry Associations in Japan

Expanding the Canon Bird Branch Project from Shimomaruko Forest to Other Areas

The Bird Branch Project was launched in 2015 at Canon's Shimomaruko headquarters in Tokyo. In addition to establishing a natural habitat for wild birds within the "Shimomaruko Forest"—a large expanse of green space on the headquarters site, including birdhouses and bird baths, the Bird Branch Project continuously examines wild birds through fixed-point monitoring using network cameras as well as through a route census, which investigates the types of wild birds living along a predetermined route.

In 2016, Canon's Toride Plant, Susono Plant, and Kawasaki Office, as well as Oita Canon's Oita Plant and Canon Research Centre France joined the project, expanding the circle of activity globally.

Spotbill duck bathing in a birdbath in the Shimomaruko Forest

BIRDS Project of Canon Research Centre France

Canon Research Centre France S.A.S. is located in the suburbs of Rennes, a city in the western region of Brittany. Green spaces account for 82% of the 45,000-square-metre site that Canon Research Centre France occupies. Since 2011, Canon Research Centre France has been conducting regular surveys of biodiversity within its operational site with the help of LPO, an association for the preservation of wild birds. Through these surveys, Canon Research Centre France has revised its policies for setting up green spaces in order to preserve biodiversity and increase the number of biological species inhabiting the area. In addition, we are developing population ponds, installing nest boxes and bait tables, etc. so that various creatures can live. In addition, we attach colored film to the front of the windowpane of the building to prevent bird strikes against birds' windows, and we also give consideration to creatures living in the area.

Conducting regular biodiversity surveys

Canon Forest at Oita Canon's Oita Plant

The area surrounding Oita Canon's Oita Plant is blessed with an abundance of forestland that is filled with many kinds of living creatures. A representative example of Oita Canon's environmental activities is breeding Common Pheasants (Green Pheasants), which are often seen in the local area, and releasing them into the wild. Since 2012 Oita Canon has succeeded in incubating over 120 pheasant eggs. Every year, from mid-April to late July, staff members, including employee volunteers, work to hatch and carefully raise the pheasants. From the end of October to late November, these staff members hold environmental classes for local elementary school students as well as for children of Oita Canon employees to explain the purpose of raising the pheasants. They also host an event for the children to take part in releasing the birds into the wild. In addition, Oita Canon works to create an attractive forest environment for flora and fauna through various means, including setting up birdhouses and pruning trees to allow more light and wind in.

Breeding and releasing the green pheasant, Japan's national bird

Canon's Activities Targeting a Better Society and Their Relation to SDGs

The following figure expresses the relationship between the impact of Canon's activities on society and the global environment and the Sustainable Development Goals (SDGs). The closer each SDG icon is to the center of the circle (Canon), the higher is its relationship to Canon. SDGs related to Canon's materiality theme are shown in the same figure.

for Society

End poverty in all its forms everywhere

1 NO POVERTY

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

2 ZERO HUNGER

Ensure healthy lives and promote well-being for all at all ages

∗Promoting Health Care

3 GOOD HEALTH AND WELL-BEING

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

4 QUALITY EDUCATION

Achieve gender equality and empower all women and girls

5 GENDER EQUALITY

Ensure availability and sustainable management of water and sanitation for all

∗Contributing to a Circular Economy
∗Eliminating Hazardous Substances and Preventing Pollution

6 CLEAN WATER AND SANITATION

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

∗Contributing to a Low-Carbon Society

7 AFFORDABLE AND CLEAN ENERGY

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8 DECENT WORK AND ECONOMIC GROWTH

Canon

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

∗Supporting Industrial Innovation

10 REDUCED INEQUALITIES

Reduce inequality within and among countries

11 SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable

∗Creating a Safe and Secure Society

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

∗Contributing to a Circular Economy
∗Eliminating Hazardous Substances and Preventing Pollution

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

∗Contributing to a Low-Carbon Society

14 LIFE BELOW WATER

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

15 LIFE ON LAND

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

∗Contributing to a Society in Harmony with Nature

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

17 PARTNERSHIPS FOR THE GOALS

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

for the Earth

∗Related themes of Materiality

CSR Reporting

Canon recognizes that as a global corporation it has a significant impact on society. With that in mind, we carry out activities to fulfill our social responsibilities from various viewpoints.
We have organized our report on these activities under the categories indicated in the GRI Sustainability Reporting Guidelines (G4).

P27 Economy

P35 Environment

P75 Labor and Human Rights

P97 Society

P105 Product Responsibility

Economy

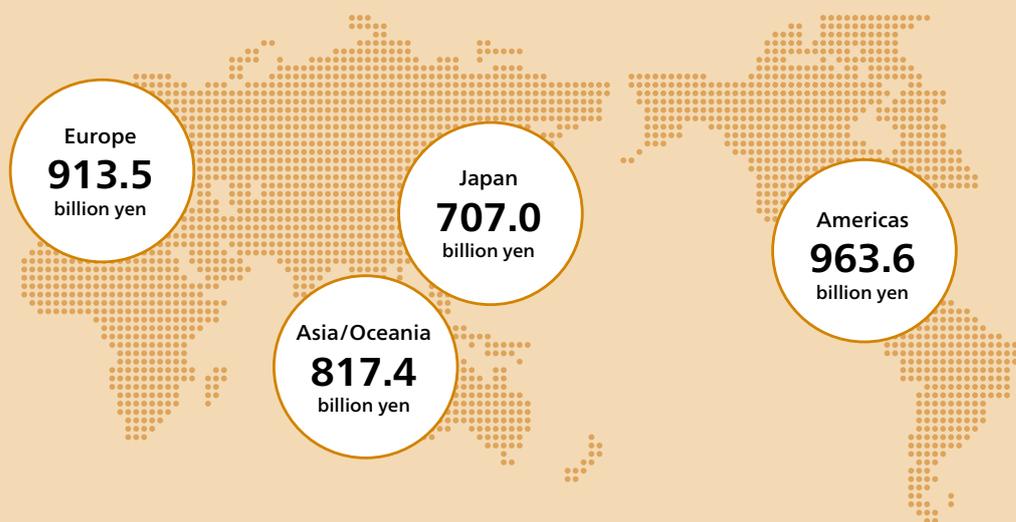Canon is committed to paying taxes in the countries and regions where it operates and to returning profits to employees, shareholders, and other stakeholders in an appropriate manner.

Miraisha Program developing imaging skills in Africa (→P31)

Canon Group Sales in 2016

Europe
913.5
billion yen

Japan
707.0
billion yen

Americas
963.6
billion yen

Asia/Oceania
817.4
billion yen

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Economy) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Management Approach

Important Issues from an Economic Perspective

Canon supplies a wide variety of products and services that provide consumers with new affluence and enable business customers to create new value and improve productivity.

At Canon, we believe that returning profits obtained through these economic activities to our diverse stakeholders will positively impact the development of each country and region where we operate.

Based on this, Canon considers the payment of taxes in accordance with the laws of the countries and regions where it operates as its most fundamental and important social responsibility. We contribute to the development of local economies in a variety of ways. Canon works to build ongoing relationships with business partners in the supply chain and pay them on time; provide employment opportunities with good wages and benefits; offer a stable dividend to shareholders; contribute to the development of local communities through ongoing donations and support activities; and participate in citizenship activities.

Job Creation

Canon employs close to 200,000 people worldwide, and understands that the economic impacts of this on local communities are wide reaching.

Canon hires local people who understand the culture, lifestyle, and business practices of the countries and regions where it operates. In turn, we are proactive in cultivating these human resources and appointing them to executive management positions. This ensures that our business operations are closely rooted in the local society, and that we create stable employment opportunities for local people.

In addition, Canon supports people with disabilities to participate more fully in society, following the principle of normalization.

Economic Contributions to Local Communities

In some areas of the countries and regions where Canon operates, social infrastructure such as schools and hospitals is underdeveloped. Canon thus works to provide assistance to needy areas that goes beyond its basic obligation of paying taxes, believing that its business activities will further help local communities achieve sound and sustainable development. Utilizing the Group's monetary, human, technological and product resources, Canon supports the provision of facilities and infrastructure in such fields as education and healthcare in order to improve local living standards.

Related SDGs

1 NO POVERTY — End poverty in all its forms everywhere

3 GOOD HEALTH AND WELL-BEING — Ensure healthy lives and promote well-being for all at all ages

4 QUALITY EDUCATION — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

17 PARTNERSHIPS FOR THE GOALS — Strengthen the means of implementation and revitalize the global partnership for sustainable development

Job Creation

Canon contributes to the development of local economies through the employment and career development of human resources in the countries and regions where it operates.

Regional Contribution by Employment

Canon continues to employ more than 180,000 people worldwide since 2010 (197,673 as of December 31, 2016) and promotes global scale business. The number of people is 25,511 in Europe, 19,160 in the Americas, 80,089 in Asia and Oceania, and 72,913 in Japan. This continues to contribute to the economies around the world.

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 4,500 people locally, and Canon Business Machines (Philippines) employs approximately 3,400 local residents (as of December 31, 2016).

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

Comparison of Canon's Minimum Wage to Local Minimum Wage

		Japan	U.S.	China
Local minimum monthly wage		139,800 yen	1,233 dollars	1,628 renminbi
Canon	Standard minimum monthly wage	161,900 yen	1,887 dollars	2,403 renminbi
	Ratio compared to local minimum wage	116%	153%	148%

* Figures represent wages for leading manufacturing companies in each region, not average wages.   (As of December 31, 2016)

Promoting Globalization of Executive Management

Under its corporate philosophy of *kyosei*, Canon seeks to grow and prosper together with all of the countries and regions of the world, building better ties as it proceeds with globalization. Canon therefore appoints appropriate personnel, regardless of nationality, as presidents, executive officers, and managers of subsidiaries in each country and region where it operates.

Comparison of Canon's Minimum Wage to Local Minimum Wage

(%)

	The Americas	Europe	Asia (excluding Japan)
Presidents	30.0	95.1	26.7
Managers	90.8	97.9	90.5

* Share of non-Japanese appointed as presidents and managers   (As of December 31, 2016)

Canon Group Employee Numbers in 2016

Europe
25,511

Japan
72,913

Americas
19,160

Asia & Oceania
80,089
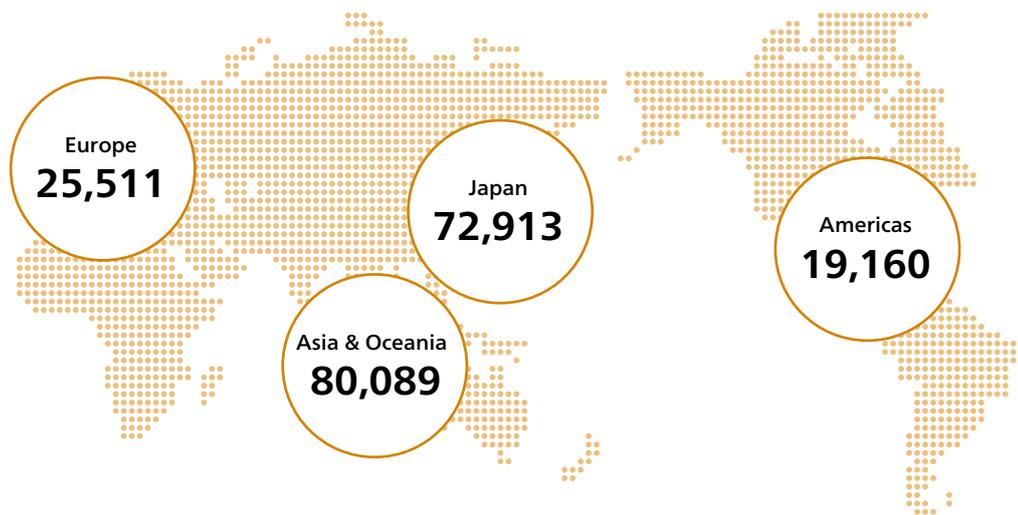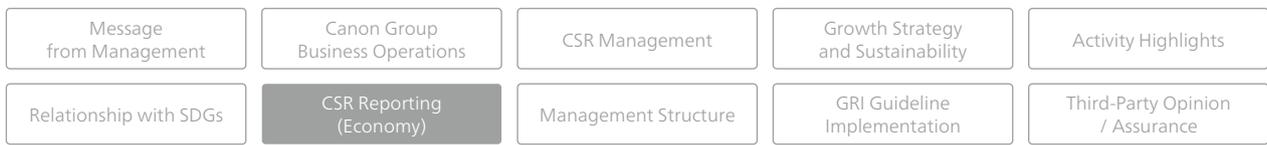
Proactive Support for the Participation of People with Disabilities in Society

Respecting the ideal of normalization* advocated by the United Nations, Canon proactively employs persons with disabilities at its subsidiaries in Japan.

For example, at Canon Inc., we have been proactive in employing persons with disabilities for many years, maintaining their share in our workforce above the 2.0% legal requirement. 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 hands-on workplace learning experience into the selection process to ensure that new hires can contribute quickly after they are hired and assigned to a workplace.

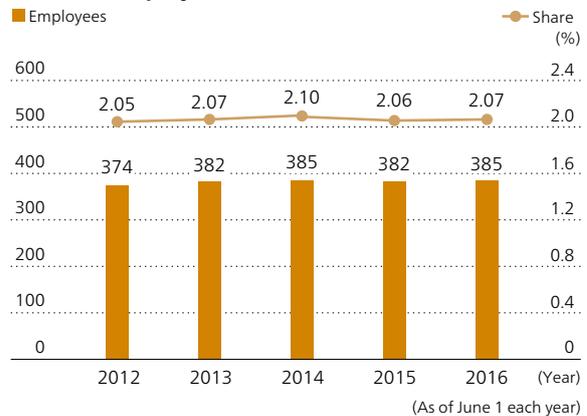Canon Wind primarily hires people with intellectual disabilities. In addition to maintaining a high employee retention rate,

this employment helps us realize our corporate philosophy of *kyosei*.

* 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 co-exist in all settings. Therefore, we should create an environment in which all people can live and work together.

Number and Percentage of Disabled Employees at Canon Inc.

■ Employees   ●— Share (%)

Year	2012	2013	2014	2015	2016
Employees	374	382	385	382	385
Share (%)	2.05	2.07	2.10	2.06	2.07

(As of June 1 each year)

Canon Wind Employee in Abilympics

The Abilympics (officially known as the National Skills Competition for Persons with Disabilities) is a competition to improve the vocational skills of persons with disabilities and raise the awareness of society at large.

At the 36th Abilympics in 2016, we fielded three competitors: one each from Canon Inc., Fukushima Canon and Canon Wind. Manabu Kai from Canon Wind represented Oita Prefecture in the office assistant category. This was his second appearance at the national competition, achieving a superb record.

Canon Wind is a subsidiary of Oita Canon formed in 2008 as a joint venture with Gyoun Fukushikai, with the aim of promoting employment for persons

with intellectual disabilities. This unique initiative, which aims to open up new areas of work for the disabled through manufacturing knowledge, is attracting attention.

Manabu Kai of Canon Wind gives full concentration to the competition

Economic Contributions to Local Communities

Canon returns the profits of its activities to local communities for their development.

Proper Paying 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 with regard to tax matters.

(1) Pay taxes properly in accordance with tax-related laws and ordinances.
(2) Ensure that tax accounting and other related processes are carried out unfailingly, according to law.
(3) Develop tax-related governance systems and work to raise awareness about tax compliance.
(4) Adhere to common international rules on international taxation (guidelines set by the Organisation for Economic Co-operation and Development and the United Nations) and ensure that actions are in compliance with the tax laws of each country.

Providing Assistance in Poverty-Stricken Areas

Many countries around the world face extreme economic challenges. In carrying out its global business operations, Canon provides various forms of assistance tailored to the specific needs of the region. For example, monetary and personnel assistance to aid the construction of new schools and other public facilities, or donations of Canon products or services may be offered.

Miraisha Program Aims to Increase Employment Opportunities for the People of Africa by Improving Their Skills in Imaging Technology

Since December 2014, Canon Europe has been expanding its Miraisha Program, a social investment initiative in Africa. Miraisha is a portmanteau of the Japanese word "mirai," meaning future, and the Swahili word "maisha," meaning life. Through the program, Canon aims to improve skills and increase employment opportunities for local young people in Africa's growing photography, video and print industries.

Canon Europe and Canon Central and North Africa (CCNA) have together facilitated workshops of photography and film-making in several African countries including Kenya, Ghana and Nigeria. Through partnerships with local organisations, educational institutions and event organisers, and with the assistance of Canon Ambassadors, the Miraisha Program has so far delivered training to more than 3,000 workshop participants.

Under the Miraisha Program, Canon Europe has also run a curriculum for local print companies. While printing demand in Ghana has increased in recent years accompanying economic growth, print quality, customer service and corporate management levels have not yet reached international standards, and a large portion of the printing business is outsourced to foreign companies. In 2016, 22 small print companies in Ghana joined Canon's Professional Print Excellence training to discover opportunities in digital printing, to improve their core business skills, including business planning, customer care, and technical know-how, as well as gaining access to new customers and tenders.

The Miraisha Program is helping Canon Europe to engage with local communities in Africa while enhancing competitiveness in industries in the African market. By collaborating with distribution and training partners, including the development of local trainers, Canon Europe is using its core imaging skills to help people in Africa to make a living in professional photography, film and print – sectors which are expected to grow in the future.

Professional Print Excellence training in Ghana

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Economy) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

The 4E's Project in India

Canon India carries out the 4E's Project in cooperation with a local NGO, Charities Aid Foundation (CAF) India. The project provides various forms of assistance in the fields of eye care, education, the 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, in particular by facilitating comprehensive eye screening to help those with vision impairments. Cataracts are a major cause of visual impairment in India, and yet 80% of these cases can be prevented or treated. To bridge this gap, Canon constructs vision centers in selected villages and provides examinations as well as treatment. Moreover, Canon encourages villagers to have eye examinations by setting up eye check-up clinics and distributing informative pamphlets. In 2016, a total of 101 clinics were conducted, during which 7,537 people received eye examinations.

Also, in the area of education, Canon India supports schools by assisting the development of school infrastructure, teacher training and computer classes. On the environmental side, Canon India donates solar panels, plants trees, and takes part in the recycling of waste paper.

These activities were appreciated and received in the category of "Promotion of Education" at "CSR Excellence Award" sponsored by Bureaucracy Today in Indian bureaucracy/corporate magazine.

In 2016, the project added the fourth E: empowerment. To this end, Canon established a vocational training center in the village of Ferozepur Namak, Haryana State. The center provides computer skills training to students and young people from the village, empowering them, for example, by widening their career choices. Canon has supplied 20 computers and pays wages for the trainers through an NGO.

In collaboration with an NGO, SOS Children's Villages of India, Canon launched a campaign to provide orphanage children with education and nutritious meals. In 2016, 187 Canon staff agreed to donate 400 rupees each per month and Canon India donated an equal amount to the orphanage through a matching gift arrangement.

Supporting Education in Vietnam

Canon Vietnam and Canon Marketing Vietnam promote various activities of For the Next Generation, a local program to improve the educational environment for children, who will serve as the next generation of Vietnam.

The Friendship School Chain Project, one of the most well known of these activities, works to construct classrooms and donate desks and chairs to schools in rural areas where infrastructure development is slow moving. Project volunteers regularly visit recipient schools to help with infrastructure renovation such as building tables and chairs, repainting school, and to present donations of school supplies.

Over the nine years since its launch in 2007, the project has spread to 55 schools in 22 provinces. Canon Vietnam also provides scholarships to talented high school and university students from underprivileged families, loans bicycles to students who have to commute long distances, and conducts environmental classes at elementary schools.

Canon Vietnam's aim in these activities is to have employees work directly with children and local people as volunteers. Such activities also provide opportunities for employees to deepen their connections with one another.

Desks and chairs donated by "Friendship School Chain Project"

Supporting Education in Dalian, China

As part of its activities to contribute to local communities, Canon Dalian supports impoverished schools in the rural area north of Dalian, to improve the educational environment for children. In 2016, in cooperation with the Zhuanghe municipal government, Canon renovated school facilities such as washrooms, and put idle company equipment and furniture to use as teaching computers, library desks and shelves. We also used tiles made exclusively of waste materials generated in Canon Dalian's manufacturing processes to provide a pathway in front of the school, creating a safe, comfortable learning environment.

In April 2016, in addition to continuing the material support noted above, Canon Dalian invited all grade-five and grade-six students from five Canon Hope Elementary Schools on a company tour. Educational activities involved environmental protection and tours to cultural facilities in the city to broaden the knowledge of the students. Canon Dalian has maintained these activities continuously for 22 years, and as a result, in 2016 it was selected as a model company for the region by the Dalian City Project Hope office.

Supporting Education in Thailand

Together with other Canon Group companies in Thailand, Canon Hi-Tech (Thailand) held environmental education events at Bhan Na-Klang School near the factory. The aim was to improve the learning environment for the children and pave the way toward a sustainable society. The events involved roughly 300 people; children, Canon Group employees, local residents and volunteers maintained and repaired school facilities and studied environmental issues. They also prepared lunch together and got to know each other better. In 2016, this sort of event was carried out on 10 occasions, and was greatly appreciated by the local community and public institutions. We will continue these educational support activities in the future.

Maintenance and repair of school facilities by employees and neighboring residents landscape

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

Canon established the Canon Foundation in 2008 with the aim of contributing to the ongoing prosperity and well-being of humankind through a wide range of support activities for both organizations and individuals engaged in research, business or education in various academic fields, most notably science and technology.

The Canon Foundation has established two research grant programs, the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, both of which are open to researchers working at universities and other public research institutions throughout Japan.

In 2016, we held the fourth Pursuit of Ideals symposium in July, and the fifth Creation of Industrial Infrastructure research results presentation in August, providing opportunities for grant recipients to report on research progress. Twelve projects were selected for Creation of Industrial Infrastructure grants in 2017, while three were chosen for Pursuit of Ideals grants on the theme of food. A total of 240 million yen in grants was awarded.

Furthermore, to make the results of the research available to the general public, the Canon Foundation Library published its second volume, with articles by the researchers. We also began activities to encourage articles by informing local media of research that would lead to regional revitalization.

Data Summary

Key Financial Data

		2012	2013	2014	2015	2016
Net sales	Billions of yen	3,479.8	3,731.4	3,727.3	3,800.3	3,401.5
Operating profit	Billions of yen	323.9	337.3	363.5	355.2	228.9
Net income attributable to Canon Inc. stockholders	Billions of yen	224.6	230.5	254.8	220.2	150.7
(Basic) Net income attributable to Canon Inc. stockholders per share	Yen	191.34	200.78	229.03	201.65	137.95
Total assets	Billions of yen	3,955.5	4,242.7	4,460.6	4,427.8	5,138.5
Stockholders' equity	Billions of yen	2,598.0	2,910.3	2,978.2	2,966.4	2,783.1
Return on equity (ROE)*	%	8.7	8.4	8.7	7.4	5.2
Return on assets (ROA)*	%	5.7	5.6	5.9	5.0	3.1

* Based on net income attributable to Canon Inc. and total Canon Inc. stockholders' equity

Dividends to Stockholders

		2012	2013	2014	2015	2016
Dividend per share	Yen	130	130	150	150	150
Total dividend amount	Billions of yen	151.0	148.8	164.7	163.8	163.8
Dividend payout ratio	%	67.2	64.6	64.6	74.4	108.7

Corporate Income Taxes

		2012	2013	2014	2015	2016
Taxes on income before income taxes	Billions of yen	110.1	108.1	118.0	116.1	82.7
Effective tax rate on income before income taxes	%	32.1	31.1	30.8	33.4	33.8

Environment

Canon carries out environmental assurance activities according to specific companywide environmental goals in order to realize a society that promotes both enriched lifestyles and the global environment as outlined in its Environmental Vision.

Canon Bird Branch Project (→P65)

Canon Group Lifecycle GHG Emissions (CO$_2$ Equivalent)

Customer use
2,198,000 t-CO$_2$
35%

Logistics
322,000 t-CO$_2$
5%

Lifecycle
CO$_2$ Emissions
6,212,000 t-CO$_2$

Manufacture of raw materials and parts
2,574,000 t-CO$_2$
41%

Operational site activities
1,119,000 t-CO$_2$
18%
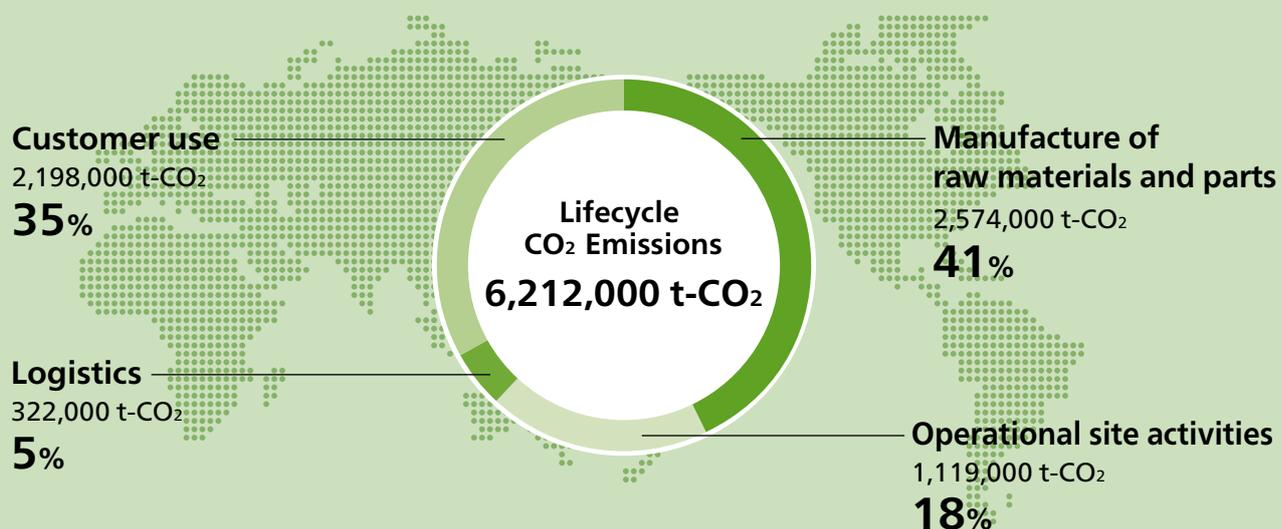
* Because the proportion of each is rounded off, the total is not become 100%.

Management Approach

Materiality and Environmental Aspects

In order to promote environmental assurance activities efficiently and effectively in response to the numerous environmental issues that companies face today, companies must first understand the characteristics of their own business activities and their impact on the environment. They then need to clarify priority initiatives, taking into account both risks and opportunities. Canon identifies materiality (priority issues) through the materiality analysis described below.

Taking the global trends into account, Canon organized the environmental aspects of its business activities in relation to global environmental issues.

Priority was assigned to these environmental aspects from two perspectives, namely, the relative interests of stakeholders and the relative impact on Canon's business activities. To determine the relative interests of stakeholders, we conducted a global survey on items that are of importance to stakeholders in terms of the environment. And, to ascertain the relative impact on Canon's business activities, we evaluated the risks and opportunities expected to accompany each of these environmental aspects, and ranked them by priority.

Through the survey, we discovered that stakeholders place particularly high importance on the environmental aspects of Canon that relate to global warming and resource depletion, including energy-saving products, curtailing energy use, and reducing the use of raw materials.
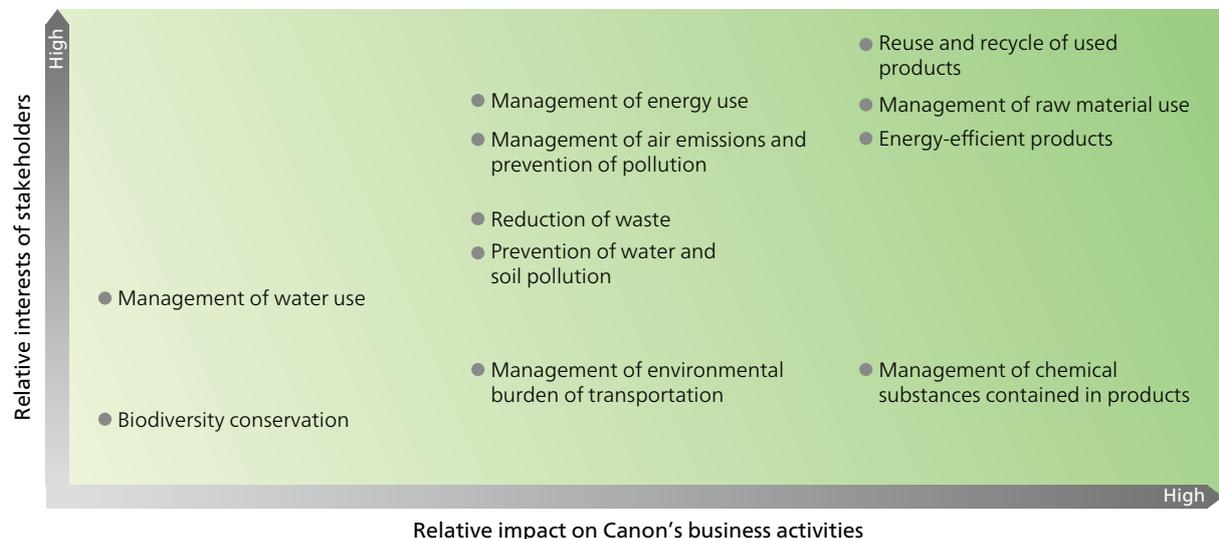
We recognize that these aspects also have a major impact on our business activities, including the competitiveness and cost of our products, and have therefore given them the utmost priority. Also, we recognize that curtailing waste and emissions into the air and water from our operational sites is important for the surrounding local communities, and for this reason, we have established emissions standards and improvement goals, which we are progressively working to achieve.

Furthermore, the aspects of managing the chemicals contained in products as well as waste and emissions released into the air and water from operational sites are also important due to their potential connection to health hazards and environmental pollution. Following the global trend to strengthen regulations on chemical substances, we recognize our responsibility as a corporation to comply with these regulations, and expect that this will greatly impact our business activities.

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 an important issue to address.

Through this analysis, we have established four areas of materiality that will guide the advancement of our environmental activities. These are (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.

Materiality Matrix

Relative interests of stakeholders (vertical axis, High)

- Reuse and recycle of used products
- Management of energy use
- Management of raw material use
- Management of air emissions and prevention of pollution
- Energy-efficient products
- Reduction of waste
- Prevention of water and soil pollution
- Management of water use
- Management of environmental burden of transportation
- Management of chemical substances contained in products
- Biodiversity conservation

Relative impact on Canon's business activities (horizontal axis, High)

Risks and Opportunities

The risks and opportunities in each environmental aspect of Canon's business activities are as follows.

Contributing to a Low-Carbon Society
Climate Change Countermeasures, Energy

Risks related to climate change include stricter regulations on energy efficiency and rising investment costs of energy efficiency to keep pace with these regulations. Meanwhile, opportunities include increased awareness of the energy consumption of products, which leads to more people choosing to purchase energy-efficient products, as well as the growing trend of making factories more energy efficient, which leads to lower factory costs.

Contributing to a Circular Economy
Resource Efficiency, Water Resources

Risks related to resource efficiency and water resources include rising costs of parts and material procurement caused by soaring prices for resources and the impact of natural disasters and extreme weather resulting from climate change on the stable procurement of water. At the same time, recycling-conscious product design and the development of recycling technologies lower our dependence on natural resources and reduce waste while also providing the opportunity for stable resource procurement and reduced operating costs.

Eliminating Hazardous Substances and Preventing Pollution

Risks related to chemical substances include the cessation of product shipments due to non-compliance with regulations as well as the rising risk of contamination from prohibited chemicals somewhere in the supply chain. On the other hand, some of the opportunities are maintaining product competitiveness by providing peace of mind and safety, a positive impact on brand value, and lower management costs, including in the supply chain.

Contributing to a Society in Harmony with Nature

Opportunities in biodiversity include the utilization of our products and technologies in biodiversity conservation efforts as well as the positive effects on our brand image resulting from initiatives at our production sites and our contributions to a society in harmony with nature.

Canon's Environmental Activities and Their Relationship with SDGs

The SDGs were adopted by the United Nations in 2015. Canon's four areas of materiality are related with the SDGs as follows.

Canon's Environmental Activities and Their Relationship with SDGs

| Contributing to a Low-Carbon Society | 13 CLIMATE ACTION 7 AFFORDABLE AND CLEAN ENERGY | Contributing to a Circular Economy | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION |
| Eliminating Hazardous Substances and Preventing Pollution | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 6 CLEAN WATER AND SANITATION | Contributing to a Society in Harmony with Nature | 15 LIFE ON LAND |

Goal 13
Take urgent action to combat climate change and its impacts

Goal 12
Ensure sustainable consumption and production patterns

Goal 15
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 7
Ensure access to affordable, reliable, sustainable and modern energy for all

Goal 6
Ensure availability and sustainable management of water and sanitation for all

Contributing to Climate Change Countermeasures and the Sustainable Use of Energy

Goal 13 of the SDGs calls for each country to take measures to address climate change. In addition, the adoption of the Paris Agreement has led to the establishment of an international framework for climate change countermeasures from 2020 onward. This has encouraged all countries and regions that have ratified the agreement to declare their own targets and plans to reduce greenhouse gas emissions and establish a "Pledge & Review" framework. Furthermore, Goal 7 of the SDGs, which focuses on improvements in energy efficiency, is closely connected to the realization of a low-carbon society. Not only does the use of fossil fuels lead to greenhouse gas emissions, fossil fuels themselves are a limited resource. Recognizing this, it is essential for us to promote the efficient use of energy.

Canon has been promoting improvements in CO_2 efficiency at all stages of the product lifecycle in order to contribute to the realization of a low-carbon society. To successfully implement these improvements, we have been enhancing energy efficiency at each lifecycle stage. At the same time, we have been making efforts to utilize renewable energy while taking into account the availability of renewable energy options from region to region.

As activities aimed at realizing the SDGs, Canon will continue efforts to improve energy efficiency as well as initiatives to reduce CO_2 emissions throughout the lifecycle of each product going forward.

Contributing to a Circular Economy Aimed at Sustainable Consumption and Production

Goal 12 of the SDGs aims to ensure sustainable consumption and production patterns, calling for the promotion of resource recycling following the 3Rs

and the reduction of waste. Also, Goal 6 emphasizes the sustainable use of water resources, which are essential for human life.

To this end, we are making efforts to control the amount of new resources we consume by making our products smaller and lighter, reusing and recycling our products, and eliminating wasteful resource consumption at our production sites. In addition, by recycling the resources we use, we have been focusing our efforts on the efficient use of finite resources and the reduction of waste.

We reaffirmed that our initiatives for resource conservation and resource circulation fulfill these SDGs, and we will continue to promote such efforts going forward.

Eliminating Hazardous Substances and Preventing Pollution

Goal 12 of the SDGs calls for the appropriate management of chemical and waste substances at each lifecycle stage. Based on frameworks agreed upon internationally, each country and region has established various regulations and is making efforts to comply with these regulations. Furthermore, Goal 6 reflects on how the preservation of clean water is a crucial element in the sustainable use of water resources.

We have established and operate a framework to appropriately manage both the chemical substances contained in our products and the chemical substances used in our production processes. Under the green procurement system, we work in cooperation with our suppliers to strictly manage the chemical substances contained in our products, thereby preventing the contamination of hazardous chemical substances.

Moreover, for chemical substances used in our production processes, we determine "prohibited substances", "emission-reduction substances", and "regulated substances", and manage them accordingly based on the rules and regulations of each country where we operate. At the same time, we diligently manage the amount of chemicals used in accordance with standards adopted in each region and thoroughly comply with standards for air, water, and soil emissions.

Additionally, we make proactive contributions to

the establishment of international frameworks for the appropriate management of chemical substances in the supply chain.

We believe our efforts to manage chemical substances and prevent pollution are deeply connected to these SDGs. As such, we will continue to pursue stringent management practices going forward.

Contributing to a Society in Harmony with Nature

Due to climate change and overdevelopment, valuable forest resources, biodiversity, and various natural habitats are disappearing. In response to this, global initiatives are being undertaken to achieve the Aichi Biodiversity Targets adopted at COP10. The SDGs, particularly Goal 15, call for the conservation of terrestrial ecosystems and once again highlight the importance of protecting forests and the ecosystems of living creatures.

At Canon, we recognize the importance of conserving and protecting biodiversity and ecosystems. Based on our Biodiversity Policy, we are promoting conservation and protection activities around the world.

One such activity is the Canon Bird Branch Project, which gives consideration to the cycle of life by focusing on birds as they occupy the top spot in the ecosystem pyramid consisting of plants, insects, and small animals that provide birds with food, as well as the water and soil that allow these living things to grow.

In addition, based on our Basic Procurement Policy for Wood Products, we procure lumber products that have been produced through sustainable means to prevent valuable forest resources from being lost in excessive amounts due to such practices as illegal logging.

Environmentally Conscious Management

Canon's Approach to Environmental Assurance

Under our corporate philosophy of *kyosei*, Canon's environmental assurance approach is based on maximizing resource efficiency. Our basic policy for environmental assurance, the EQCD concept, is a means to achieve this. The concept of EQCD, which stands for environment (E), quality (Q), cost (C), and delivery (D), is to align environmental assurance activities and economic activities.

Based on this approach, in 2008 we created Canon's environmental vision, "Action for Green". Our vision for the future is a society that achieves a beneficial balance between enriched lifestyles and the global environment. The Canon Group, with the cooperation of its stakeholders, is working on environmental initiatives to facilitate the creation of products with advanced capabilities while minimizing environmental impacts 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
D : Delivery Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

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

23 March, 2007
Chairman & CEO　Canon Inc.

Canon Group Environmental Charter

Canon Environmental Vision

Action for Green

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

Environmental Goals and Results

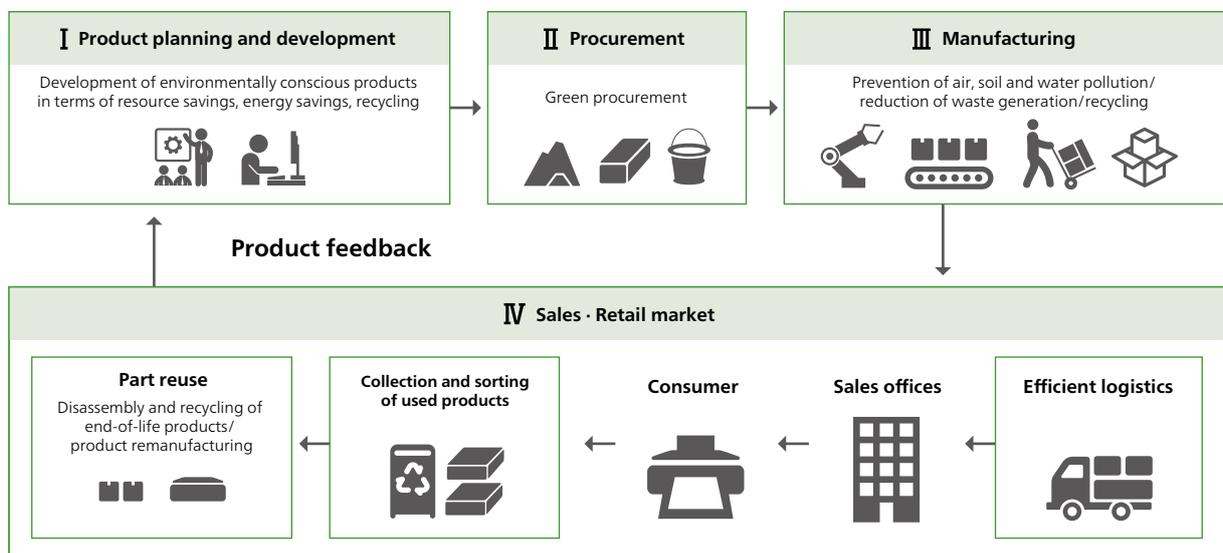### Overall Goal, Product Goal and Operational Site Goals

Canon considers, and works to reduce, environmental impacts at each stage of the product lifecycle. 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 lifecycle, we convert each type of environmental impact to CO_2 equivalents, and, using these as benchmarks, we set an overall goal for our Medium-Term Environmental Goals to achieve a 3%-per-year improvement in the lifecycle CO_2 emissions improvement index per product.

We have broken down lifecycle CO_2 emissions per product into product goals and operational site goals. We have established a goal for products of 3% improvement per year in the raw materials & usage CO_2 emissions improvement index per product, and a goal for operational sites of 1.2% improvement per year in energy consumption rate per basic unit.

Further, in consideration of the environmental impacts of Canon's business activities, manufacturing sites have unit improvement targets covering total waste generation, water usage, and emission of controlled chemical substances, and are working to improve these metrics.

Environmental Activities Over Entire Product Lifecycle

Ⅰ Product planning and development	Ⅱ Procurement	Ⅲ Manufacturing
Development of environmentally conscious products in terms of resource savings, energy savings, recycling	Green procurement	Prevention of air, soil and water pollution/ reduction of waste generation/recycling

Product feedback

Ⅳ Sales · Retail market

Part reuse	Collection and sorting of used products	Consumer	Sales offices	Efficient logistics
Disassembly and recycling of end-of-life products/ product remanufacturing				

Achievement of Medium-Term Environmental Goals

In 2016, we achieved the goal of a 3%-per-year improvement in the lifecycle CO_2 emissions improvement index per product, recording a 3.0% improvement over the previous year. This was the result of making products more compact, lightweight, and energy efficient, as well as activities to reduce energy consumption at operational sites.

Canon has had a long-standing goal of improving lifecycle CO_2 emissions per product. In 2016, this figure was around 34% below 2008 levels (average reduction of around 5% per year).

Achievement of Product Goals

In 2016, we achieved a 2.8% improvement in the raw materials & usage CO_2 emissions improvement index per product.

While this fell short of the 3.0% year-on-year improvement target, we made progress thanks to improvements in making products more compact, lightweight, and energy efficient.

Achievement of Operational Site Goals

An overview of the achievement of operational site goals is as follows.

| Energy consumption per basic unit at operational sites

The Facilities Management Division is the primary driver of energy-reduction activities. In 2016, energy consumption per basic unit improved by 2.1% over the previous year, reaching the 1.2% improvement target.

| Total waste generation per basic unit

As a result of initiatives such as eliminating waste at manufacturing sites and recycling waste generated internally at manufacturing sites, we met our target of a 1.0% improvement with a 1.1% reduction in total waste generation over 2015.

| Water usage per basic unit in production

Water usage per basic unit in production declined by 2.4% compared to 2015 thanks to efforts to improve water use efficiency and reuse wastewater, and thus achieved the goal of a 1.0% improvement.

| Improving Emissions of Controlled Chemical Substances per Basic Unit

We achieved an improvement of 5.7% over 2015 in emissions of controlled chemical substances per basic unit, attaining our goal of a 1.0% improvement, thanks to optimizing chemical substance used in manufacturing processes and reuse of materials.

Lifecycle CO_2 Emissions Improvement Index per Product

*Note: Indexed to 2008 = 100
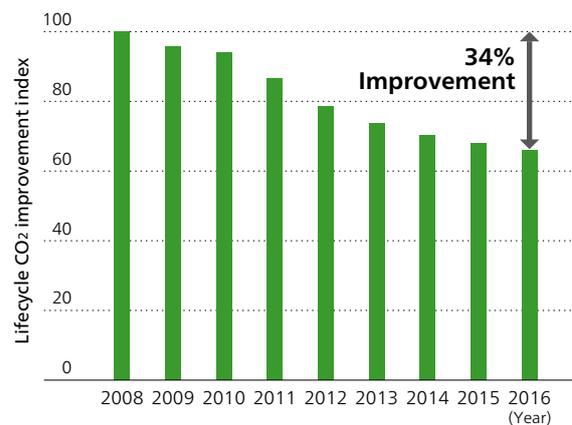
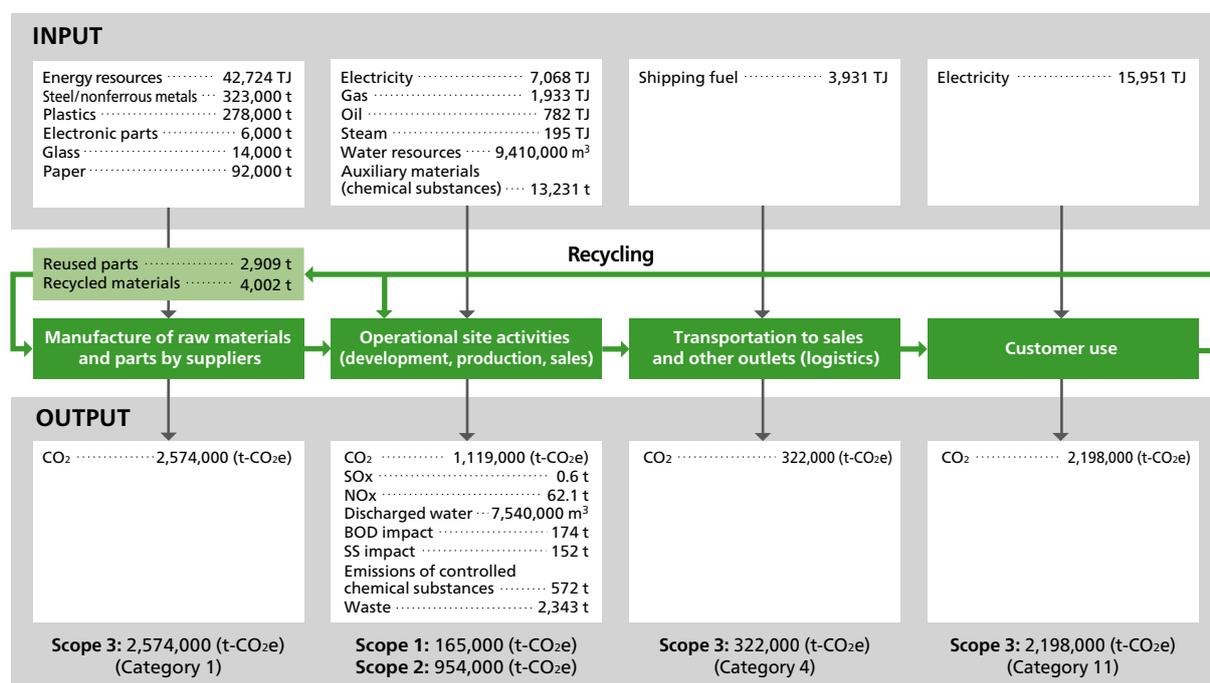### Environmental Goals and Achievements

	2016–2018 Mid-Term Environmental Goals	2016 Achievements	2017–2019 Medium-Term Environmental Goals
Lifecycle	3%-per-year improvement of lifecycle CO_2 emissions improvement index per product	Per-year improvement of 3.0% over 2015	3%-per-year improvement of lifecycle CO_2 emissions improvement index per product
Products	3%-per-year improvement of raw materials & use CO_2 emissions improvement index per product	Per-year improvement of 2.8% over 2015	3%-per-year improvement of raw materials & use CO_2 emissions improvement index per product
Operational Sites	1.2%-per-year improvement of energy consumption basic unit at operational sites	Per-year improvement of 2.1% over 2015	1.2%-per-year improvement of energy consumption basic unit at operational sites
	2016 Environmental Goals	**2016 Achievements**	**2017 Environmental Goals**
	Improve total waste generation per basic unit at operational sites by 1% (compared to 2015)	1.1% improvement over 2015	Improve total waste generation per basic unit at operational sites by 1% (compared to 2016)
	Improve water usage per basic unit for production by 1% (compared to 2015)	2.4% improvement over 2015	Improve water usage per basic unit for production by 1% (compared to 2016)
	Improve emission of controlled chemical substances per basic unit by 1% (compared to 2015)	5.7% improvement over 2015	Improve emission of controlled chemical substances per basic unit by 1% (compared to 2016)

Overview of Environmental Impacts

As a result of initiatives to meet these targets, 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_2 emissions in 2016 were approximately 6.21 million tons, an increase of around 48,000 tons (0.8%) compared to 2015.

2016 Material Balance

INPUT

Energy resources	42,724 TJ
Steel/nonferrous metals	323,000 t
Plastics	278,000 t
Electronic parts	6,000 t
Glass	14,000 t
Paper	92,000 t

Electricity	7,068 TJ
Gas	1,933 TJ
Oil	782 TJ
Steam	195 TJ
Water resources	9,410,000 m³
Auxiliary materials (chemical substances)	13,231 t

Shipping fuel ········· 3,931 TJ

Electricity ············· 15,951 TJ

Recycling

Reused parts ············· 2,909 t
Recycled materials ······· 4,002 t

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

OUTPUT

CO_2 ········· 2,574,000 (t-CO_2e)

CO_2	1,119,000 (t-CO_2e)
SOx	0.6 t
NOx	62.1 t
Discharged water	7,540,000 m³
BOD impact	174 t
SS impact	152 t
Emissions of controlled chemical substances	572 t
Waste	2,343 t

CO_2 ········· 322,000 (t-CO_2e)

CO_2 ········· 2,198,000 (t-CO_2e)

Scope 3: 2,574,000 (t-CO_2e) (Category 1)

Scope 1: 165,000 (t-CO_2e)
Scope 2: 954,000 (t-CO_2e)

Scope 3: 322,000 (t-CO_2e) (Category 4)
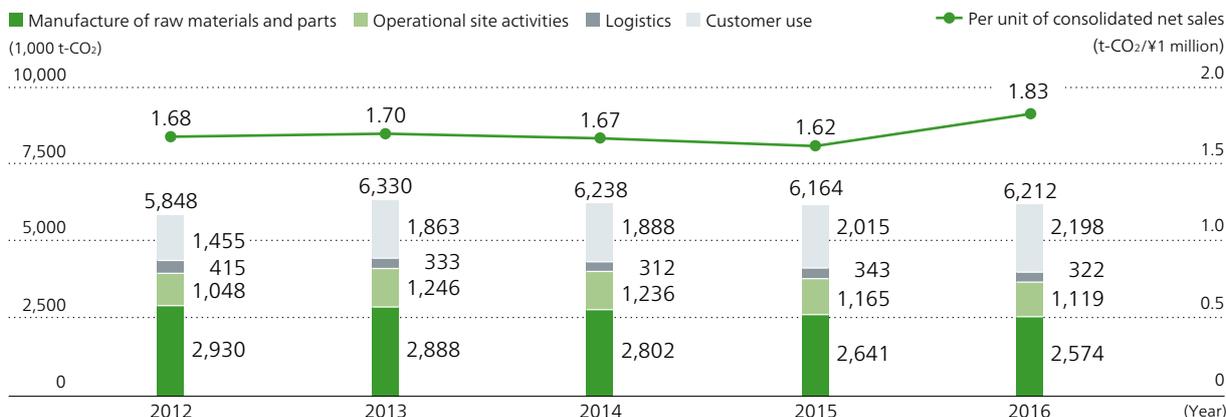
Scope 3: 2,198,000 (t-CO_2e) (Category 11)

***Scope 1:** Direct GHG emissions (utility gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)
 Scope 2: Indirect GHG emissions (electricity and steam, etc.)
 Scope 3: Other indirect GHG emissions (purchased parts or services [Category 1], transportation and distribution [Category 4], and use of sold products [Category 11])
  Calculation of Category 1, 4, 11 from Scope 3 of the GHG Protocol

Lifecycle GHG Emissions (CO_2 Equivalent)

■ Manufacture of raw materials and parts ■ Operational site activities ■ Logistics ■ Customer use —●— Per unit of consolidated net sales

(1,000 t-CO_2)   (t-CO_2/¥1 million)

Year	Per unit of consolidated net sales	Customer use	Logistics	Operational site activities	Manufacture of raw materials and parts	Total
2012	1.68	1,455	415	1,048	2,930	5,848
2013	1.70	1,863	333	1,246	2,888	6,330
2014	1.67	1,888	312	1,236	2,802	6,238
2015	1.62	2,015	343	1,165	2,641	6,164
2016	1.83	2,198	322	1,119	2,574	6,212

***Note:** Data from 2013 onward includes an increased number of Canon marketing companies' sales offices in Japan and overseas.

Basic Approach to CO_2 Calculations

Canon compiles data for GHG designated under the Kyoto Protocol (revised version). Past data may be revised due to improvements in the precision of data collection.
  We use CO_2 emission factors for electricity for each region and year.
  Until 2014, figures used in Japan were published by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan. Outside Japan, they were published by the International Energy Agency. From 2015, calculations use CO_2 emission factors provided by individual electricity suppliers; publicly disclosed region-specific figures are used where factors are not provided by electricity suppliers. (Please refer to Operational Sites covered in the Environmental Section (page 74).)
  For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifespan and output capacity, and converted to the CO_2 equivalent using the same factors stipulated above. Other CO_2 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_2)

Third-party verification has only been obtained for CO_2 emissions occurring in 2016 from quantitative data appearing in the above graphs "Lifecycle GHG Emissions (CO_2 Equivalent)" and "2016 Material Balance."

### Scope 3 GHG Emissions in 2016

(1,000 t-CO_2e)

Category	Scope	2016	Calculation Method
1	Purchased goods and services	2,574*	Calculated by multiplying the volume of each material input by the emission factor for each material/process.
2	Capital goods	657	Calculated by multiplying the total amount of each category of purchased capital goods by the emission factor for each category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	95	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	322*	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 is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	1	Total of waste generated for each material at each operational site is calculated and multiplied by the emission factor of end-of-life treatment by material.
6	Business travel	65	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.
			For accommodations, the total payment amount is converted to the average number of accommodation nights and added after multiplying by the emission factor of accommodations.
7	Employee commuting	151	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method.
			For commute by personal vehicle, the total payment amount is converted to fuel usage and then added after multiplying by the emission factor of fuel consumption.
8	Upstream leased assets	—	CO_2 emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	50	Average transport distance and weight of distributed products is calculated for each region and multiplied by the emission factor of transportation.
10	Processing of sold products	0	Weight of parts at distributor is multiplied by the emission factor of product assembly to calculate the impact of product assembly.
11	Use of sold products	2,198*	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	213	Sold products are categorized by material and then emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	—	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	—	Not applicable
15	Investments	—	Not applicable

*Note: Data verified by a third party

Global Environmental Promotion System

Canon Group companies around the world are working as one in carrying out environmental assurance activities to achieve our environmental goals and make the above-mentioned environmental vision a reality. Led by Canon's Global Environment Center 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 products operations with our manufacturing bases and marketing companies in Japan and overseas.

Global Environmental Promotion System
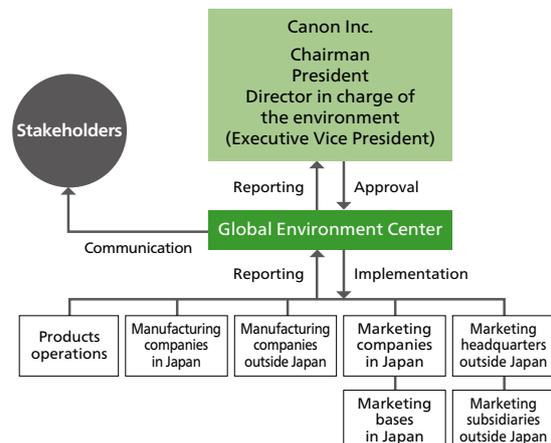
Environmental Management System

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 system 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 goals (Plan) and establish action plans and important measures to achieve those goals, which are reflected in our business activities. Moreover, we carry out environmental audits to check the progress of initiatives as well as any issues to be addressed in each division in addition to conducting environmental performance evaluations to assess our environmental performance (Check). We then work to continually improve and enhance our environmental assurance activities (Act). At the same time, 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 implementation of this system by gathering information on environment-related laws and regulations, establishing 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 are obtaining ISO 14001 consolidated certification in order to objectively evaluate the effectiveness of their environmental management system (EMS) using a third party. As of 2016, ISO 14001 consolidated certification covers Canon Inc. as well as 129 Group companies in 40 countries and regions around the world.

In accordance with the ISO 14001 revision in September 2015, by the end of 2015 Canon had completed all necessary changes to its environmental management system, and from 2016 began operations under the newly revised system.

Within this system, the Global Environment Center oversees the environmental assurance activities of the entire Group, and reports on progress to the Chairman, President, and Executive Vice President of Canon Inc. in management reviews.
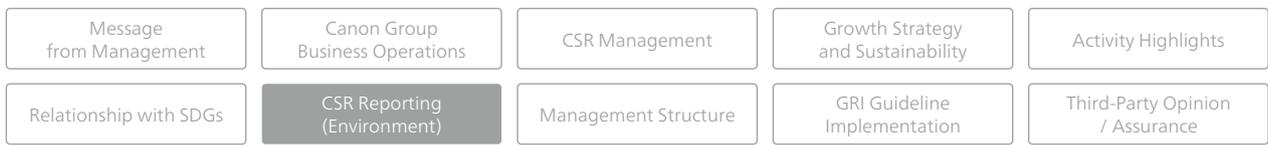
Reference: ISO 14001 Certifications Obtained
http://www.canon.com/environment/produce/data/iso14001.html

Canon's Environmental Management System
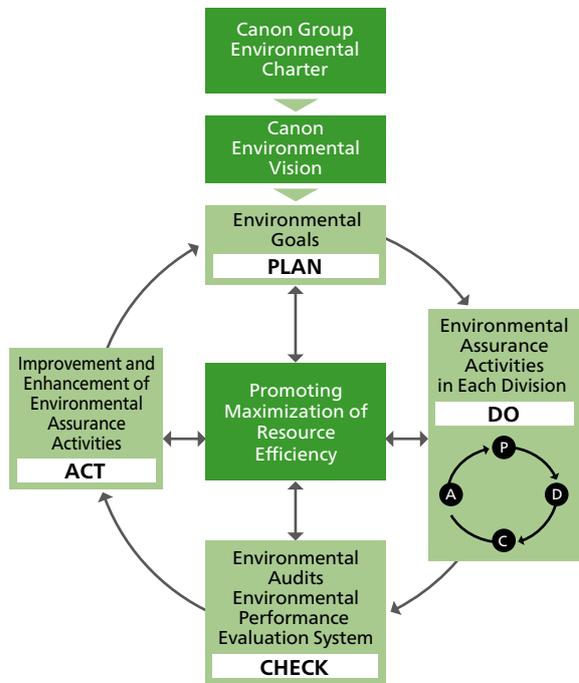
Environmental Management over the Lifecycle
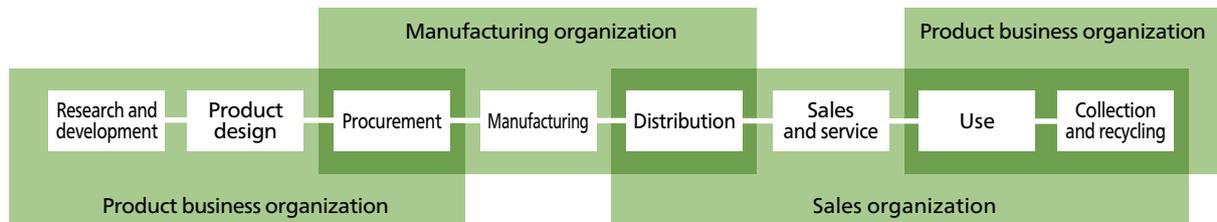
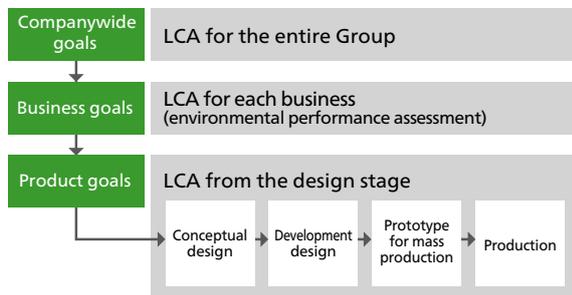## Environmental Regulatory Compliance and Response to Complaints

Under this management system, in 2016 Canon did not have 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 such issues as construction noise, vegetation management and foul odors, which were resolved through appropriate measures.

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_2 emissions can be calculated from the development and design stages, which we use when manufacturing products as we move toward our environmental goals.

System for Product Environmental Assessments and Product Environmental Information Management

At the commercialization stage, Canon conducts an environmental assessment to check whether a product meets product environmental legal requirements and other necessary requirements and has achieved the necessary environmental performance.

First, at the product planning stage, the product is assigned an environmental performance target to meet.

Before decisions are made to commercialize or initiate mass production, Canon evaluates the achievement of product environmental performance targets, and ascertains whether the product meets legal and other necessary requirements.

Flow Chart of Environmentally Conscious Design Using LCA Methodology

System for Managing the Environmental Information of Products
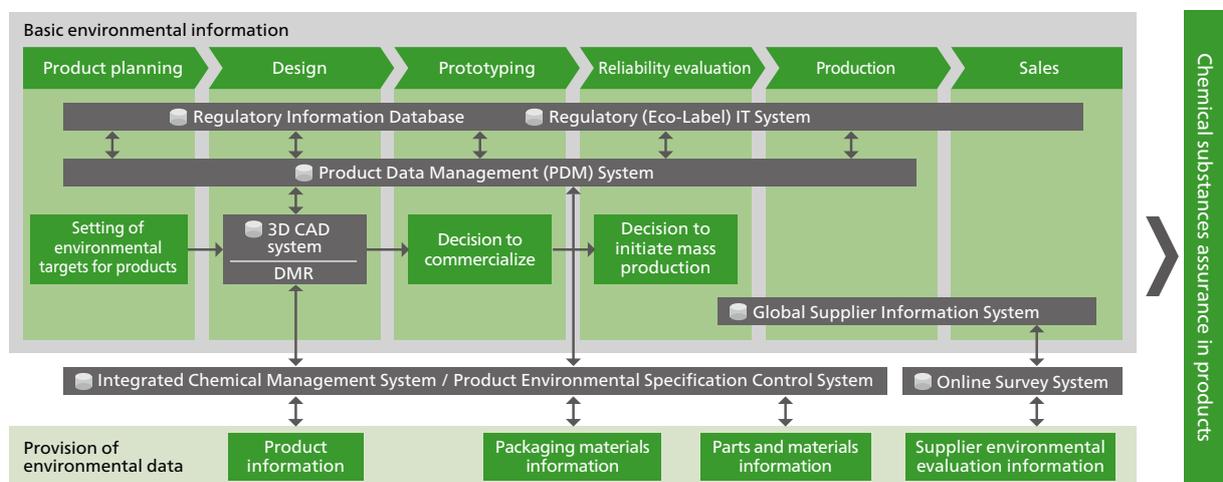
Environmental Assurance Activities in Partnership with Suppliers

In addition to its own environmental initiatives, Canon gives attention to the operations of partners that supply parts and raw 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 assess a supplier's management from two perspectives: business activity management and product management. We require that they have effective management in the following frameworks labeled A – D.

If a supplier is found to have a negative impact on the environment, we immediately demand remedial action be taken and check the status of improvements made.

A: Environmental management system for business activities

A company must construct and operate a system to reduce environmental impact caused by its business activities

B: Performance of business activities

As the result of constructing and operating an environmental management system, the following must be achieved: compliance with environment-related laws and regulations and other applicable legal requirements, no use of the prohibited substances, reduction in the use of substances targeted for reduced levels of use, and implementation of preventive measures against pollution of soil and groundwater.

C: Management of chemical substances in products (environmental management system for parts and materials)

A system must be constructed and operated to keep track of and manage chemical substances contained in parts and materials delivered to Canon.

D: Performance of parts and materials

No "prohibited substances" are contained in parts and materials delivered to Canon, and no "use-restricted substances" are contained after a specified period.

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.

For details of Canon's green procurement, please refer to our website.

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

Requirements of the Canon Green Procurement Standards

	Environmental management system	Performance
Business activities	**A : Environmental management system for business activities** Constructing and operating of environmental management system for business activities	**B : Performance of business activities** - 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	**C : Management of chemical substances in products** Constructing and operating of system for management of chemical substances in products	**D : Performance of parts and materials** - No prohibited substances are contained. - No use-restricted substances are contained after a specified period.

▉ Evaluation per supplier (A-C)   ▉ Evaluation per part & material (D)

Canon Recognized as First Five-Star Green Supply Chain Company

In 2016, Canon's initiatives were recognized by the influential China Environmental United Certification Center[1] (CEC) and the Canon Group was certified as the country's first five-star Green Supply Chain Assessment-certified company.[2]

The CEC assesses companies' activities based on the Chinese Ministry of Environmental Protection's policy of "promoting green supply chain management focusing on green production, supply and consumption."

[1] The China Environmental United Certification Center, authorized by the Chinese Ministry of Environmental Protection, is the only certification body that can certify products with the nationally recognized China Environmental Label. Additionally, it is China's first third-party certification body to assess green supply chains.
[2] Although companies had been given three- and four-star green supply chain ratings in the past, Canon is the first to be awarded a five-star corporate rating.
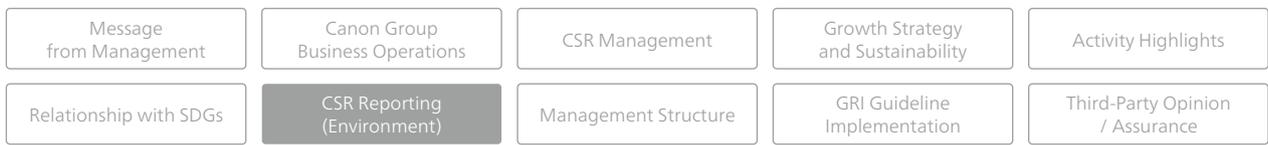
Management System for Chemical Substances in Products
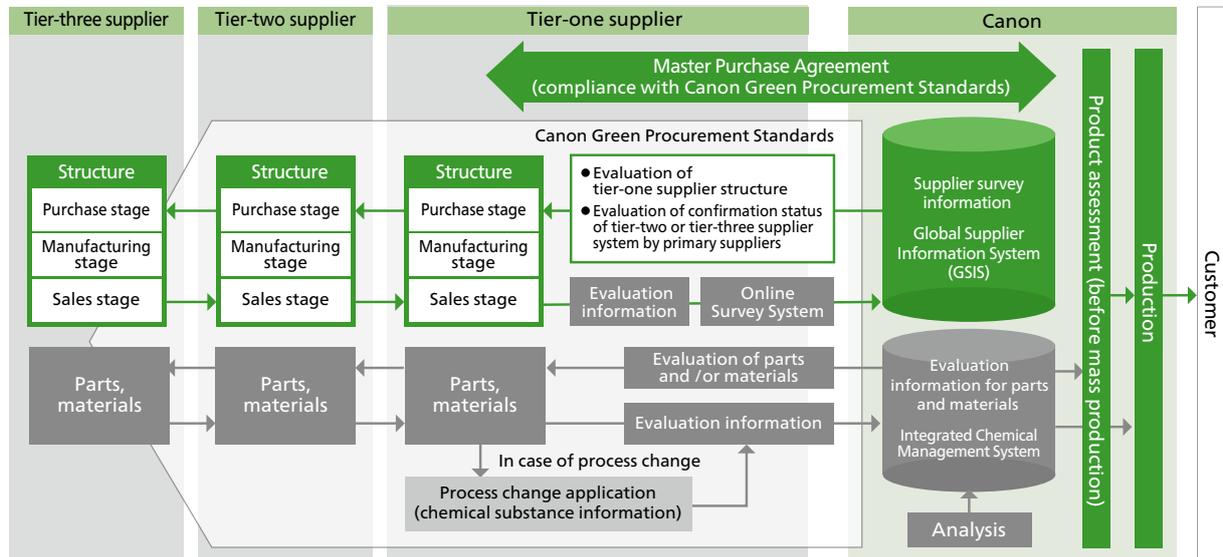
Environmental Audits and Environmental Performance Evaluations

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 include 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 2016, the audits found no serious instances of non-compliance or violations. However, from the perspective of ongoing improvement and prevention, we are taking steps to rectify even observations in operations management.

Environmental Performance Evaluation

Under environmental performance evaluation, the outcomes of the environmental activities at individual products 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 evaluation criteria and carries out the evaluations, which account for approximately 10% of the overall consolidated performance evaluation.

Evaluation indicators include compliance with laws and company rules, achievement of environmental goals, improvements in the environmental performance of products, and communication, among others. Results are announced to the Group every six months.

We will raise the criteria appropriately in response to achieving targets and improvement in our activities. Through continuous improvement we aim to raise environmental performance across the company.

Environmental Performance Evaluation Process
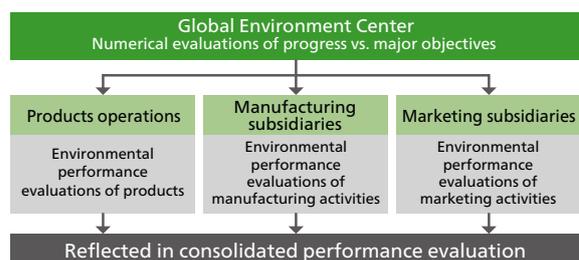
Environmental Education

Canon's environmental education programs provide awareness training to all employees and specialized training for employees engaged in certain tasks.

Awareness training is aimed at teaching employees the importance of environmental assurance activities as well as the policies, targets and rules of their own divisions, while specialized training is aimed at enhancing the capabilities of employees involved in environmental assurance activities.

Specialized training is classified into product environment, operational site environment and environmental audit sections. Moreover, product environment training has detailed programs to enhance the abilities of those responsible for product assessments, product surveys and integrated management of chemical substances.

These educational programs are designed to enable employees to receive needed training at any time and by a method that best suits the purpose, such as e-learning, group discussion or group work,.

In particular, among the specialized environmental training classes, Canon is reinforcing global education for risk management. We prepared English- and Chinese-language training materials in 2016, and as of the end of the year, employees involved in related operations had all completed training (total of 2,265 participants in 2016).

Information Disclosure, Education and Awareness Via Environmental Communication

Canon takes every opportunity and uses a variety of media to present environmental information and other non-financial information to stakeholders.

In addition to publishing this report, which covers environmental and CSR activities, Canon works to raise awareness of its initiatives via an environment website, a variety of exhibitions, and so on. In Japan in 2016, Canon was successfully ranked first in the "Eco Site Survey 2016" of corporate environmental websites carried out by Tribeck Brand Strategies,Inc.

Canon is also carrying out environmental education and awareness activities for people in regional communities by holding environmental outreach classes in local elementary schools, providing environmental programs in cooperation with regional organizations and so on.

Canon Turns Lights Off for Earth Hour

On March 25, 2017, Canon companies worldwide switched off their lights to participate in the global environmental event, Earth Hour.

During Earth Hour*, people share their desire to stop global warming and protect the global environment by turning off lights at a certain time (from 8:30pm to 9:30pm local time).

Canon fully supports the concept of Earth Hour and has

held a global "lights-off event" at Canon Group companies globally since 2016.

In 2017, 283 sites located in 36 countries and regions took part. Our event started in Oceania, which is closest to the international dateline, and then went around the world to Asia, Europe and the Americas. In addition, operational sites held special events to promote turning off lights and saving power.

* Earth Hour is a global lights-off event started by the WWF (World Wildlife Federation) in 2007.
Reference: Earth Hour Activities (Lights-off)
http://www.canon.com/environment/communication/earthhour/2017/index.html

Contributing to a Low-Carbon Society

With the world facing a multitude of issues arising from climate change, Canon is contributing to a low-carbon society by working to reduce CO_2 emissions and improve energy efficiency throughout the product lifecycle.

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

Climate Change, Energy

●	Designing energy-saving products	Target **13.2**	Target **7.3**
●	Improving energy efficiency at operational sites	Target **13.2**	Target **7.3**
●	Contributing to the spread of renewable energy	Target **13.2**	Target **7.2**
●	Reducing CO_2 from logistics	Target **13.2**	Target **7.3**
●	Responding to large-scale natural disasters	Target **13.1**	Target **13.3**

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 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters
Target 13.2: Integrate climate change measures into national policies, strategies, and planning
Target 13.3: Improve education, awareness raising, and human and institutional capacity on climate change mitigation, adaptation, impact reduction, and early warning

Initiatives for Realizing a Low-Carbon Society

Canon tracks CO_2 emissions throughout the product lifecycle (materials procurement, activities at operational sites, distribution, and customer use) and works to reduce emissions at each stage.

In the materials procurement and customer use stages, we strive to reduce CO_2 emissions through effective product development (including making products smaller and lighter, using recycled materials, and using energy-saving designs). And, in the activities at operational sites and distribution stages, we strive to reduce CO_2 emissions in activities at operational sites and in the distribution process.

CO_2 Reduction in Product Development
Energy-Saving Office Equipment

For its office multifunction devices (MFD) and laser printers, Canon uses energy-saving technologies, including on-demand fixing and induction heating (IH) fixing to reduce the amount of electricity needed during operation.

Furthermore, we continue to make technological advances aimed at expanding our lineup of energy-saving products. For example, we have begun employing low-melt-point toner in new products, enabling fixing at lower temperatures than traditional toner. In the imageRUNNER ADVANCE C5500 series of office multifunction devices (MFD), we reduced standby power consumption with a newly developed main controller and operating power consumption with a newly developed toner with optimized melt properties. Through such measures as lowering products' typical energy consumption (TEC) rating, we achieved about 47% lower CO_2 emissions during use than with the previous model, and
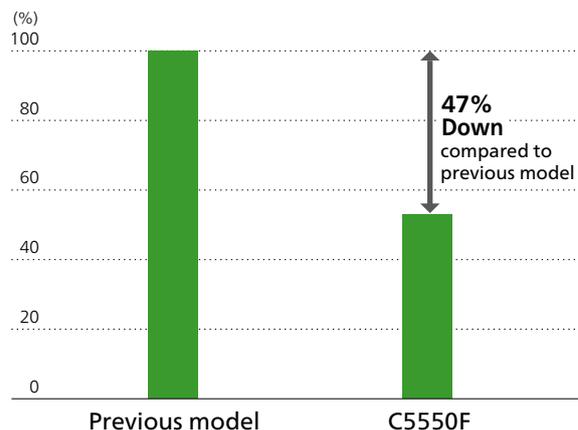
about 23% lower lifecycle CO_2 emissions (comparison of the imageRUNNER ADVANCE with the earlier model).

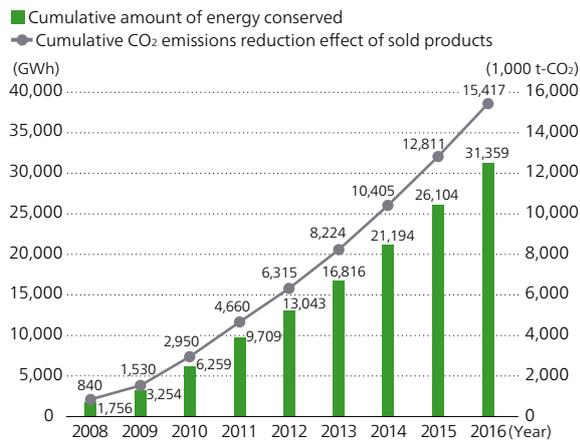Reference: Energy-saving technology used in our products
http://global.canon/en/v-square/index03.html

imageRUNNER ADVANCE C5500 series

Reduction of CO_2 emissions at product use stage

(%)

47% Down compared to previous model

Previous model   C5550F

Thanks to energy-saving technologies used in office equipment, between 2008 and 2016 Canon products achieved a cumulative energy savings of 31,359GWh (equivalent to a reduction of 15,417,000 tons of CO_2).

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

Energy-Saving Effects of Office Products

■ Cumulative amount of energy conserved
━●━ Cumulative CO_2 emissions reduction effect of sold products

(GWh) / (1,000 t-CO_2)

Year	Cumulative amount of energy conserved	Cumulative CO2 emissions reduction
2008	840	1,756
2009	1,530	3,254
2010	2,950	6,259
2011	9,709	4,660
2012	13,043	6,315
2013	16,816	8,224
2014	21,194	10,405
2015	26,104	12,811
2016	31,359	15,417

* Target products: Electrophotographic multifunction devices and laser printers (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_2 emissions factors are calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies and the International Energy Agency (outside Japan).

CO₂ Reduction Through Initiatives at Operational Sites

Canon strives to improve energy efficiency at operational sites in order to restrict the volume of CO_2 emissions during operation.

Initiatives to Improve Energy Efficiency at Operational Sites

Canon's development, manufacturing, and facilities and environment divisions are working together to improve energy efficiency and lower the company's CO_2 emissions.

In particular, we are strengthening cooperation with products operations to eliminate wastage and optimize production processes and facility operation while maintaining the required quality of products and parts.

For example, in the manufacture of fluoride crystals by Canon Optron Inc., we improved production

efficiency and reduced energy consumption by making improvements to the manufacturing process and to equipment, allowing an increased number of layers to be produced per batch.
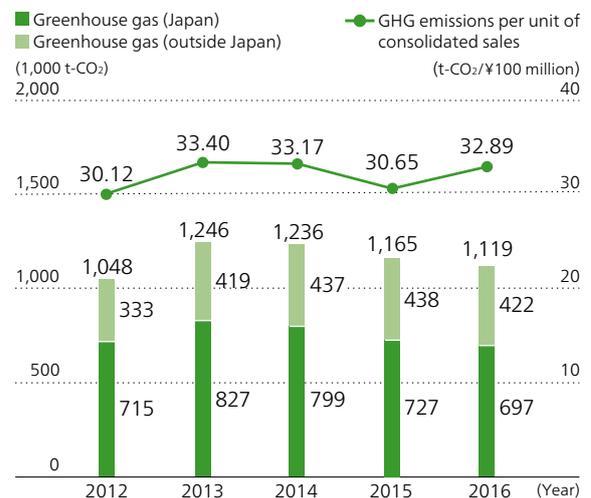
We are also continually working to optimize facilities operations. We optimized refrigeration at our Ayase site and temperature and humidity management in the production area of Taiwan Canon, allowing more efficient use of energy.

We are constantly expanding energy-saving initiatives that prove effective at one site to other sites within the Canon Group.

In addition, we are promoting green building initiatives at our sales offices. Canon Canada's new head office has improved energy efficiency thanks to the use of highly energy-efficient devices such as lighting and blinds that adjust automatically depending on the amount of external light.

As a result, total greenhouse gas emissions in 2016 were 1,118,721 tons, down approximately 3.9% compared to 2015.

Greenhouse Gas Emissions at Production Sites and Sales Offices

■ Greenhouse gas (Japan)
■ Greenhouse gas (outside Japan)
━●━ GHG emissions per unit of consolidated sales

(1,000 t-CO_2) / (t-CO_2/¥100 million)

Year	Greenhouse gas (Japan)	Greenhouse gas (outside Japan)	GHG emissions per unit of consolidated sales
2012	715	333	30.12
2013	827	419	33.40
2014	799	437	33.17
2015	727	438	30.65
2016	697	422	32.89

(Totals: 2012: 1,048; 2013: 1,246; 2014: 1,236; 2015: 1,165; 2016: 1,119)

* Canon's calculation of total greenhouse gas emissions
Calculation of energy-derived greenhouse gas CO_2, and the non-energy derived greenhouse gases, PFCs, HFCs, SF_6, N_2O, methane, and NF_3. Through 2014, conversion to CO_2 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_2 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 there is a delay between compilation and disclosure of data, CO_2 conversion coefficients are adjusted retroactively.
Note: Sales outlets (worldwide) of marketing companies included in data count have been expanded starting in 2013.

Canon Business Machines (Philippines) Receives Energy Efficiency Award from Philippines Department of Energy

When Canon Business Machines (Philippines) implemented reductions in electricity usage via a Building Management System (BMS), it reduced its energy use year-on-year by 23%. In recognition of this achievement, the Philippines Department of Energy presented the company with the Don Emilio Abello Energy Efficiency Award.

Energy efficiency award plaque

Contributing to Increased Use of Renewable Energy

Use of Renewable Energy Suited to Regional Characteristics

To increase the use of renewable energy, which is a SDG target, preparation of infrastructure suited to regional characteristics is under way.

Canon aims through the end of 2020 to derive from renewable sources at least 130MWh 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. For example, three main sites of Axis Communications AB (Sweden) and three group companies of Océ purchase nearly 100% of their energy from renewable sources.

Océ employs a geothermal HVAC system that uses the temperature difference of groundwater as an energy source for a heating and cooling system.

Use of Renewable Energy by Region in 2016 (MWh)

Japan	124
North American region	9,209
European region	73,544
Asia and Oceania region (excluding Japan)	495

Structure of Océ's Geothermal HVAC System

Differences in groundwater temperature are used to provide energy for cooling in summer and heating in winter.
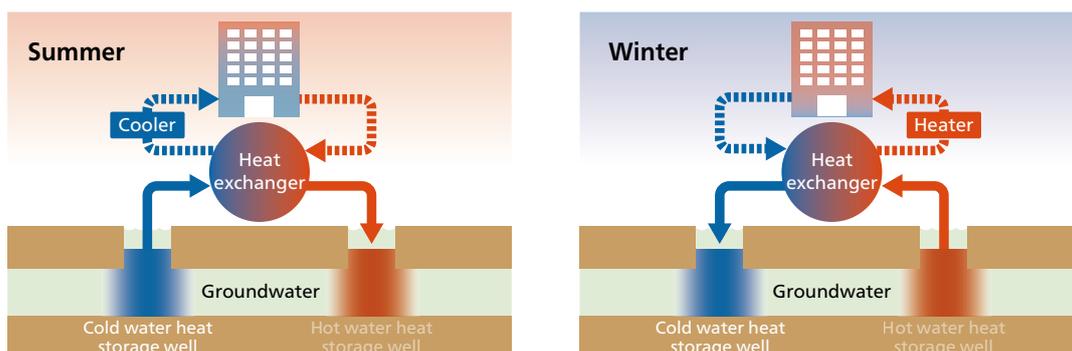
CO₂ Reduction in Logistics

In order to reduce CO_2 emissions from product distribution, Canon has undertaken several initiatives: modal shifts that utilize delivery methods with a lower environmental impact, improving capacity-related efficiency by reducing the size of products and packaging, changing shipping routes to make them more direct from production sites, and shortening routes by consolidating logistics warehouses.

In addition to these initiatives, to further improve distribution efficiency, instead of the traditional one-way ocean freight containers, we have been actively pursuing Container Round Use, which includes not just containers within the Canon Group, but also cooperation with other companies, using containers imported by them for export by us. By working with shipping companies and carriers to expand the initiative in regions where it is needed, we achieved a reduction of about 2,200 containers in Japan.

We are now working to adopt this initiative at our overseas sites, and have already expanded it to China, Vietnam, Thailand, the Philippines, and Malaysia.

Overview of Container Round Use

Before

Import

Cargo · Empty

Empty · Export · Cargo

After

Cargo

Cargo
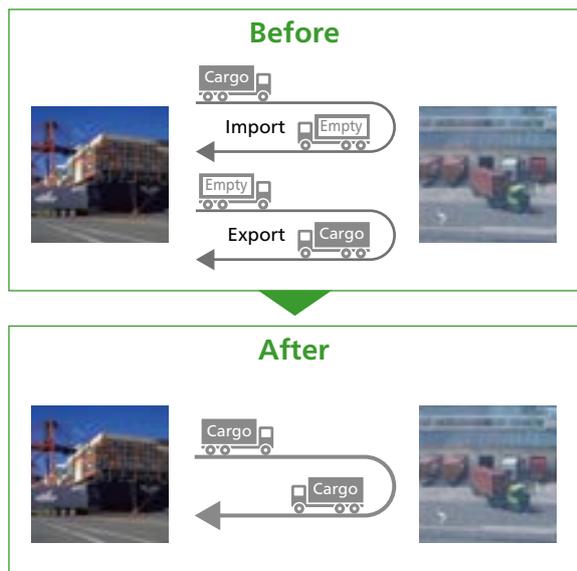
We are also actively working to strengthen cooperation within the Canon Group.

Oita Canon Materials, which produces chemicals, and Oita Canon, which manufactures cameras and other products, previously transported their own parts and materials, but by operating trucks jointly, they are increasing shipping efficiency. For example, by having trucks arranged by Oita Canon Materials carry parts from Oita Canon's suppliers, the number of trips decreased and CO_2 emissions were reduced by 130 tons per year.

In 2016, CO_2 emissions from logistics amounted to 292,000 tons, a decrease of 21,000 tons compared to 2015.

Logistics-Related CO₂ Emissions*

(1,000 t-CO_2)

Year	Emissions
2012	394
2013	310
2014	283
2015	313
2016	292

* Does not include logistics for procured parts where the transportation cost is borne by the supplier.

Supporting Reductions in Customers' Environmental Impact (Using Carbon Offset System) (Initiatives in Japan)

Canon promotes initiatives that help customers reduce their CO_2 emissions.

So that customers can select the products with the lowest CO_2 emissions, we have worked to disclose relevant information and obtain carbon footprint (CFP) certification under the Japan Environmental Management Association for Industry's CFP communication program.

In addition, 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_2 emissions. When using these products, customers can report to the authorities, based on the Act on Promotion of Global Warming Countermeasures, that they do not produce the CO_2 emissions that would ordinarily be expected from use of the products.

We are working to expand our lineup of zero-emissions products. In 2016, we added the production-use imagePRESS series to the multifunction devices already on the list of products

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certified under the Carbon Offset Program*.

In the case of the imagePRESS C65, one unit serves to offset lifecycle CO_2 emissions of 4,800kg-CO_2. For this reason, the "adjusted emissions," which subtract this amount from the 2,700kg CO_2 per unit of emissions from use, can be reported to the authorities as a net zero.

It has also become possible to use carbon offsets with printed matter produced by production printers.

imagePRESS series

Reference: Products qualifying for Carbon Footprint (CFP) Declaration (Japanese website only)
http://canon.jp/ecology/products/cfp/index.html

Reference: Canon's carbon offset initiatives (Japanese website only)
http://cweb.canon.jp/ecology/carbon-offset/index.html

Reference: Products certified under Carbon Offset Program making use of carbon footprints (Japanese website only)
http://cweb.canon.jp/ecology/products/cfp-certified/index.html

Response to Large-Scale Natural Disasters

Product Use
(Disaster Monitoring with Network Camera)

Because Taiwan is plagued nearly every year by flooding caused by powerful typhoons and heavy rain, causing crop damage and posing a danger to people, a Hydrological Conditions Instant Video Surveillance System has been introduced. Surveillance cameras were installed along the southwestern coastal areas to monitor flood-warning levels and automatically sound alarms as the possibility of a flood increases.

AXIS 214 PTZ Network Cameras and AXIS Camera Station video management software are being used at 150 hydrological sites throughout Taiwan in order to monitor changes in water level with a 360° range, 24 hours a day.

Reference: Example of use in Taiwan (Axis website)
http://www.axis.com/global/en/customer-story/153

Axis network camera

Selected for CDP Climate A List

In recognition of Canon's efforts on climate change issues, CDP[1] has selected Canon for the first time for inclusion in its "Climate A List," CDP's highest rating.

Since 2003, CDP has sent questionnaires[2] to the world's major companies requesting disclosure on business risks and opportunities related to greenhouse gas emissions and climate change, and it rates those companies' response on climate change issues based on their responses to the questionnaires. In 2016, the questionnaires were sent to about 6,000 companies worldwide, about 500 of which were in Japan.

Companies are given a rating of A to F, and Canon was one of 193 companies worldwide to receive the highest rating of A.

[1] A nonprofit organization started in the UK in 2000, CDP was originally called the Carbon Disclosure Project. It provides a global disclosure system that enables companies, cities, states, and regions to measure, disclose, manage, and share their valuable environmental information.
[2] These questionnaires are sent on behalf of 827 institutional investors (with total operating assets of USD100 trillion).

CDP A List logo

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 SDGs Targets

Contributing to a Circular Economy			
	Designing more compact 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 preventing, recycling and reuse	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 the product lifecycle, in accordance with agreed international frameworks, and significantly reduce their release into 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

Canon's Approach to Achieving a Circular Economy

Canon endeavors to make products smaller and lighter for more efficient use of limited resources, and to reuse and recycle materials as much as possible to reduce the amount of waste. We are also working hard to reduce the amount of water used and waste generated at operational sites involved in manufacturing.

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

Resources that cannot be recycled from product to product are used effectively in other ways: for example, in material recycling, in which materials are repurposed in a range of ways; or, in thermal recycling, in which materials are combusted for heat.
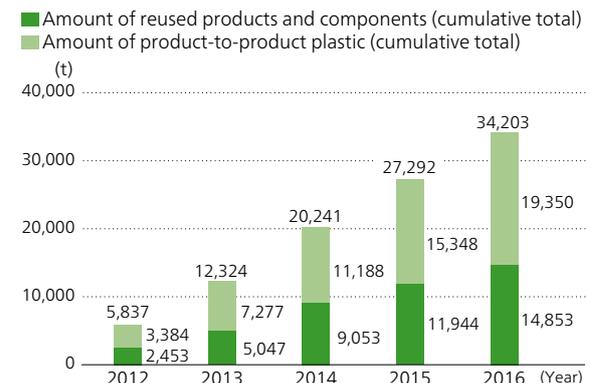
Canon has five sites conducting recycling, in Japan, Europe (two sites), the United States, and China. We are continuing initiatives aimed at circulating resources within the same regions where they are consumed.

In the last five years, we have taken 19,350 tons of plastic from used products for reuse as raw materials, and another 14,853 tons of products and parts were reused directly.

Flow of Canon's Circular Economy

Collection of used parts
Recycling site
Reused parts
Closed-loop recycling
Products made from reused parts and recycled plastic parts
Plastic parts made from recycled material
Open material recycling energy recovery

Product-to-Product Recycling Amounts (2012-2016 Cumulative Total)

■ Amount of reused products and components (cumulative total)
■ Amount of product-to-product plastic (cumulative total)

(t)	2012	2013	2014	2015	2016
Total	5,837	12,324	20,241	27,292	34,203
Plastic	3,384	7,277	11,188	15,348	19,350
Reused	2,453	5,047	9,053	11,944	14,853

Product Development Initiatives Aimed at Efficient Use of Resources

Making Products Smaller and Lighter

The most important means of achieving more efficient use of resources is simply to use less of those resources, so Canon strives to make its products smaller and lighter.

For example, the new TS8000 series inkjet printer 「PIXMA」 is about 44% smaller and 29% lighter than the older MG6200 series models. We also reduced the size of packaging by about 31%, which will make shipping more efficient and lead to a reduction in CO_2 emissions.

Reference: Eco-Conscious Technology for Inkjet Printers
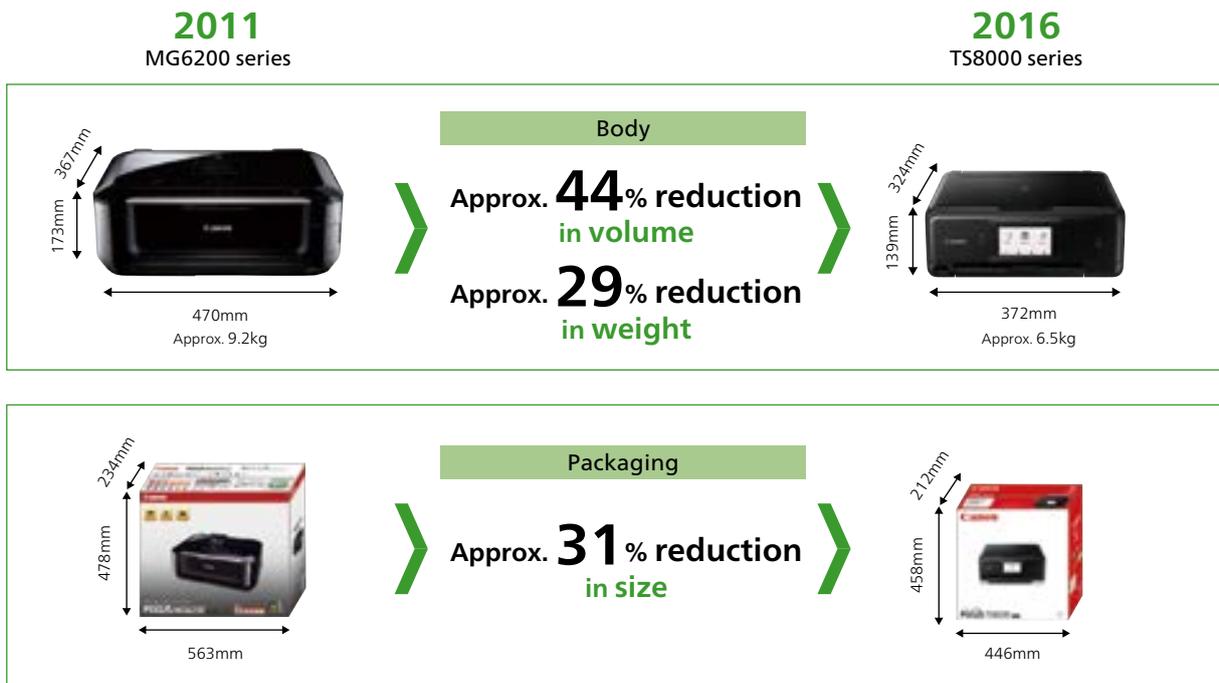http://www.canon.com/environment/ij-contents/

Recycling-Conscious Design

The trend toward recycling and reusing resources is growing in response to concerns over the depletion of natural resources. Canon gives careful consideration to this in each stage of the production process, from design and development to post-use collection and recycling, through the use of Lifecycle Assessments (LCA) and the Product Assessment System.

Specifically, 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 design guidelines relating to such matters as information disclosure, reduced use of materials, ease of disassembly, and ease of sorting materials following disassembly.

Making Products Smaller and Lighter

2011
MG6200 series

2016
TS8000 series

Body

Approx. **44**% reduction in **volume**

Approx. **29**% reduction in **weight**

367mm
173mm
470mm
Approx. 9.2kg

324mm
139mm
372mm
Approx. 6.5kg

Packaging

Approx. **31**% reduction in **size**

234mm
478mm
563mm

212mm
458mm
446mm

Remanufacturing of Multifunction Devices

Canon remanufactures used multifunction devices.

In remanufacturing, we collect used devices and break them down into parts, which are washed and cleaned using optimal techniques to meet rigid standards. Following strict recycling standards, we replace any parts that show wear or deterioration. The product passes along the production line and through inspection processes on 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 and reliability as a new product.

In Japan, we sell remanufactured devices from the imageRUNNER ADVANCE series as the Refreshed series. The imageRUNNER ADVANCE 6065-R, a remanufactured monochrome multifunction device, contains reused parts accounting for 80.9% of its gross weight.

Toner Cartridge Closed-Loop Recycling

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

Returned used toner cartridges are brought to Canon recycling sites, where they are sorted by model on the recycling line.

Reusable parts are removed prior to crushing. Washing and maintenance are performed as needed, and the parts are reused in new products. Parts that cannot be reused are crushed and separated by material using physical characteristics such as electrostatic properties and specific gravity.

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

We conduct used toner cartridge collection in 21 countries and regions (with a cumulative collection volume of about 379,000 tons as of the end of 2016) for recycling at four recycling sites[1] located in Japan, the United States, France, and China (recycling process in each region where the cartridges are collected).

In particular, Canon Ecology Industry (Japan) has introduced the automated recycling system CARS-T[2] since 2015. This cutting-edge recycling system handles all of the processes involved in recycling and helps make the site a clean, comfortable work environment for recycling.

Thanks to our recycling initiatives, as of 2016 we have achieved a cumulative reduction in the use of new resources of approximately 260,000 tons.

[1] Toner cartridge recycling sites
   Japan: Canon Ecology Industry
   The United States: Canon Virginia
   France: Canon Bretagne
   China: Canon Dalian Business Machines
[2] CARS-T: Canon Automated Recycling System for Toner Cartridge

Reference: Toner Cartridge Recycling Program special microsite
http://www.canon.com/environment/cartridge-sp/index.html

Remanufacturing Flowchart

Collection → Body disassembly → Body frame cleaning → Body assembly process → → Inspection → Shipping and sales

Body disassembly → Unit disassembly → Parts and unit cleaning → Reprocessing → Unit reuse / Parts to be exchanged → Body assembly process

Used Toner Cartridge Collection Volume (Cumulative)

(10,000t)

Cumulative 379,000 tons
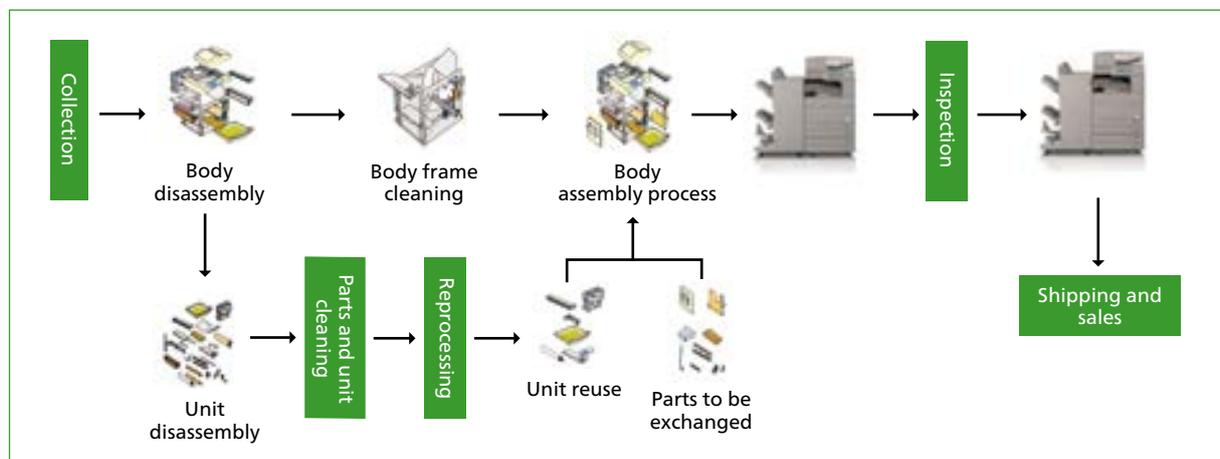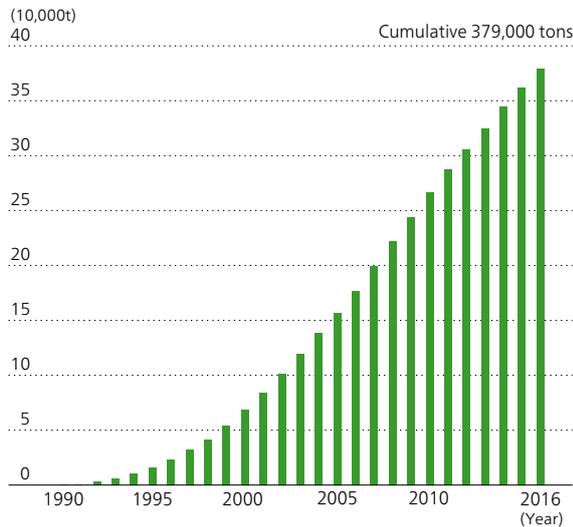
Used Ink Cartridge Collection Volume (Cumulative)

(t)

Cumulative 1,946 tons
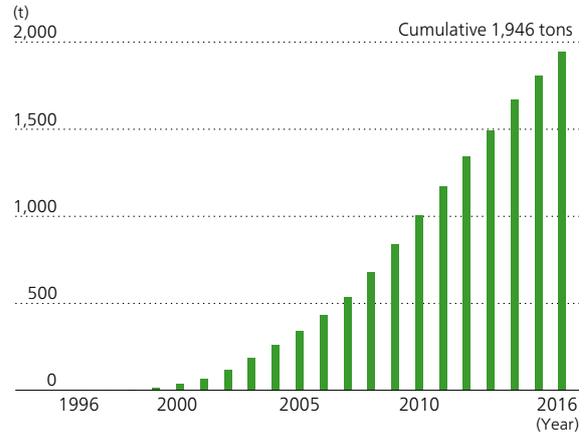
Note: Data scope is worldwide. Figures include cartridges for large-format inkjet printers and compact photo printers.

Collection and Recycling of Ink Cartridges

▎Worldwide Collection

Canon has been collecting and recycling used ink cartridges since 1996. As of the end of March 2017, Canon's recycling program was operational in 36 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2016 reached 1,946 tons.

In Japan, the Ink Cartridge Satogaeri (Homecoming) Project—a joint program implemented by printer manufacturers—collects cartridges via boxes placed in post offices, libraries, and other local government facilities, and schools collect cartridges through activities related to the Bellmark Campaign.

Outside Japan, we place cartridge collection boxes in large retail stores, affiliate sales stores, shopping malls, companies, schools, libraries, train stations, Canon service stores, Canon showrooms, and other locations, depending on the circumstances in each country or region.

For details on the Ink Cartridge Satogaeri Project and the Bellmark Campaign, please visit the following webpages.

Reference: Ink Cartridge Satogaeri Project (Japanese website only)
http://cweb.canon.jp/ecology/satogaeri/index.html

Reference: Collection activities related to the Bellmark Campaign (Japanese website only)
http://cweb.canon.jp/ecology/bellmark/index.html

▎Advancing Recycling Techniques

At Canon Ecology Industry Inc., cutting-edge recycling equipment, known as CARS-I[*3], sorts cartridges by model, disassembles them, pulverizes the ink-cartridge, and washes the resulting material, on a single integrated, automated line. The recovered materials are reused in new ink-cartridge parts (closed recycling), repurposed to make pallets, construction materials, and stationery goods, or used as a combustible heat source.

*3 CARS-I: Canon Automated Recycling System for Ink Cartridge

CARS-I automated line for ink cartridge recycling

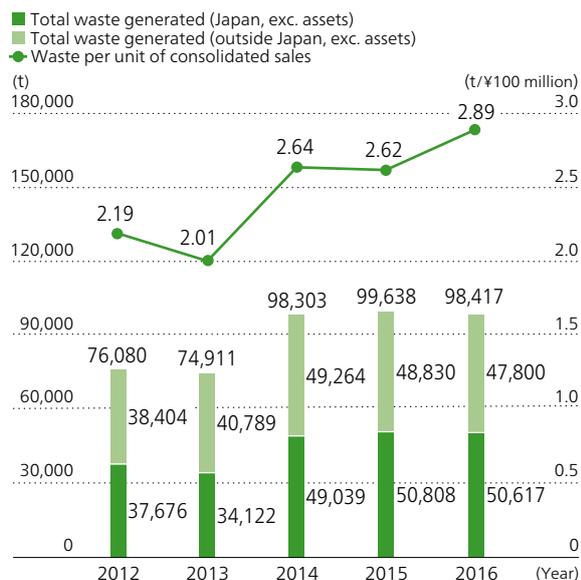## Initiatives to Reduce Waste at Operational Sites

Reducing Waste

Canon is working hard to reduce the amount of waste it generates. Efforts include increasing recycling through sorting and collection, and reducing the amount of waste itself.

In particular, we have sought to determine which factors most significantly affect waste generation for each division and each production process. Based on this, we have a number of ongoing initiatives to curb waste generation, including reducing the amount of scrap materials resulting from manufacturing and using returnable packaging.

As a result of such initiatives at our various sites, total waste generation in 2016 amounted to 98,417 tons, down 1.2% compared to 2015.

Total Waste Generated

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

* Sales outlets of marketing companies (worldwide) included in data count have been expanded starting in 2014.

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 initiatives, including reprocessing waste plastic from injection molding or recycling it for other equipment.

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 raw materials.

In 2016, contracted companies processed 92,323 tons of waste from Canon back into raw materials.

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

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 offices and facilities.

According to the World Resources Institute's* water risk map "AQUEDUCT," none of Canon's production sites are located in a region considered to be extremely high risk.

* 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 keeps 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 various regions in which it operates. We also manage targets for the volume of water used in production and constantly strive to reduce water usage by improving production processes and eliminating wastage.

In 2016, water usage throughout the Canon Group was 9,410 m^3, a year-on-year decrease of 3.4% from 2015.

Use of Water Resources

■ Volume of water resources used: Japan
■ Volume of water resources used: Overseas
─●─ Per unit of consolidated net sales

*Note: Sales outlets of marketing companies (worldwide) included in data count have been expanded starting in 2014.

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. In consideration of the impact on the ecosystem, the plant employs a closed wastewater system that discharges nothing but rainwater.

Canon Canada's Rainwater Reuse System

A rainwater reuse system was installed at Canon Canada's new headquarters completed in 2016. Rainwater is collected from the roof of the building and stored underground in a 45,000m^3-capacity tank. The collected water is used for toilets and on-site irrigation. The system is expected to reduce annual water use by about 2,300 m^3.

Canon Canada's new headquarters building

Preparing to install a rainwater recycling system

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 SDG Targets

Eliminate hazardous substances, prevent pollution		
● Manage chemicals contained in products, meet international standards	Target **12.4**	
● Manage chemical substances in work processes	Target **12.4**	
● Reduce discharges into the air, water and soil	Target **12.4**	Target **6.3**
● Green supply chain	Target **12.4**	

Target 12.4: Achieve the environmentally sound management of chemicals and all waste throughout the product lifecycle. Significantly reduce their release into the air, water, and soil.
Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and increasing recycling and safe reuse.

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 chemical substances that exceed the limited values and production sites do not emit chemical substances that exceed the limited values.

Management of Chemical Substances in Products

Canon has built a Groupwide environmental assurance system for managing chemical substances in products. Our product development is based on some of the world's most stringent in-house standards that take into consideration laws and major environmental-labeling requirements around the world. Specifically, our management system classifies chemical substances into three types: "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.

Understanding the Latest Information on Chemical Substances in Products and Taking Preemptive Action

Research and studies are being carried out around the world on the impact risk of chemical substances on the environment and people's health. Europe, in particular, has taken the lead in expanding its regulations.

Canon strives to grasp new regulatory trends at an early stage and take action, ensuring that it provides products that are safe for the environment and people in every country and region where Canon products are used.

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 raw materials, parts, and products accurately and efficiently along the supply chain from upstream to downstream, and to ensure compliance with all regulations.

In the past, companies each employed their own survey formats to convey information about chemical substances in products, which meant responding to questions 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 presented concerns about data becoming less reliable as it was communicated across the supply chain.

In such a situation, the Ministry of Economy, Trade and Industry (Japan) sponsored chemSHERPA (chemical information SHaring and Exchange under Reporting PArtnership in supply chain) as a common platform for sharing information, facilitating the smooth transmission of information between companies to confirm compliance with regulations on chemical substances in products. Canon has been proactively involved as a member company considering the scheme.

The chemSHERPA makes use of the data scheme under the IEC62474* international standard. In 2016 Canon went ahead with preparations, such as putting internal systems and operating rules in place, and launched the system in January 2017.

* 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 product of the electrotechnical 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 adverse effect on the environment, human health and safety, etc. 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/SF6), other soil and groundwater pollutants, and substances that significantly impact people's health.

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

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

Reducing Use and Emissions of Controlled Chemical Substances

Canon engages in various initiatives at its operational sites to reduce emissions of controlled chemical substances.

Canon Zhuhai, which uses hydrofluoroether in the cleaning of parts, collects the waste liquid and has installed equipment enabling them to reuse this substance.

Oita Canon Materials has installed combustion removal equipment in the exhaust path of volatile organic compounds (VOCs) generated in the spray coating of parts, thereby reducing their emission into the atmosphere.

As a result of these initiatives, in 2016 we successfully reduced our emissions of controlled chemical substances to 572 tons, a 5.5% reduction compared to 2015.

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

- ■ Controlled chemical substances (Japan)
- ■ Controlled chemical substances (outside Japan)
- ■ PRTR substances (Japan)
- ■ PRTR substances (outside Japan)
- ● Chemical substance emission volume per unit of consolidated sales
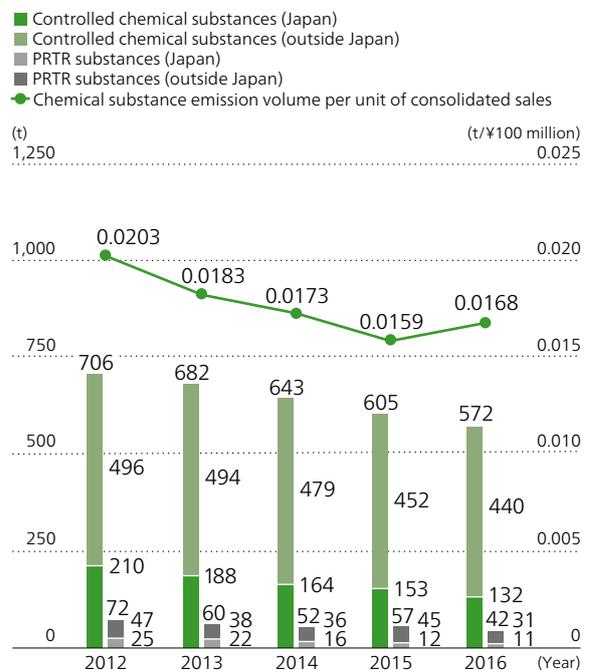
Note: PRTR System: Pollutant Release and Transfer Register System
A notification system for the transfer and release of chemical substances.
Controlled chemical substances exclude regulated substances.
Océ Group data has been included only for controlled chemical substance volume starting in 2013.
Océ Group data has been added to emissions of controlled substances and emissions of PRTR substances in 2014.

Reducing Emissions into the Atmosphere and Waterways and Preventing Pollution

Canon alleviates the environmental impact of its operational sites by reducing emissions of NOx[1] and SOx[2], which are major causes of air pollution and acid rain; reducing discharges of phosphates and nitrogen compounds, which cause the eutrophication of water environments; and, reducing BOD[3] and SS[4] indexes, which have an environmental impact on water environments.

To prevent air pollution, when installing or updating equipment that uses fuel, we opt for fuels that do not generate air pollutants (such as sulfur oxide, nitrogen oxide and soot), and have banned the use of heavy oil.

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 its own levels based on those stipulated in local laws and regulations. We have 80% as an internal management value for these items, and we regularly check the status of compliance with management standards.

As a result of these initiatives, Canon's emissions or discharges from its operational sites in 2016 again did not exceed established standards.

[1] **Nitrogen oxides (NOx)**
A major cause of air pollution, acid rain and photochemical smog, NOx is generated when the nitrogen in fuels is oxidized or when nitrogen in the atmosphere is oxidized during high-temperature combustion.

[2] **Sulfur oxides (SOx)**
A major cause of air pollution and acid rain, SOx is generated when fossil fuels, such as oil and coal, are burned.

[3] **Biochemical oxygen demand (BOD)**
BOD is the amount of oxygen consumed when microorganisms degrade organic matter in water.

[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.

Canon Virginia Group Named an Exemplary Environmental Enterprise (E3) for 10 Consecutive Years

In 2016, Canon Virginia (CVI) and its group company Canon Environmental Technologies, Inc. (CETI) received their 10th consecutive annual Exemplary Environmental Enterprise (E3) designation. Bestowed by the Virginia Department of Environmental Quality (VDEQ), the E3 designation recognizes exemplary environmental management systems and pollution prevention activities.

VDEQ established the Virginia Environmental Excellence Program (VEEP) in 2005 with the dual aims of fostering environmental preservation and economic development in the state of Virginia, as well as promoting the health of residents. The program encourages environmental management at factories established within the state. CVI and CETI comply with environmental requirements and engage in ongoing efforts to improve environmental performance (particularly in energy, gas and recycling). The companies were praised for these efforts as well as other initiatives, including the reduction in chlorinated solvents through a switch to non-chlorinated solvents, and toner cartridge recycling.

CVI and CETI employees, pleased at having been named for 10 consecutive years

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 2016, 17 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 57 capacitors and transformers and 1,834 fluorescent ballasts in storage. This PCB waste is placed in interim storage and is processed sequentially by the Japan Environmental Safety Corporation.

Status of Soil and Groundwater Cleanup Activities*

Operational Site	Substances	Measures
Shimomaruko	Trichloroethylene, etc.	Water quality measurement
Meguro	Tetrachloroethylene, etc.	Water quality measurement
Utsunomiya parking lot 1	Fluorine and its compounds, etc.	Pumping, water quality measurement
Kanuma	Tetrachloroethylene, etc.	In-situ cleanup, 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 (soil pollution from soil improvement agents), water quality measurement

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

Contributing to a Society in Harmony with Nature

We launched the Canon Bird Branch Project, which encourages consideration of the "Cycle of Life", as one of the various activities conducted at Canon sites around the world based on its Biodiversity Policy.

Canon's Initiatives and Their Relation to the SDGs Targets

Contributing to a Society in Harmony with Nature 15 LIFE ON LAND	● Biodiversity Policy, Basic Policy on the Procurement of Timber Products	Target **15.2**	Target **15.5**
	● 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

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

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.

The Bird Branch Project was officially launched at Canon's Shimomaruko headquarters (Tokyo) in 2015, following the creation of a wild bird habitat, including the installation of birdhouses and bird baths, within the campus grounds. Moreover, we continuously examine wild birds through fixed-point monitoring using network cameras and a route census to investigate the types of wild birds living along a predetermined route. In June, designated as Environment Month in Japan, we set up an in-house display to raise awareness of our activities among employees.

Canon Inc.'s Toride Plant, Susono Plant, and Kawasaki Office joined the Bird Branch Project along with Oita Canon's Oita Plant and Canon Research Centre France in 2016. Canon Research Centre France has been carrying out biodiversity surveys and conservation activities at its operational site since 2011 in conjunction with LPO, a local NGO and official partner of BirdLife International in France. Going forward, the company will step up these activities through collaboration within the Canon Group. In 2016, the Toride Plant, Susono Plant and Kawasaki Office along with the Oita Plant began surveying wild birds on their operational sites in conjunction with the Wild Bird Society, marking a full-fledged start to these activities.

Furthermore, Canon Marketing Japan Inc. kicked

off Bird Week in May by holding the Wild Bird Photo Festa feat. Canon Bird Branch Project. The event featured seminars on the ecology of wild birds and wild bird photography, providing visitors with an opportunity to gain knowledge about biodiversity and the etiquette of photographing wild birds.

Going forward, we plan to increase the number of operational sites participating in the project as part of our efforts to conserve and protect biodiversity.

Reference: Bird Branch Project website
http://global.canon/en/environment/bird-branch/index.html

Nest set up at Canon's head office in Shimomaruko

Wildfowl survey at operational site conducted in collaboration with the Wild Bird Society of Japan

Utilization of Canon Technologies and Products to Support Biodiversity

Introducing the Habits of Wildlife through Photos (WILDLIFE AS CANON SEES IT, an environmental advertisement in National Geographic magazine)

Canon aims to contribute to biodiversity conservation by utilizing its own technologies to communicate the importance and beauty of nature to people around the world.

Our environmental advertisement, WILDLIFE AS CANON SEES IT, has been running in National Geographic magazine since April 1981. Through photographs, we introduce the habits of wildlife that normally would be difficult to observe, and show the natural environment they live in.

In addition, Canon U.S.A. is involved in an ongoing activity called Eyes on Yellowstone that involves monitoring the precious wild animals in Yellowstone National Park. The company also promotes other initiatives that make use of Canon imaging technologies.

Reference: WILDLIFE AS CANON SEES IT
http://global.canon/en/ad/wild/index.html

Expressing the ecology of wild animals through photos

Procurement Policy for the Sustainable Use of Forest Resources

To promote the sustainable use of forest resources, the Canon Group established a policy on the procurement of timber products to which it strictly adheres. Initiatives we pursue under this policy include the use of paper manufactured under forest certification schemes, and paper manufactured from 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.

Consideration for Biodiversity Centered on Operational Sites

The Oita Plant of Oita Canon promotes greening efforts throughout the property based on an integrated greenery plan suited to the surrounding environment. The site features a well-preserved natural forest, called Canon Forest, and a biotope in an effort to maintain biodiversity.

Under the concept of a "forest of co-creation," the Kawasaki Office of Canon Inc. is creating a forest, extending over some 115,000m^2, adjacent to a large-scale commercial facility. The office has been actively engaged in the greening of operational sites and other conservation activities aimed at creating a forest area where the local community and nature can coexist.

In 2016, the Kawasaki Office received the Japan Greenery Research and Development Center Chairman's Award at the 35th National Plant Greenery Promotion Conference organized by the Japan Greenery Research and Development Center. The office received high marks for the proactive establishment of a large green space measuring approximately 45,000m^2 (40% of the site area).

Contributing to the Realization of a Community Rich in Biodiversity

Initiatives in Thailand

To preserve biodiversity in regional waterways, Canon Hi-Tech (Thailand) has released 15,000 native fish into the Lamtakong Dam. At the same time, the company has worked to preserve the local habitat by initiating cleanup activities around dam and planting 200 trees.

Canon Prachinburi (Thailand) took part in a rehabilitation program to return to the wild bears, tigers, alligators and other animals that had been captured to be pets or sold, and were being protected by the Wildlife Rescue Center.

On the day, 89 Canon employees along with Wildlife Rescue Centre staff and members of the environmental activity group Baimai.org took part in setting up various facilities, including an erosion-control dam, a watering hole and a saltlick.

Green area at the site of the Kawasaki Office

Cleanup activities around Lam Ta

"One Canon Machine, One Tree" Tree-Planting Activity in Malaysia

Canon Marketing (Malaysia) conducts the "One Canon, One Tree" program. Along with corporate clients that have opted to participate, Canon Marketing (Malaysia) plants one tree for each multifunction device it sells. In cooperation with Majlis Bandaraya Shah Alam (MBSA), in 2016 a total of 300 people—including Canon Marketing (Malaysia) employees and their families, corporate customers that had purchased multifunction devices, and local university students—planted around 1,000 trees in Taman Rekreasi Setia Impian (Western Park), located in the suburbs of Kuala Lumpur.

Some of the 300 people who participated in the project

Initiative in China: Tree-Planting Activity in a National Wetland Park

Canon Suzhou took part in a tree-planting event in Suzhou Taihu National Wetland Park sponsored by the Suzhou New District Industries Association. Together, the participants planted 200 cherry trees.

National Tree Day Initiative in Australia

Canon Australia participated in National Tree Day, an environmental conservation event sponsored by Planet Ark Environmental Foundation, an environmental NPO. Employees planted trees on the site of the company's Sydney headquarters, as well as in the surrounding area.

Arbor Day Foundation's Community Tree Recovery Program in the United States

Canon U.S.A. has since 2009 cooperated with the Arbor Day Foundation, a forestry conservation organization.

This program seeks to restore forests in regions affected by natural disaster. One tree is planted for each imageRUNNER ADVANCE sold, and a total of 410,000 trees have been planted since 2009.

Data Summary

Data on Management

List of Environmental Training Programs

Training Program		Format	Outline
Awareness Training	Global Environmental Education Self-Awareness Program	WBT training	All Group employees develop a basic understanding of environmental issues.
	Environmental Management Education for Managers	WBT training	Managers study the relationship between individual workplace tasks and environmental assurance activities, learning how to best influence the organization's environmental activities.
	Environmental Training for Employees Working Outside Japan	WBT training	Employees stationed outside Japan learn about societal trends related to the environment, Canon's endeavors, and various laws and regulations.
Specialized Training	Environmental Auditor Training — Basic Course (Operational Sites)	Group training	Basic knowledge and technical skills related to environmental audits of operational sites.
	Environmental Auditor Training — Basic Course (Product Environment)		Basic knowledge and technical skills related to environmental audits of product environments.
	Product Environmental Assurance Product Inspector Training	Group training	Staff and experienced employees study the inspection process involved in product chemical substance assurance, learning about data inspection and verification methods.
	CAPRI Staff Training — For Product Inspectors	Group training	Staff learn about the CAPRI system, basic operations and how to carry out fieldwork following the workflow of product inspections.
	CAPRI Staff Training — For Product Evaluators		Staff learn about the CAPRI system, basic operations and how to carry out fieldwork following the workflow of product evaluations.
	Supplier Environmental Evaluation Training	Group training	Evaluators acquire knowledge and methods needed for environmental evaluation of suppliers.
	Product and Environmental Assurance for Developers and Designers	WBT training	Product developers and designers study technical standards, related regulatory developments and product assessment methods required for environmentally conscious design.
	Chemical Substance Management Staff Training	Group training	Employees in charge of product chemical management systems learn about the appropriate use and management of chemical substances, focusing on both environmental and safety and health issues.
	Chemical Substance Management Basic Training	WBT training	Employees learn the basics of managing chemical products.
	Basic Training for Handlers of Chemical Substances	WBT training	Employees acquire minimum knowledge required to prevent occupational accidents and environmental pollution caused by chemical substances.
	Compliance Training — Product Assessment Training	WBT training	Employees who determine assessment items or who determine conformance and achievement of targets learn about related knowledge and mechanisms.
	Compliance Training — Course for Parts and Materials Survey Officials Fundamentals Section		Employees who carry out assurance work on chemical substances contained in products learn about the assurance system, including mechanisms for product inspections and requirements of regulations and rules.
	Compliance Training — Course for Parts and Materials Survey Officials Validity Evaluation Section		Employees learn the key points and necessary knowledge for evaluating the validity of responses from suppliers for product inspections.
	Compliance Training — Course for Parts and Materials Survey Officials Conformance Verification Section		Employees learn about methods for checking product compliance and criteria for applicability judgment, etc., based on the results of product inspections.

Product Standards Compliance

2016 Standards Compliance for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / Multifunction Devices (MFDs)	35/35 (100%)	35/35 (100%)	35/35 (100%)
Laser Printers	8/8 (100%)	8/8 (100%)	8/8 (100%)
Inkjet Printers	4/4 (100%)	4/4 (100%)	4/4 (100%)
Large-format Inkjet Printers	5/5 (100%)	5/5 (100%)	5/5 (100%)

*Note: Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.

2016 Standards Compliance for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner Cartridges	14/14 (100%)	14/14 (100%)
Ink Cartridges	—	—

*Note: Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.

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	2016	
			Investment	Cost
(1) Business Area Cost			0.75	7.66
Details	Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	0.28	4.41
	Global Environmental Conservation Cost	Energy conservation, efficient logistics, prevention of global warming, etc.	0.24	1.21
	Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.23	2.04
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling[1], etc.	0.28	7.12
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.0	3.79
(4) R&D Cost[2]		R&D for reducing environmental impact	0.0	0.0
(5) Social Activity Cost		Contributions to organizations, sponsorships, memberships, etc.	0.0	0.13
(6) Environmental Remediation Cost		Soil remediation	0.0	0.04
(7) Other		Other environmental protection-related costs	0.0	0.13
Total			1.03	18.86

[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$_2$)	39,548
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	92,323
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (t-CO$_2$)[3]	2,606
		Recovery of used products (t)[4]	74,441

[3] CO$_2$ 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 recycling)

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2016
Revenue	Sales revenue from waste recycling	2.99
Cost Reduction	Reduction in energy costs from energy conservation	2.07
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling	1.5
Total		6.56

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2016
Lower energy costs from reduced product energy consumption[5]	63.06
Profit from used product recycling	6.42

[5] Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2014 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Data on CO$_2$

Total GHG Emissions by Scope

(t-CO$_2$)

	2012	2013	2014	2015	2016
Scope 1	145,340	168,465	176,894	169,974	164,769
Scope 2	902,942	1,077,894	1,059,561	994,783	953,952

Data on Energy

Energy Consumption by Region in 2016

(TJ)

	Electricity	Gas	Oil	Other (steam, wide area heating and air conditioning)
Japan	4,320	1,480	287	32
Americas	431	164	7	0
Europe	341	195	455	48
Asia and Oceania (except Japan)	1,976	95	34	115
Total	7,068	1,933	782	195

* Electricity includes the amount generated by renewable energy sources.

Use of Renewable Energy by Region in 2016

(MWh)

	Renewable Energy
Japan	124
Americas	9,209
Europe	73,544
Asia and Oceania (except Japan)	495
Total	83,372

Data on Waste

2016 Recovery Volume by Type of Waste

(Tons)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by OA equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	21,903
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	18,361
Metals	Raw materials for metals, roadbed materials, etc.	23,944
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	10,064
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	4,037
Wood	Construction boards, bedding for plants, fuels, pulp materials, fertilizers, etc.	4,752
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	515
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	8,747
Total		92,323

General Landfill Waste Generated by Business Activities

(Tons)

	2012	2013	2014	2015	2016
General landfill waste generated by business activities	3,073	2,811	2,382	2,188	2,343

Atmospheric Emissions

SOx and NOx Emissions

(Tons)

	2012	2013	2014	2015	2016
SOx	0.8	0.7	0.7	0.7	0.6
NOx	66.4	69.0	67.8	65.6	62.1

Data on Water Resources

Total Wastewater Discharge

(1,000m³)

	2012	2013	2014	2015	2016
Japan	3,999	3,488	4,084	4,122	4,108
Outside Japan	3,067	3,010	3,751	3,744	3,433
Total	7,066	6,498	7,835	7,866	7,540

Wastewater Amount in 2016 by Discharge Route

(1,000m³)

	Rivers	Sewerage System	Total
Japan	1,021	3,086	4,108
Outside Japan	1,175	2,257	3,433
Total	2,197	5,344	7,540

2016 Water Quality Data

(Tons)

	2016
SS	152
BOD	174

Water Usage in 2016 by Type

(1,000m³)

	Tap Water	Industrial Water	Groundwater	Total
Japan	1,554	2,329	1,326	5,209
Outside Japan	3,120	811	269	4,201
Total	4,674	3,141	1,595	9,410

Use of Recycled Water and Recycling Rate in 2016

	Recycled Water (1,000 m³)	Recycling Rate (%)
Japan	1,633	31.4
Outside Japan	71	1.7
Total	1,704	18.1

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[1]	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)[2]	October 2003

[1] Excludes use in semiconductor manufacturing
[2] Discontinued use in Japan in December 2001

Amount of Chemical Substances in 2016 (Tons)

	Amount
Japan	11,993
Outside Japan	1,238
Total	13,231

VOC Emissions in 2016 (Tons)

	VOC Emissions
Japan	100
Outside Japan	229
Total	329

2016 List of Chemical Substances Subjected to the PRTR Act (kg)

Statutory No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Recyclables
7	N-butyl acrylate	1	0	0	0	1,459
20	2-aminoethanol	71	0	2	0	14,111
31	Antimony and its compounds	61	0	0	0	532
53	Ethylbenzene	329	0	0	43	22,779
71	Ferric chloride	0	0	0	0	124,411
80	Xylene	2,171	0	0	331	154,796
125	Monochlorobenzene	2,212	0	0	2	67,625
128	Methyl chloride	13	0	0	0	0
150	1,4-dioxane	549	0	0	1	808
202	Diphenylamine	0	0	0	0	4
232	N,N-dimethylformamide	384	0	0	0	487
240	Styrene	231	0	0	0	33,741
259	Tetraethylthiuram disulfide	0	0	0	0	4
296	1,2,4-trimethylbenzene	8,333	0	0	0	11,300
298	Tolylene diisocyanate	0	0	0	0	382
299	Toluidin	4	0	0	0	0
300	Toluene	14,421	0	0	132	55,413
306	Hexamethylene diacrylate	0	0	0	0	85
308	Nickel	0	0	0	1	929
309	Nickel compounds	0	0	0	15	3,834
343	Pyrocatechol	10	0	0	0	3,566
349	Phenol	12	0	0	0	165
374	Hydrogen fluoride and its water-soluble salts	3	26	1,301	1	743
395	Water-soluble salts of peroxodisulfuric acid	0	0	44	0	5,433
408	Poly(oxyethylene) octylphenyl ether	0	0	0	0	1,931
412	Manganese and its compounds	0	0	0	14	461
438	Methylnaphthalene	165	0	0	0	936
448	Methylenebis (4,1-phenylene) diisocyanate	0	0	0	0	1,561

* Since the figures in the data collection are rounded off, the individual figures may not agree with the total.

Operational Sites Covered in the Environmental Section

Name	Location
Canon Inc. (14 operational sites)	
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
Tsukuba Parts Center	Ibaraki
Marketing Headquarters in Japan	
Canon Marketing Japan Inc.	Tokyo
Manufacturing Subsidiaries in Japan (21 companies)	
Canon Electronics Inc.	Saitama
Canon Finetech Inc.	Saitama
Nisca Corporation	Yamanashi
Top Business Machines Co., Ltd.	Shiga
Canon Precision Inc.	Aomori
Canon Chemicals Inc.	Ibaraki
Oita Canon Inc.	Oita
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

Name	Location
Manufacturing Subsidiaries Outside Japan (21 companies)	
Canon Virginia, Inc.	U.S.A.
Canon Giessen GmbH	Germany
Canon Bretagne S.A.S.	France
Canon Inc., Taiwan	Taiwan
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia
Canon Hi-Tech (Thailand) Ltd.	Thailand
Canon Dalian Business Machines, Inc.	PRC
Canon Zhuhai, Inc.	PRC
Canon Vietnam Co., Ltd.	Vietnam
Canon Zhongshan Business Machines Co., Ltd.	PRC
Canon (Suzhou) Inc.	PRC
Canon Finetech Nisca (Shenzhen) Inc.	PRC
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia
Canon Prachinburi (Thailand) Ltd.	Thailand
Canon Business Machines (Philippines), Inc.	Philippines
Océ Technologies B.V.	The Netherlands
Océ Printing Systems G.m.b.H. & Co. KG	Germany
Océ Display Graphics Systems Inc.	Canada
Axis Communications AB	Sweden
Canon Electronics Vietnam Co., Ltd.	Vietnam
Marketing Headquarters Outside Japan	
Canon U.S.A., Inc.	U.S.A.
Canon Europe Ltd.	United Kingdom
Canon Europa N.V.	The Netherlands
Canon (China) Co., Ltd.	PRC
Canon Australia Pty. Ltd.	Australia

Other Companies Subject to Reporting (81 companies)
In Japan (20)
Outside Japan (61)

* The scope of third-party verification of GHG includes the 129 companies covered in Canon's consolidated ISO certification and one other company not included in consolidated certification, all listed above.

Labor and Human Rights

Canon endeavors to create workplaces that respect employees' diverse backgrounds and individuality while also providing a sense of worth and achievement in work.

Training by local trainer in Canon Vietnam (→P87)

Canon Group Employee Numbers in 2016

Europe
25,511
12.9%

Americas
19,160
9.7%

Employees by Region
Total
197,673

Asia & Oceania
80,089
40.5%

Japan
72,913
36.9%

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Labor and Human Rights) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Management Approach

Important Issues from a Labor and Human Rights Perspective

Respecting human rights is fundamental to Canon's corporate philosophy "*kyosei*". For example, in order for Canon to develop its business activities globally and realize sustainable growth, it is important to respect the human rights of each employee and to create a workplace environment that can maximize their abilities.

Based on this belief, Canon is carrying out various initiatives to address the five important issues presented below.

Hiring and Treatment of Human Resources

Canon is making efforts to make its workplaces more attractive in order to hire and retain talent to maximize their skills and abilities around the world. These efforts include providing fair and impartial treatment of personnel, comprehensive employee benefits, and support in achieving work-life balance.

Diversity

In a competitive global environment, Canon believes it is vital to mobilize human resources with diverse skills and talents and continually create new value. Canon actively encourages the fair hiring and promotion of employees, regardless of race, religion, nationality or gender.

Assisting Talent and Self Development

Based on the strategy in Phase V of our Excellent Global Corporation Plan, Canon is cultivating globally competent human resources. We also support career development and foster experts in a variety of fields.

Supporting Occupational Safety and Health

At Canon, the safety and health of employees form the foundation of our business activities, and we established the principle of "health first" shortly after our founding. Based on these philosophies, labor and management work together to ensure the safety of workers and support their health through regularly planned initiatives. As a result, we have created an environment where employees can work with peace of mind.

Respecting Human Rights

Over its 80-year history, respect for the rights of others has been an integral part of Canon's corporate culture. Across the Canon Group, we do our best to create workplaces that are free of all forms of discrimination and harassment and to prevent child labor and forced labor.

Related SDGs

3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages

5 GENDER EQUALITY Achieve gender equality and empower all women and girls

8 DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10 REDUCED INEQUALITIES Reduce inequality within and among countries

Hiring and Treatment of Human Resources

Canon strives to create an attractive workplace environment where employees are motivated to rise to challenges.

Basic Policy on Human Resources

To become a truly excellent global corporation, Canon believes that 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 Selfs Spirit

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

Canon encourages all 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 Selfs
Adhere to the principles of self-motivation, self-management and self-awareness in day-to-day activities

Meritocracy
Make vitality (V), specialty (S), originality (O), and personality (P) daily pursuits

Internationalism
Strive to become a culturally sensitive, internationally minded, sincere and active person

Familism
Strengthen trust and understanding of others and work together in a spirit of harmony

Health First
Live by the motto "healthy and happy" and work to cultivate character

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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 2016, Canon Inc. and Group companies in Japan embarked on a vigorous recruitment program, resulting in the hiring of 1,012 employees in total (excluding subsidiaries newly consolidated in 2016). Canon also has established various programs and systems, such as a career matching system (→P85) 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, with a turnover rate of only 1.1% in 2016.

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 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 Group companies in Japan offer various employee benefit programs, covering each stage of life from hiring to retirement, enabling employees to lead comfortable and enjoyable lives.

To foster workplace communication, Canon provides subsidy programs and funds clubs whose activities bring together people with shared interests, and maintains a range of facilities for employees, including cafeterias and gymnasiums. We also host events for employees and their families that incorporate the local culture and customs of each region.

With a view to securing their futures, in addition to Japan's national social insurance programs, employees 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 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 Canon Group companies in Japan have also set up their own corporate pension plans.

Canon Inc. also offers a defined-contribution pension plan, which, coupled with the defined-benefit pension plan, provides solid financial security.

Examples of Employee Benefits (Canon Inc.)

Benefit	Overview
Employee stock ownership plan	Fixed amount deducted from monthly salary and used to purchase Canon Inc. stock.
Employee savings plans	Savings plan for any purpose. May be used to save for marriage, education, furniture or car purchase etc.
House savings plans	Savings plan for house purchase or, under certain conditions, extensions/renovations.
Pension savings plan	Plan aimed at receiving pension for five years or more from age 60 from funds saved during employment.
Funded pension plan	Private old-age pension arrangement makes available breaks on income and residence taxes.
Canon family welfare association	Aims to provide financial support to members and their families in the spirit of mutual aid, mainly to respond to unforeseen troubles such as disaster, personal injury, and extra hospital bed fees.
Canon Group life insurance	Canon Group insurance plan specializing in death benefits and critical injury coverage.
Canon Group corporate accident insurance	Comprehensive accident insurance that covers a wide range of circumstances in which the insured is hospitalized or undergoes surgery due to illness or disease, or has an injury or accident. Other categories of corporate accident insurance include income protection insurance and spousal income protection insurance, personal compensation insurance and golfer's insurance.
Group insurance	Canon Group employees who join the plan can receive the group discount on insurance premiums. Group discounts apply to automobile, fire, cancer and medical insurance, among others.
Summer festivals	Individual operational sites hold summer festivals for employees and their families. These events, which often include volunteer-run shops and musical attractions, allow employees and their families to come together with their colleagues for fun and relaxation.
Workplace sports competitions/athletic meets	To stimulate workplace communication, we hold sporting events at operational sites where employees can engage in such activities as volleyball and futsal. Events vary depending on the location, but they all enable large numbers to join in the fun.
Workplace communication subsidies	We provide subsidies to stimulate communication within the workplace through such events as bowling competitions, New Year's parties, cherry blossom viewing and year-end parties.
Canon employee clubs	To bring employees closer together, Canon supports intramural sports and cultural activities. Each operational site hosts active sporting and culture-themed clubs.

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.

For example, at Canon Inc., we encourage workplaces to ban overtime work in principle and to review work methods. We have also taken other measures, such as encouraging employees to take their paid leave, which brought the annual hours worked per employee in 2016 down to 1,721, which is 78 hours less than 2010 (1,799 hours) when efforts to reduce work hours began.

We will continue our efforts to keep total hour worked per year to less than 1,800.

Annual Hours Worked per Employee (Canon Inc.)

	2012	2013	2014	2015	2016
Total work hours	1,744	1,740	1,751	1,762	1,721

Flexible Work Styles

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.

Main Leave Provisions (Canon Inc.)

Time-unit leave program (in 30-minute increments)	To promote flexible work styles, in April 2014 we introduced a program in which employees can take leave in 30-minute increments for such reasons as childcare, illness or injury.
Open vacation program	To encourage planned vacations, in 2000 we introduced a program in which employees can take five consecutive days of vacation once a year.

In April 2015, we launched the fifth phase of the action plan outlined in the table below. This phase spans the three-year period to March 2018.

Action Plan Phase V (from April 2015 to March 2018)

Action Plan	Measures	Results as of the End of 2016
(1) Promote use of work-life balance programs and raise participation rate.	● Regularly check the performance of employees using work-life balance programs, and have VIVID*1 and the Work-style Innovation Committee work together to consider and implement specific measures before March 2018.	● 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.
(2) Make work-style reform a part of our corporate culture, continue efforts to reduce overtime work, promote use of paid leave, and maintain an appropriate level of total work hours.	● Use total work hours as an indicator for work-life balance, and in 2015 work to raise awareness of this change internally through visualization techniques, and consider and implement specific measures for 2016 and beyond.	● Prohibited overtime work, in principle, throughout the year. ● Implemented earlier work hours from July–September as campaign period to promote work-life balance. This was maintained as an opportunity to pursue further improvements to labor practices. Provided employee benefits program for encouraging self-development during the earlier work hours. ● Total work hours company-wide decreased by 78 hours compared to 2010*2.
(3) Carry out community contribution activities targeting children—who are the future of our communities.	● Continue reaching out to local regions and communities and implement appropriate initiatives from April 2015 to March 2018.	● Continuously conducted throughout Japan the following community contribution activities for children (1) Unique tutorial program for children, including lessons on lens-crafting and environmental education outreach programs (2) Junior Photographers photography classes (3) Support for girls soccer (Canon Girls-eight, Canon Girls-Camp) (4) Tag rugby lessons and rugby lessons, etc. (5) Track and field clinics

*1 VIVID: VItal workforce and Value Innovation through Diversity, a company-wide horizontally integrated organization for promoting diversity (→P82)
*2 The year that activities to reduce total work hours commenced.

Supporting Working Parents

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs, including childcare leave for employees raising children up to the age of three, which go beyond the legally stipulated minimum requirements. Hotlines have been set up at each of our operational sites to handle employee inquiries about these systems.

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.

Main Support Provisions (Canon Inc.)

Childcare leave	In April 1992, we introduced a program allowing one year of childcare leave. The program was later expanded to one year and two months in April 2003, one year and six months in April 2005, and three years in April 2007, improving the work situation for the child-rearing generation.
Supporting working parents (shorter/ flexible work hours)	In April 1992, we introduced shorter/flexible work hours. After returning to work, employees may choose to start an hour later or finish an hour earlier for a maximum work-hour reduction of two hours per day. Flexible working hours involve starting anytime between 8:00 and 9:30. These provisions support employees in balancing work and child rearing.

Number of Employees Taking Childcare and Nursing Care Leave (Canon Inc.)

	2012	2013	2014	2015	2016
Taking childcare leave	154 (15)	153 (14)	168 (22)	184 (30)	186 (43)
Using reduced work hours for childcare	147 (3)	169 (9)	144 (7)	142 (10)	132 (4)
Taking maternity leave	25	19	27	34	30
Working reduced hours due to pregnancy	2	4	6	7	5
Taking nursing care leave	7	12	13	9	15
Using reduced work hours for nursing care	4	5	6	6	4
Applications for childbirth support	261	263	222	260	248

* Number of employees in that year using the system for the first time.
* ( ) Number of male employees

Return Rate and Number of Employees Returning from Childcare/Nursing Care Leave (Canon Inc.)

		2012	2013	2014	2015	2016
Returning from childcare leave	Number of returning employees	136 (15)	134 (9)	132 (22)	169 (30)	185 (37)
	Return rate (%)	100	97.8	100	100	97.3
Returning from nursing care leave	Number of returning employees	6	8	13	9	18
	Return rate (%)	100	100	100	100	100

* ( ) Number of male employees

Development of Childcare and Nursing Care Leave Programs (Canon Inc.)

1998	● Introduced program of reduced work hours for childcare[1]
2005	● Introduced childcare leave support program[2]
2007	● Introduced maternity leave program for mothers, subsidy program for infertility treatment costs, and infertility treatment leave program to support childbirth
2010	● Revised program of reduced work hours for childcare, reducing unit of work from one hour to 30 minutes ● Established nursing care leave program
2014	● Introduced time-unit leave program where employees can take leave in 30-minute increments due to certain situations (illness or injury, childcare, nursing care, etc.)
2016	● Units for child nursing leave and nursing care leave reduced from one day to 30 minutes

[1] Reduced work hours for employees with young children: Employees raising young children may reduce their workday, in 30-minute increments up to two hours, until the child has finished the third grade of primary school.
[2] Childcare leave support program: Canon Inc. provides support to employees who are returning to work after taking childcare leave through our Himawari Club internet portal site. The Himawari Club aims to reduce unease accompanying the return of those who have taken childcare leave and to maintain and improve their vocational skills to enable a smooth return to the workplace.

Supporting Employees' Volunteer Activities

In recognition of the growing interest in volunteer activities within the community and among employees, 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 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 welfare issues are to be implemented.

Every month, Canon Inc., Canon Marketing Japan, Fukushima Canon and Ueno Canon Materials convene a Central Worker/Management Conference with the Canon Workers' Union to exchange opinions and information spanning a range of subjects.

The 2016 conference focused on recent developments at the company and within the workers' union. Additionally, special committees have been established to consider wages, working hours, safety and health issues, and welfare. Based on these conferences, new systems are established and policies enacted. As of the end of 2016, combined employee membership in the Canon Workers' Union totaled 27,456, 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. This conference brings together 17 Group workers' unions, including executives from 20 Group companies as well as representatives of the Canon Workers' Union. In 2016, reports on the current situation of both labor and management throughout the Group as a whole were presented. As of the end of 2016, there were 52,160 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.

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.

Diversity

Canon aspires to be a company that grows by openly accepting and working with people having different characteristics and perspectives.

Policy on Respecting Diversity

Under its corporate philosophy of *kyosei*, Canon respects diversity globally 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 companywide horizontally integrated organization to promote diversity. VIVID carries out companywide activities.

Promoting the Active Participation of Women

Canon strives to create a workplace environment in which female employees can more actively participate by engaging its diverse human resources in various decision- making processes in an effort to encourage innovation.

At Canon Inc., we have implemented a number of initiatives to deepen understanding of diversity, including exploring issues through surveys and roundtable discussions as well as hosting lectures from outside experts.

Additionally, we are using our company intranet to post interviews with various employees, including ones 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.

In 2016, Akiko Tanaka, executive officer of Canon Inc. and President and CEO of Canon BioMedical, Inc., gave interviews and talks on the topic of balancing her career and life events. Upwards of 900 employees attended her speaking engagements.

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 together with their managers.

Percentage of Female Employees (Canon Inc.) (%)

Employees	Managers	Executives
15.3	2.2	4.2

(As of December 31, 2016)

Diversity Promotion Structure

VIVID
Vital workforce and Value Innovation through Diversity
Diversity promotion project

- Officer in charge
  - Chief
    - Secretariat
- New territories
- Career development
- Strengthen internal communication
- Group support
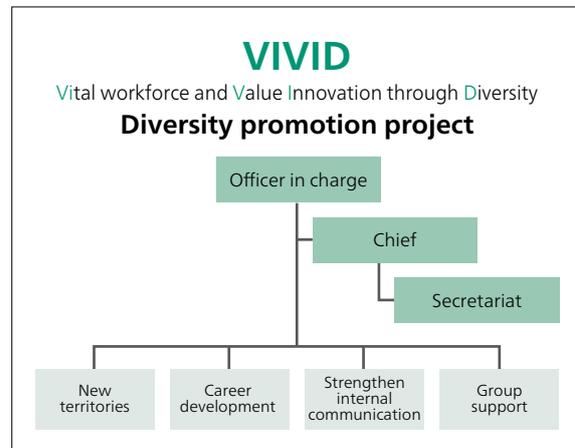
Lecture by Akiko Tanaka, the President and CEO of Canon BioMedical

Women's Leadership Training

Canon Inc. conducts women's leadership training as part of its efforts to support the career development of women.

As part of the training, participants work together in groups to develop new business proposals. The assignment involves gathering information through interviews with various individuals both inside and outside the company, and then formulating and presenting their proposals from a female perspective, which contributes to greater vitality in the company.

Since its launch in 2012, more than 100 female have completed leadership training and are playing active roles in their workplaces, including at overseas locations.

Group Company Activities

In 2016, activities to promote the active participation of women under VIVID were extended to all Group companies in Japan. The president and head of human resources of each company attended a meeting, confirming the launch of initiatives to promote the active participation of women across the Group. This was the catalyst for domestic Group companies to adopt initiatives that Canon Inc. was already putting into action.

Group companies in Japan are also taking a number of initiatives to support women's career development, including career training and courses for women who have returned from childcare leave.

In addition, Canon U.S.A. carries out activities to promote diversity and inclusion based on our philosophy of *kyosei*.

As part of its activities to promote the active participation of women, Canon U.S.A. created a Business Resource Group (BRG) named Women in Leadership Levels (or WiLL for short). This project supports women's participation through a variety of opportunities, including networking events, lectures and mentoring.

In Canon U.S.A. the logo mark of will

LGBT Community and Other Sexual Minorities

The Canon Group Code of Conduct emphasizes respect for the individual and prohibits discrimination based on race, religion, nationality, gender, age, or sexual orientation. Our initiatives cover sexual minorities, including the lesbian, gay, bisexual and transgender (LGBT) community.

With the goal of eliminating all forms of discrimination from the workplace, training for managers includes education on preventing discrimination. Compliance meetings at the workplace level are used as a forum to ensure companywide understanding.

With regard to provisions for employees belonging to sexual minorities, Canon provides such amenities as gender-neutral washrooms and private dressing rooms. We also have an internal hotline for employees wishing to speak with a specialist counselor.

Workforce Globalization

Canon is working to establish a Three Regional Headquarters management system in Japan, Europe and the U.S. as part of Phase V of the Excellent Global Corporation Plan. We are now widely searching for talented human resources from around the world to support this system.

As part of these efforts, for example, Canon Inc. has opened the door to international students as part of its regular hiring activities. Non-Japanese nationals are hired as contract workers for specialist positions to utilize their specialized knowledge, skills and experience.

Utilizing the Abilities of Veteran Employees

Canon Inc. makes full use of the wealth of knowledge and skills of its veteran staff. In 1977, a time when the retirement age at most Japanese companies was 55, 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. A variety of positions with different work environments and working conditions are made available to employees who request re-employment after retiring. These veterans work effectively, putting their experience and expertise to good use in various ways, including as prior-art technology examiners, promoters of intellectual property, career counselors, and quality or environmental inspectors.

As of the end of December 2016, there were 937 rehired employees in total, of which 285 were rehired in 2016.

Assisting Talent and Self Development

Canon provides every employee the opportunity to build and advance their careers.

Supporting the Development of Talent

One of the key strategies in Phase V of the Excellent Global Corporation Plan is to cultivate globally competent human resources capable of performing duties while maintaining a global perspective. 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.

Canon Inc.'s Educational System for Employees

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 in the Guiding Principles. Furthermore, general employees take business skills training as a supplement to rank-based training. Elective training supports employees' acquisition of knowledge and skills necessary for fulfilling their duties, and self-development training provides participants with knowledge and skills for their personal development.

These training programs also cover such issues as harassment prevention and compliance in order to develop trustworthy employees.

Our goal is to further reinforce efforts to systematically cultivate the next generation at Canon, concentrating on the development of management-oriented, globally minded and technologically skilled human resources.

Canon Inc.'s Career Development Support Programs

Enhanced Management Training

Canon Inc. is focusing on the development of management-level employees through programs that include rank-based management training for all newly appointed managers. We are diversifying our training formats and content through the active use of various e-learning training programs and so on.

Canon Inc.'s Employee Training System (Excluding Senior Leadership Training)

Regular Career Development

Under the position-based pay system, we evaluate the conduct of each employee as well as the extent to which assigned duties are fulfilled, with the results reflected in wages and human-resource development initiatives. Supervisors assign duties to their employees at the start of the year and both parties meet in an interview format to discuss and verify the details. During a mid-year interview, the supervisor checks on progress and adds or removes duties and revises targets as needed. At the end of the year, both parties evaluate the achievements for that particular year.

Evaluations are based on two factors: first, the extent to which an employee fulfills assigned duties, basically focusing on work results and the processes used to reach those results; and second, whether their actions meet expectations as an employee of an "excellent global company." 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. Also, during the interviews, supervisors and employees discuss career matters, providing supervisors valuable insight into the career vision and aspirations of employees, which they can then utilize in future development plans.

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 2016, 81 employees were transferred through this system.

In 2015, we launched a career matching system featuring a combination of internal recruitment and training. The career matching system enables employees who wish to make further use of their skills to apply to work at specific workplaces and in particular types of work. By comparison, employees who do not have the experience to do so but wish to take on new working challenges can apply through our "training-type" career matching system. This system provides training opportunities to gain requisite skills, and then offers employment based on their skill level. The training period is up to five months, depending on the type of work. In 2016, 20 employees were transferred to new workplaces under this system.

Post-Retirement Career and Life Plan Training

Canon holds Creative Life Seminars for employees when they reach the ages of 45, 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. The content of the Creative Life Seminar varies according to the age of attendees. The first seminar focuses on financial planning for stable living in the future. The second helps participants to build an optimized career plan for the rest of their employment and subsequent retirement. The third addresses life planning from various perspectives, including personal development after retirement, budgeting, and health.

Career and Life Plan Seminar Participants in 2016

	45-yr-olds	50-yr-olds	54-yr-olds
Participants	226	366	1,126 (772 employees, 354 spouses)

Recipient of Grand Prize in Good Career Company Awards 2016

Canon received the Grand Prize (Minister's Award) in the Ministry of Health, Labour and Welfare's 2016 Good Career Company Awards for its efforts in career development support.

The Good Career Company Awards recognize companies that are making exemplary efforts to support their employees' autonomous career development.

In selecting the recipients of this year's prize, the judging committee awarded Canon high marks for the following:
- Support for career development provided by both the human resources development department, which is responsible for training, and the department in charge of career counseling.
- Systems for internal career matching as well as career development support interviews in operation since 2005, and the launch in 2016 of a combined training and career matching system.
- Provision of e-learning programs and opportunities for self-development. The establishment of committees to develop engineering human resources through rank-based training programs for new hires all the way up to veteran leaders was also recognized.

Going forward, we will foster employee engagement in the workplace through our personnel systems and training while developing consultation systems closely attuned to the needs of our employees.

Career Development Support for Employees

Canon provides a program known as My Career Course as part of its career development support for employees. This course encourages autonomous growth by having each employee reflect on his or her own goals and life plan. Canon Group employees mostly in their 30s and 40s and from a variety of fields attend the course. Begun in 2001, some 1,500 people had participated in this course as of 2016.

Additionally, various e-learning courses are offered throughout the year to encourage personal development. Since 2014, from July to September Canon holds self-development support events during periods for promoting work-life balance.

Canon also provides learning opportunities to employees usually unable to attend training because they work in a remote location or their schedule does not permit. We ensure that all sites have the same access to events, by dispatching in-house instructors, for example.

Self-Development E-Learning Programs

	2012	2013	2014	2015	2016
Number of programs	59	52	199	318	343
Number of participants	577	746	6,766	9,999	9,938

2016 Event Report

Theme	Event name	Number of sessions	Participants
Language skills	English ability diagnostic test	9	325
Global awareness	Cross-Cultural Exchange Seminar	2	82
Business skills	PowerPoint Design Course	10	674

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 conducting courses and carrying out other initiatives. We also offer various forms of training for those specializations not represented by one of these committees.

In 2016, a total of 228 programs and 353 classes were held in these specializations, with 4,126 engineers from Group companies in Japan, taking part.

Number of Participants in Technical Training

Year	2012	2013	2014	2015	2016
Participants	1,808	3,196	3,748	3,745	4,126
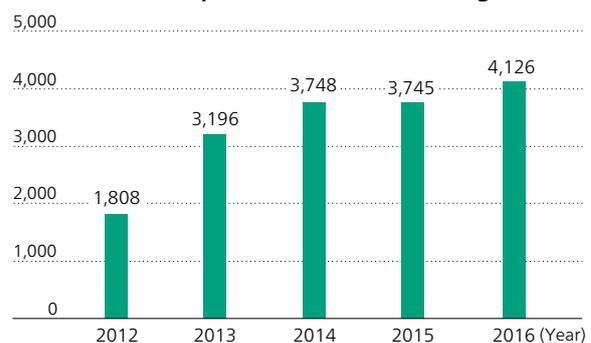
* Including students of WBT (Web Based Training) from 2014

Development of Global Human Resources in Manufacturing

At Canon, we seek to foster manufacturing skilled personnel at each overseas production site as we press on toward sustainable development of global production system in harmony with the international community.

Specifically, we are focusing on developing human resources who support production activities, mainly through the Manufacturing Training Center of Canon Inc. In 2016, a total of 443 employees who work in overseas production sites took part in training programs organized by the Manufacturing Training 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 2016, instructor-development training was held on 34 occasions, with a total of 136 employees participating.

Utilizing a dedicated video conferencing system, in 2017 we launched distance training, which enables to share information in real time, with the aim of increasing program participation.

The Technical skills test, featuring the same standards as those in Japan, has also been established at overseas sites with the goal of improving technical skills development.

In 2016, that test was carried out on seven types of work skills, including Injection molding, Board mounting, and factory automation (FA), at a total of eight sites in Thailand, Vietnam, China, and Malaysia, with 401 employees participating.

Developing Globally Minded Personnel

With 376 operational sites* worldwide as of the end of 2016, the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop a globally minded workforce, given the urgent task to develop human resources with leadership abilities that can be utilized on the international stage.

* The 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 skilled at innovation in a global environment.

Internationalization 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. After five months of language training at university, the trainees spend about one year gaining practical experience at Asian affiliates. The program started in 1995, and by the end of 2016, 99 employees had taken part.

The Europe–US Trainee Program dispatches young employees to Europe and the United States. Started in 2012, the program has thus far provided training to a total of 42 employees, as of the end of 2016. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program, and expect that they will play an important role in developing our business in such markets as South America and Russia.

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 109 employees had gone to study at universities in the US and Europe as of 2016. In light of our plans to improve our R&D organization in the US and Europe, we plan to select approximately 10 employees each year for overseas study.

Asia Trainee taking part at an Asian subsidiary

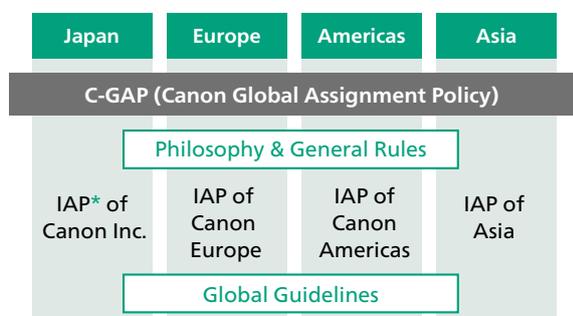## Vitalizing Human Resources Through International Assignments

Canon established the Canon Global Assignment Policy (C-GAP) as an international assignment system for our global Group companies to stimulate international personnel exchanges, not only from Japan to other countries, but also from other countries to Japan, and internationally between the US 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.

C-GAP is a global personnel policy shared by our Group companies, and personnel assignment policies in each respective region are based upon 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 C-GAP, 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 2016, 1,308 employees were being deployed on international assignments under this program.

Global Personnel Management: C-GAP

Japan	Europe	Americas	Asia
C-GAP (Canon Global Assignment Policy)			
	Philosophy & General Rules		
IAP* of Canon Inc.	IAP of Canon Europe	IAP of Canon Americas	IAP of Asia
	Global Guidelines		

* IAP: International Assignment Policy

Various Certification and Award Programs

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

For example, at the Canon Summit Awards, Canon honors Group companies, departments, teams and individual employees who have made a major contribution to the development of the company in terms of activities or products.

Regarding other accolades, Canon provides the Invention Award to honor employees' contributions to inventions and intellectual property, the Quality Award for their contributions to quality improvement, the Production Innovation Award for outstanding activities leading to production-related innovations, the Canon Meister Award Systems (certification/commendation) for their contributions to advancements in manufacturing using a wide range of skills , the Canon Master Craftsman certification for their outstanding skills that Canon should pass down, the Environment Award for their excellent environmental practices, and the Procurement Innovation Award for their activities that greatly contribute to enhancing procurement functions.

Certifications and Awards in 2016

Canon Summit Awards	3 (products), 3 (activities)
Invention Award	38 (389 award winners)
Quality Award	2 Most Excellent Awards 3 Excellent Awards 1 Review Committee Award
Production Innovation Award	2 Production Innovation Excellence Awards 7 Production Innovation Merit Awards (4 Merit Awards, 3 Focus Awards)
Skilled Technician Award	2 Canon Master Craftsman
Canon Meister Certification/ Commendation	2 Expert Grade S recipients 20 Grade 1 recipients (Cumulative totals: 73 Expert Grade S, 320 Expert Grade 1 recipients)
Environment Award	1 Environmental Award 3 Environmental Encouragement Awards
Procurement Innovation Award	2 President's Awards, 4 Honorable Mentions

Certifications and Awards in 2017 (As of June 30, 2017)

Production Innovation Award	2 Production Innovation Excellence Awards 8 Production Innovation Merit Awards
Skilled Technician Award	1 Canon Master Craftsman
Canon Meister Certification/ Commendation	12 Grade 1 recipients (Cumulative totals: 73 Expert Grade S, 332 Expert Grade 1 recipients)
Procurement Innovation Award	4 Excellent Awards 3 Honorable Mentions

Occupational Safety and Health Support

Canon supports initiatives aimed at improving occupational safety and health so that employees can focus on their work with peace of mind.

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.

Canon has established the Central Safety and Health Committee as its highest body overseeing health and safety. The committee establishes policies and medium-term plans regarding safety and health primarily at Canon 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 facilities in Asia, we conduct safety and health activities via the Safety and Health Committee, with consideration given to specific circumstances in each region and at each company.

Occupational Safety

Creating Workplaces Where Employees Feel Safe and Secure

Canon strives to prevent occupational and health hazards, creating workplaces that allow each employee to maximize their performance.

Specifically, the Central Safety and Health Committee prepared a medium-term (three-year) plan containing the following initiatives for achieving the ideal workplace.

Priority Initiatives in Medium-Term Plan

1. Introduce and comply with the Canon Occupational Safety and Health Management System
2. Ensure no serious machinery-related accidents occur
3. Halve the number of falls and other non-occupational accidents

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Introduce and Comply with the Canon Safety and Health Management System

In the past, Canon adopted the Occupational Safety and Health Management System recommended by the Japan Industrial Safety and Health Association (JISHA-style OSHMS), primarily for its production facilities in Japan.

Aiming to improve on that system, Canon intends to launch the Canon Safety and Health Management System, which promotes our own occupational safety and health activities, meets JISHA-style OSHMS requirements, and clearly reflects Canon's standard and rules. Through this new system, we will work to raise the level of safety and health initiatives throughout Canon by addressing various issues identified through mutual supervision between operational sites and by companywide development of good practices at all operational sites.

The new system will be officially implemented in 2017.

* JISHA: Japan Industrial Safety and Health Association
* OSHMS: Occupational Safety and Health Management System

Ensure No Serious Machinery-Related Accidents Occur

At our production facilities in Japan, we carefully conduct risk assessments according to standard criteria. Based on the results, we conduct follow-up checks with the aim of reducing residual risk.

We are working primarily to prevent serious accidents, such as those involving employees being caught by or pulled into machinery and those that require time off work.

In 2016, we initiated training in machinery-related techniques to deepen employee understanding of the machinery they use in their work and build a structure to promote workplace safety. We also revised Canon's Machinery Accident Prevention Standards, which focus on the prevention of serious accidents involving employees being caught by or pulled into machinery, to add examples, clarify technical standards and ensure thorough operations.

We will continue a range of initiatives to ensure that no serious machinery-related accidents occur.

Halve the Number of Falls and Other Non-Occupational Accidents

We consider accidents that can occur both in work and everyday life, like tripping in a hallway or falling when going up or down stairs to be non-occupational accidents, since they have no specific connection with the type of work an employee does. We are working diligently to prevent such accidents.
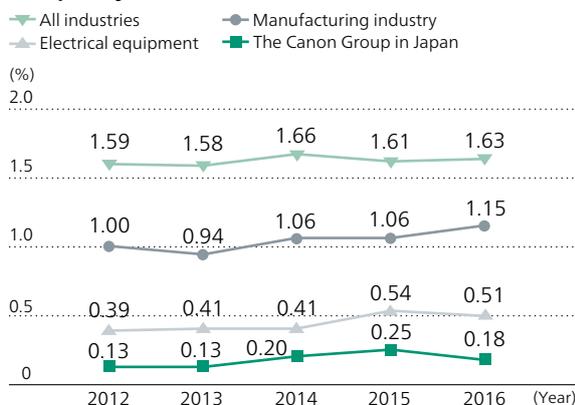
One of our objectives for 2016 was to reduce the number of such accidents by improving safety awareness. We collected stories about scares and close calls in the workplace and implemented better practices based on those experiences. We also endeavored to cultivate greater safety awareness among employees and to energize workplace safety activities through various means, including the introduction of periodic workplace patrols.

Through such measures, we will continue working to improve safety awareness of all employees.

Number of Occupational Accidents and Group Companies in Japan (Canon Inc.)

	2012	2013	2014	2015	2016
Accidents requiring time off work	13	13	19	25	18
Accidents not requiring time off work	133	132	133	110	112

Occurrence Rate of Occupational Accidents (Frequency Rate)

Legend:
- All industries
- Manufacturing industry
- Electrical equipment
- The Canon Group in Japan

(%)

All industries: 2012: 1.59, 2013: 1.58, 2014: 1.66, 2015: 1.61, 2016: 1.63

Manufacturing industry: 2012: 1.00, 2013: 0.94, 2014: 1.06, 2015: 1.06, 2016: 1.15

Electrical equipment: 2012: 0.39, 2013: 0.41, 2014: 0.41, 2015: 0.54, 2016: 0.51

The Canon Group in Japan: 2012: 0.13, 2013: 0.13, 2014: 0.20, 2015: 0.25, 2016: 0.18

(Year)

* The frequency indicates the prevalence of occupational fatalities and injuries per 1 million working hours.
* Figures for all industries, the manufacturing industry, and the electric equipment manufacturing industry are from a Ministry of Health, Labour and Welfare survey on occupational accident trends.
* The Canon Group in Japan refers to Canon Inc. and its principal Group companies in Japan.

Initiatives to Improve Safety and Health at Overseas Group Companies

Canon is working to implement an occupational safety and health management system overseas on the same level as Japan, with a focus on production bases, which are conducting their own activities through local safety and health committees.

Three companies—Canon Zhuhai, Inc., Canon Hi-Tech (Thailand) Ltd., and Canon Opto (Malaysia) Sdn. Bhd.— adopted an occupational safety and health management system based on the international standard OHSAS* 18001.

Canon will continue to work on advancing the level of its safety and health activities outside Japan through the active exchange of information to strengthen ties with safety and health managers of overseas Group companies.

* OHSAS: Occupational Health and Safety Assessment Series

Addressing Work with High Risk of Injury, Illness or Accident

Canon engages in risk assessment activities, centered on its production bases in Japan. Workplace managers and people in charge of operations and risk assessments undergo group training in advance to learn and enhance their understanding of assessment methods according to consistent Canon standards. By making regular visits to worksites and reviewing assessments, we work to maintain and enhance the risk management system.

Conducting repeated risk assessments in this way 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. Among injury risks, we focus particular attention on injuries caused by employees being caught by or pulled into machinery. We have raised this issue within our medium-term plan and take rigorous measures to prevent such risks.

It is also important to prevent risk of illness arising from work that involves exposure to chemical substances. There have been reports of illnesses caused by exposure to chemicals not regulated by the Occupational Health and Safety Law. We respond promptly whenever such laws are revised and introduce systems to uniformly manage chemical substances and aim to be thorough in managing chemical substances across Canon.

Health Support

Health Management Based on "Health First" and the "Three Selfs Spirit"

Since its founding, Canon has endeavored, based on the principles of "health first" and the "Three Selfs Spirit" to create workplaces where employees can focus on their work with peace of mind. We aim to assist employees in knowing their own health (self-awareness), taking action to improve their health (self-motivation), and continuously managing their progress (self-management).

Canon's believes that initiatives based on the "health first" principle can lead to a stable workforce and help individual members of that workforce reach their full potential. We therefore consider such initiatives a driving force in the context of company operations and systematically and actively promote health-supported measures.

Specifically, the Central Safety and Health Committee (→P89) periodically prepares and implements a medium-term plan. The plan includes various types of medical check-ups and stress checks as recommended by government regulations. We have established standards for their implementation, as well as post-measures, and conduct careful, 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 internal standards, and we strive to prevent health issues or respond to them as soon as possible when they occur. In addition to these measures, we give particular attention to the following initiatives:

Four Key Items

1. Education and awareness activities for all employees by age group
2. Mental health-related measures
3. Measures against lifestyle-related illness
4. Cancer-related measures (early detection and treatment of cancer, regular review of diagnostic systems to ensure effectiveness)

We also actively collaborate with the Health Insurance Union on effective measures to deal with medical fees, with a focus on preventing any worsening of lifestyle diseases.

Measures for Achieving Mental Health Through Self-Care

To promote comprehensive mental health measures, Canon effectively conducts a variety of programs in Japan that incorporate four care and three prevention guidelines. 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 managers.

In 2016, we focused on conducting stress checks and follow-up at all locations in Japan. To apply the revised Occupational Health and Safety Law t hat took effect in 2015, particular effort went into determining how best to implement the checks, preparing an environment that would facilitate their implementation, and using posters and other media to increase awareness of the system. At the same time, since managers need to have a good understanding of personal information protection and the stress check system, manager training was conducted via e-learning and other methods (97.1% of managers took the training). We also conducted stress checks and follow-up for employees transferred overseas.

In order to strengthen our support of employees taking leave, we reviewed our program for supporting employees' return to work. Relevant persons coordinate to provide support for an employee on leave from the time they go on leave until a certain time has elapsed after their return to work. With this initiative, we are putting in place a system to promote measures aimed at reducing the number of days of leave and keep employees from needing to take leave again.

In 2017 and beyond, we will continue to nurture employees capable of self-care while also working to create workplaces where employees can work with peace of mind.

Mental Healthcare System in 2017

☐ 2017 priority items

Three preventions

	Primary prevention (Preventing illness and improving health)	Secondary prevention (Early detection and treatment)	Tertiary prevention (Support for return to work)
Self-care	Rank-based training		
	Training for newly hired employees/ orientation booklet		
	Health education for second-year employees		
	Sleep education/ seminars		
	Stress check		
Care from managers (Four cares)	Training for managers		
	Liaison meetings and workplace discussions		Individual assistance Return to work support program
Care from occupational health staff	Click Health tips (Intranet streaming)		
	Health consultations/seminars		
	Mental health skills-development training		
	Consultations with occupational health staff		
Care from organizations outside Canon	EAP*		Collaboration with occupational health centers
	Consultation and collaboration with Medical Corporation SAKURA Medicine in Yurakucho and other medical institutions		

* EAP: Employee Assistance Program

Educational Program on Mental Health Measures

Employee Education	We provide mental health training to employees in their first and second year of employment. This training informs employees about self-monitoring and lifestyle improvement methods, as well as approaches to stress reduction. The training also covers support systems both inside and outside the company. In addition, we hold self-care seminars based on the unique needs of each operational site.
Mental Health Training for Managers	We host mental health training for all managers. This training covers methods of communication and points of caution with the aim of reinforcing the importance of managing their own health while also working to create healthy workplaces. We standardized the training curriculum across the Group and offer e-learning to make it easier for managers to participate.
Nurturing Occupational Healthcare Staff	We have held mental health skill development training for occupational healthcare staff since 2013 to strengthen their response, support, and teamwork abilities. We conducted this training five times in 2016 with a focus on case studies (one of the five sessions specifically targeted human resource managers). Almost all of the human resource and health support managers at Canon's operational sites in Japan have received this training.

Measures to Prevent Lifestyle Diseases or Prevent Their Increased Severity

Canon Group companies in Japan carry out lifestyle checks 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 worsening of lifestyle diseases that may already be present.

In 2016, we focused on helping employees give up smoking and encouraging them to get adequate sleep. As of April 1, 2016, we prohibited smoking on the premises of all Canon Group companies in Japan and encouraged employees to maintain good manners when it comes to smoking in neighborhoods around workplaces. We provided support to employees expressing a desire to quit smoking by conducting group and individual smoking cessation programs and, to improve smoking cessation instruction, provided persons in charge of the programs with additional training. These efforts to reduce the number of smokers are ongoing.

We will continue working to improve employee health through these initiatives.

Cancer-Related Measures Conducted in Cooperation with Canon Health Insurance Union

In terms of cancer-related measures, Canon works together with the Canon Health Insurance Union to conduct primary prevention in the form of raising awareness and encouraging employees to improve their lifestyles, secondary prevention in the form of early detection and treatment, and tertiary prevention in the form of appropriate treatment and assistance with work-treatment balance. Canon also strives to raise awareness of cancer screening and to maintain an environment that makes it easy for employees to undergo screening.

We will continue our efforts to offer ongoing encouragement and support as well as to establish a more effective cancer screening system, helping to reduce the number of employee deaths from cancer and to keep medical fees in check.

Expansion of Health Management Programs at Group Companies Outside Japan

Canon conducts various health management programs at Japan 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 the characteristics of the company.

Examples of health management programs at overseas group companies

Location	Program Content
Canon Vietnam	Health consultation with doctor, lecture on women's diseases, lecture on pregnancy
	Employee dormitory programs: yoga, karate
Canon China	Health information newsletter (issued on the first of each month), lactation room facilities, quarterly health event (stretching, running, etc)
	Employee Assistance Program services, health consultation with doctor, first-aid training
Canon U.S.A.	Lunchtime health event (addressing stress management, sleeping habits, back pain, etc.)
	Weight Watchers: 17-week weight management course, recipe suggestions, promotion of exercise, consultations
	10 minute massages: on-site massage therapy by appointment
	Walking Program: Four-week walking event
Canon Virginia (U.S.A.)	Wellness Wednesday (regular event): second Wednesday of each month, themed health promotion program held in company cafeteria (smoking, lung cancer, breast cancer, etc.)
	Weight Watchers (occasional event): paid 12-week weight loss program. Employees participate in a weekly program held at the company. If they reach their target weight, the company pays half of the participation fee.
Canon Opto Malaysia	Lecture by doctor, healthy menu provided at company cafeteria

Health promotion event in Canon Virginia

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Labor and Human Rights) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Respecting Human Rights

Canon respects the rights of every employee and works to ensure that its workplaces are free of all forms of discrimination and harassment.

Prohibiting Discrimination

The Canon Group Code of Conduct 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. To disseminate and ensure understanding of the Code of Conduct, the code has been translated into 14 languages and is also practiced at Group companies outside Japan.

Canon Inc. and its Group companies in Japan carry out collective readings of the Canon Group Code of Conduct as well as discussions concerning work-related risks at each workplace.

Through such activities, we strive to deepen employee understanding of the code and thus maintain a fair, comfortable and safe work environment. In 2016, there were no incidents involving unjust discrimination in reports made to the human resources division.

Sections of the Canon Group Code of Conduct (Extract)
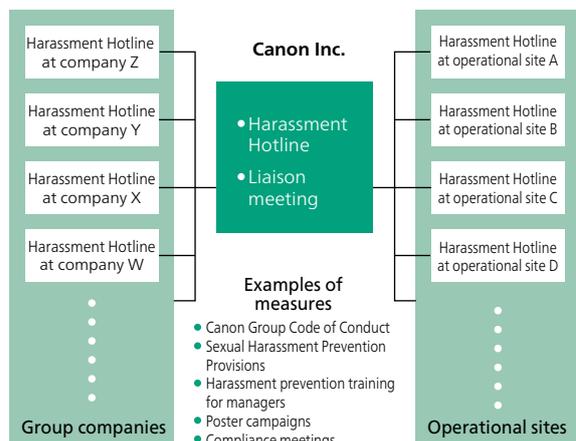
Management Stance

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

Preventing Harassment

Canon maintains a zero-tolerance policy on harassment, which it communicates to management executives and all employees.

In addition to sexual harassment and power harassment, Canon Inc.'s employment rules and Harassment Prevention Provisions clearly stipulate prohibition of maternity harassment and moral harassment in accord with new legislation passed in Japan in 2017. These provisions have been publicized throughout the Canon Group, and serve as a template for establishing similar rules at Group companies.

In a further effort to maintain a comfortable workplace environment, Canon Inc. and its Group companies in Japan have established a Harassment Hotline at each Group company in Japan. Confidentiality is strictly maintained and a firm guarantee against detrimental treatment is provided to victims and informants. These hotlines have been in operation for some time, and in recent years the number of harassment complaints has remained largely unchanged. Regular liaison meetings are held for persons responsible at Canon Inc.'s operational sites and Group companies, enabling the hotlines' operational status 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.

Organizational Structure for Harassment Prevention

Group companies
- Harassment Hotline at company Z
- Harassment Hotline at company Y
- Harassment Hotline at company X
- Harassment Hotline at company W

Canon Inc.
- Harassment Hotline
- Liaison meeting

Examples of measures
- Canon Group Code of Conduct
- Sexual Harassment Prevention Provisions
- Harassment prevention training for managers
- Poster campaigns
- Compliance meetings

Operational sites
- Harassment Hotline at operational site A
- Harassment Hotline at operational site B
- Harassment Hotline at operational site C
- Harassment Hotline at operational site D

In addition, we periodically conduct employee awareness surveys, which enable us to identify and observe trends as well as gather the opinions of our employees. Managers can then raise their awareness of current conditions and take necessary measures aimed at further improvement of the organizational climate.

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 and workplace communication-improvement training for executive and managerial-level staff. 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. Most of those already in managerial roles have completed training. In 2016 we conducted 11 training sessions for 46 employees who had returned from overseas assignments and had not previously received the training. There were also 12 training sessions for all management candidates, with 288 participants in total for the year.

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.

To prevent harassment and raise awareness of consultation desks, Canon created posters that are on display at Canon Inc. and Group companies. We are preparing posters using the 2017 theme of appreciation. We are focusing on daily communication to generate feelings of compassion for fellow coworkers and create a favorable work environment.

Harassment Prevention and Workplace Communication-Improvement Training in 2016 (Canon Inc.)

Target	Number of sessions	Participants
Returnees from overseas assignments	11	46
Management candidates	12	288

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.

In 2016, we again carried out investigations at our manufacturing companies in Asia to confirm their compliance with laws pertaining to child labor and forced labor. To date, no Canon Group company has violated laws relating to child labor or forced labor.

Respecting Basic Workers Rights, including Freedom of Association

Canon respects workers' basic rights, including the freedom of association, and we strive to address issues by promoting dialogue between labor and management.

In addition, in our basic statement on social responsibility*, we clarify our intent to comply with the laws and regulations of various countries and regions. In Japan, for example, Canon Inc. has formed a collective agreement with the Canon Workers' Union that confirms the union's right to organize, the right to collective bargaining, and the right to engage in labor disputes.

* Canon Group CSR Basic Statement (→P7)

Posters to raise awareness about harassment prevention

Data Summary

Number of Canon Group Employees

	2012	2013	2014	2015	2016
Japan	70,234	69,825	69,201	68,325	72,913
Europe	23,161	22,577	22,356	24,826	25,511
Americas	19,086	18,744	18,029	17,635	19,160
Asia & Oceania	84,487	83,005	82,303	78,785	80,089
Total	196,968	194,151	191,889	189,571	197,673

Breakdown of Employees (Canon Inc.)

		2012	2013	2014	2015	2016
Total number of employees		25,696	26,114	26,409	26,360	26,246
By gender	Male	21,773	22,173	22,430	22,370	22,261
	Female	3,923	3,941	3,979	3,990	3,985
By age group	Under 30	4,051	3,727	3,404	3,193	2,922
	30s	7,697	7,778	7,764	7,508	7,253
	40s	8,133	8,049	8,072	7,843	7,772
	50s	5,210	5,912	6,409	6,919	7,280
	60 and over	605	648	760	897	1,019
By employment contract type	Executive officers	12	10	13	17	27
	Advisory Directors	14	12	15	10	10
	Full-time employees	23,870	23,894	23,817	23,576	23,306
	Fixed-term workers	23	19	16	15	10
	Employees assigned from outside the company	1,076	1,424	1,692	1,758	1,803
	Contract workers	648	702	807	929	1,047
	Part-time workers	27	27	25	25	19
	Advisors	26	26	24	30	24

Number of New Hires and Employees Leaving the Company (Canon Inc.)

		2012	2013	2014	2015	2016
Newly hired employees	Male	419	372	373	366	312
	Female	71	73	85	80	65
	Total	490	445	458	446	377
Employees leaving the company / turnover rate	Employees leaving the company	224	191	228	291	281
	Turnover rate (%)	0.9	0.8	0.9	1.1	1.1

Breakdown of Executives (Canon Inc.)

		2012	2013	2014	2015	2016
By gender	Male	40	40	41	43	46
	Female	-	-	-	1	2

Composition of Executives by Age (As of December 31, 2016) (Canon Inc.)

		50s	60s	70s	80s
By gender	Men	20	22	3	1
	Women	2	0	0	0

Base Salary and Total Salary per Employee by Gender (As of December 31, 2016) (Canon Inc.)

		Female : Male
Base pay	Management	100 : 106
	Non-management employees	100 : 117
Total pay	Management	100 : 107
	Non-management employees	100 : 124

* The compensation system is the same for men and women. Differences are due to such factors as age and grade level.

Society

Following its corporate philosophy of *kyosei*, which encompasses the ideal of contributing to the prosperity of the world and the happiness of humankind, Canon works to find solutions to various issues facing international and local communities.

"Tiger in Bamboo" donated to the Tenkyu-in Temple in the Tsuzuri Project (→P103)

Major Areas of the Canon Group's Social Contribution Activities

- Humanitarian Aid and Disaster Relief
- Art, Culture and Sports
- Social Welfare
- Local Communities
- Education and Science

Management Approach

Important Issues from a Social Perspective

Canon's global business operations are supported by the stability and growth of international and local communities. Today, our world faces a mountain of social issues that include global warming and other environmental issues, an increasing frequency of natural disasters caused by climate change, and issues related to poverty and economic disparity. It is clear from the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 that these social issues must be resolved in order to achieve sustainable development. Meeting these goals will require countries, regions, governments, and companies to overcome their differences and work together for the common good.

Recognizing this situation, Canon is drawing on its resources, such as its advanced technological strengths, global business deployment, and diverse, specialized human resources, to engage in activities tailored to the characteristics of each region. We carry out these activities in cooperation with the CSR Division and other related administrative and business divisions, as well as with each Group company both in Japan and overseas.

Humanitarian Aid and Disaster Relief

As the number of major natural disasters occurring around the world rises, Canon remains committed to continuously providing donations and raising funds in cooperation with local NPOs and NGOs that have an understanding of the needs in disaster-stricken areas. We are working to enhance such activities by obtaining opinions and feedback through regular interviews and reports provided by NPOs and NGOs. Furthermore, we are determinedly participating in activities that support recovery efforts in disaster-stricken areas.

Social Welfare

Social welfare issues vary widely by region. Canon engages in various welfare activities with the aim of creating places where everyone can lead satisfying lives thanks to increased opportunities for both employment and self-expression. Specifically, we work with NPOs and NGOs in activities to support people with disabilities and to assist the sound development of children.

Local Communities

As a corporate citizen with deep roots in local communities, Canon engages in cross-cultural activities and school construction to help develop the knowledge and diverse values of children in those communities. In regard to the impact we have in each region of our global operations, we strive to stay in close communication with members of local communities and implement contribution programs in line with local needs.

Education and Science

To promote the future development of manufacturing and technology, Canon draws on its cutting-edge technologies to teach young people about the practical applications of optics technologies and to impart systematic knowledge through hands-on experiments. We also collaborate with both industrial and academic institutions to establish research facilities. In these ways, we support the development of the next generation.

Art, Culture and Sports

Canon contributes to the development of visual culture through its business activities. As a company that pursues imaging technologies that evoke and encourage a wealth of human emotions and feelings, Canon implements projects that contribute to the promotion of art and culture. We also work to nurture a new generation of photographers and provide support for local sports.

Related SDGs

1 NO POVERTY — End poverty in all its forms everywhere	**2 ZERO HUNGER** — End hunger, achieve food security and improved nutrition and promote sustainable agriculture	**4 QUALITY EDUCATION** — Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5 GENDER EQUALITY — Achieve gender equality and empower all women and girls	**11 SUSTAINABLE CITIES AND COMMUNITIES** — Make cities and human settlements inclusive, safe, resilient and sustainable	**13 CLIMATE ACTION** — Take urgent action to combat climate change and its impacts
15 LIFE ON LAND — Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	**17 PARTNERSHIPS FOR THE GOALS** — Strengthen the means of implementation and revitalize the global partnership for sustainable development	

Humanitarian Aid and Disaster Relief

Canon contributes to the recovery and reconstruction of areas affected by natural disasters around the world.

Donations and Fundraising

Helping Disaster-Affected Areas Through Donations and Fundraising

Canon provides aid to areas affected by natural disasters around the world through monetary donations and fundraising activities. After assessing the need and viability of sending aid with the assistance of our operational sites closest to a particular disaster, we do our best to offer timely relief, and also conduct follow-up assessments of our activities. In the case of long-term aid, we are careful to take appropriate action in each phase of a project.

Our greatest wish for those whose lives have been impacted by disaster is that they may return to their normal lives as quickly as possible. To aid this process, in 2016 Canon made the contributions shown in the following table. In particular, in response to the flooding that struck central Vietnam in October 2016, Canon Vietnam and Canon Marketing Vietnam held a donation drive among employees and, working together with other local Japanese companies, prepared funds and relief supplies (including food, daily necessities, and medicine). Canon representatives directly delivered relief supplies to about 600 households that were hit especially hard. We have received many expressions of gratitude from local governments and residents for the timely assistance.

Donations in 2016

Month	Purpose	Amount
Feb	Taiwan earthquake support	$3,000,000 (TWD)
Apr	Kumamoto and Oita earthquake support	¥10,000,000 (JPY)
May	Western Canada fire support	$20,000 (CAD)
Aug	Central Italy earthquake support	€30,000 (EUR)
Oct	Vietnam flooding support	$13,298 (USD)

Charity Book Fair

Canon Inc. has held its Charity Book Fair annually since 1997. Employees of the Canon Group in Japan, along with their families, donate unwanted books, CDs, and DVDs for sale at an in-house bazaar. The proceeds, matched by the company under a matching gift program, are donated to groups that support education and medical services in Asia. In 2016, about 930,000 yen was collected and shared among four NPOs.

Participating in UNHCR, WFP and Other UN Efforts

Canon Inc. is a special sponsor of the UNHCR Refugee Film Festival, held annually by UNHCR Representation in Japan and Japan for UNHCR*. We provide support for a photo exhibition, the printing of posters, and other activities that make use of our technical expertise.

Expanding the circle of support, 172 of our employees participated in WFP Walk the World, a charity walk in support of the activities of the World Food Programme (WFP). We also held a school meal tasting event at our Shimomaruko headquarters with the aim of deepening understanding of WFP activities. On the day of the event, 200 employees sampled ugali, a cornmeal dish with a dough-like consistency that is often served as part of school meals in Africa.

* The national partner of UNHCR in Japan

Supporting Disaster Recovery Efforts

Ongoing Recovery Support Following the Great East Japan Earthquake and Greater Cooperation with Disaster-Affected Communities

Canon utilizes the power of photography to offer ongoing support to areas that have been severely affected by the March 2011 Great East Japan Earthquake. A Tohoku Recovery and Reconstruction Promotion Office dedicated to promoting recovery in the Tohoku region was established at Canon Marketing Japan's Sendai branch to encourage effective, long-term support activities while keeping the changing issues (needs) for the area in mind. Through this office, Canon is working to deepen partnerships with surrounding municipal governments affected by the earthquake. Canon also collects information through NPOs, NGOs, and social welfare associations.

In 2016, we continued our involvement in the Smile for the Future Project, holding photography classes for children and local residents from disaster-stricken areas on three occasions. These activities, focused on the enjoyment of photography and having fun with nature, are helping residents to rebuild their communities.

Canon Inc. and Fukushima Canon co-hosted an event called Fukushima Community Support on four occasions. Designed to support community rebuilding for residents still living in temporary housing, the event provided them the opportunity to participate in photography classes and photo shoots. In addition, we partnered with Starbucks Coffee Japan, Ltd., and the Matsushita Institute of Government and Management to organize the Michi no Café in Rikuzentakata City (Iwate Prefecture) as an ongoing earthquake-recovery assistance project.

Social Welfare / Local Communities

As a good corporate citizen with deep roots in local communities, Canon assists the sound development of children living in those communities.

Helping to Find and Rescue Missing Children Through the Power of Photographs

Canon U.S.A. supports the activities of the National Center for Missing & Exploited Children (NCMEC), an NPO engaged in the recovery of missing children in the United States. When a child goes missing, their photographs are the most vital piece of information for the search.

Canon U.S.A. has donated more than 2,500 digital cameras, scanners, printers, and other equipment to help law enforcement agencies quickly disseminate photographs and information regarding missing children.

In addition to donating $466,392 (USD) in 2016, in January 2017 Canon sponsored a charity event where we raised and donated a total of $357,600 (USD) to NCMEC.

Canon Blind Project, Photography Class for the Visually Impaired in Thailand

Since 2010, Canon Marketing Thailand has been supporting the Canon Blind Project, a photography class for the visually impaired, in cooperation with a volunteer group of photographers, Pict4All. This project aims to provide opportunities for visually impaired students to elevate self-expression skills by learning to express their thoughts and feelings using photography as a tool. Canon Marketing Thailand supports the project by providing cameras and printers for the students' photo-shooting sessions.

In December 2016, visually impaired students from Chiang Mai Vocational Institute For The Blind participated in workshops held during an international horticultural exhibition in Chiang Mai, where they took pictures of the visitors and printed them out as postcards to give away. The activity, which received 20,000 Thai baht in donations from the visitors, helped raise awareness of the participating students and drew public attention as it was also introduced in the media.

Canon will expand the Canon Blind Project to other geographical areas, and following its corporate philosophy of *kyosei*, continue to contribute to society through its business activities.

Canon Image Bridge Project Fostering Youth Exchange Through Imaging

Some years ago, Canon China launched a project called Image: Light of Hope to foster cultural exchange using the power of imaging. In 2013, Canon China expanded the scope of the project to include all of Asia, renaming it the Canon Image Bridge Project.

Under this project, youth from across Asia create "exchange cards" that include photographs they have taken along with brief messages. These cards are then delivered to children living in other areas of Asia. The ingenuity of the project to foster cross-cultural exchange through photographs has received high praise from local communities and earned Canon a number of CSR-related awards. Through 2016, a total of 8,042 youths in 10 countries and regions in Asia prepared 13,761 exchange cards, helping to build friendships that transcend national and regional borders.

In 2016, the Canon Image Bridge Project was expanded still further. Rather than limiting it to select elementary schools, among the numerous projects, events were held twice at showrooms in Beijing and Shanghai. Families were encouraged to join in, and cards were collected from a range of participants. In honor of these efforts, Canon was awarded the Best CSR Strategy Award at the 2nd CSR China Education Awards.

A boy who creates an "exchange card" with photographs taken

Leaving a Rich *Furusato* for the Children *Furusato* Project—Linking Our Dream to the Future

In Japan, Canon promotes an environmental conservation and environmental education project known as the Furusato Project—Linking Our Dream to the Future, with the aim of passing on a beautiful, verdant, and biologically diverse *furusato* (hometown) for future generations to enjoy.

Through this project, Canon stakeholders, including employees and their families, customers, and business partners, forge links with NPOs and regional community members across Japan to carry out environmental conservation activities and environmental education programs. To help finance these activities, we promote initiatives closely linked with our business activities, such as donating funds according to the amount of used ink cartridges collected or the volume of paper sold.

In 2016, activities aimed at educating people about the importance of biodiversity and preserving the environment were conducted 40 times across Japan. Specifically, 863 participants were involved in such activities as planting trees, preserving terraced rice paddies, restoring abandoned fields, and conducting ecological surveys.

These activities have been recognized with a Biodiversity Action Award and received commendation from the Japan Committee for the United Nations Decade on Biodiversity (UNDB-J).

Regions of Activities through 2016

❶	Asahikawa, Hokkaido	Morinet Hokkaido
❷	Osaki, Miyagi	Tambo
❸	Ushiku, Ibaraki	Asaza Fund
❹	Hachioji, Tokyo	The Lifestyle Research Institute of Forests
❺	Mishima, Shizuoka	Groundwork Mishima
❻	Kahoku District, Ishikawa	Kahokugata Lake Institute
❼	Kanzaki District, Hyogo	Tanada LOVER's
❽	Maniwa, Okayama	Maniwa Heritage Society
❾	Yamagata District, Hiroshima	Natural History Society of the West Chugoku Mountains
❿	Oita City, Oita	Oita Environmental Conservation Forum

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 as a general incorporated foundation in 2008 in commemoration of Canon Inc.'s 70th anniversary.

In this age of globalization, the Canon Institute for Global Studies approaches Japanese economic issues associated with the global economy and plots out Japan's future position in the world. It also aims to draw up strategic policy proposals based on analyses of present world conditions. 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 present results and also to facilitate active discussions between researchers and policymakers from Japan and other countries.

For example, in October 2016, the institute held an international symposium entitled "The Role of Innovation for Long-Term GHG Mitigation" to discuss innovations in greenhouse gas mitigation, policy measures being employed by various countries, and the possibility of any issues surrounding international cooperation in developing innovative technologies. Experts from Japan and abroad were invited to participate in the discussion.

Education and Science

As a manufacturer and world leader in technology, Canon supports the development of the next generation.

Educational Support for Children

Young People Program Fostering Youth Creativity and Expression

With the aim of helping to realize a sustainable society, Canon Group companies in Europe, the Middle East, and Africa (EMEA) conduct the Young People Program to foster youth creativity and expression. In 2016 we offered such programs in 12 countries*. As an example, in the United Kingdom we provided support for Creative Media Camp in partnership with the Ideas Foundation. Creative Media Camp seeks to inspire interest in and nurture talent in teenagers for creative activities such as photography, videography, and graphic arts. After attending classes taught by experts in creative industries, students participating in the camp gain hands-on experience planning an advertising campaign, shooting and editing footage, and making a business presentation. At the same time, they gain a deeper understanding of what it means to pursue advanced studies or a career in creative media.

Looking ahead, Canon Group companies in EMEA plan to develop various activities for EMEA.

* Austria, Denmark, Finland, France, Germany, Hungary, Italy, Poland, Spain, Switzerland, Turkey and the UK.

Holding Environmental Outreach Classes to Teach Children About the Importance of the Environment

Canon holds environmental outreach classes under various themes, including toner cartridge recycling, to help children understand the importance of the environment. In 2016, the Canon Group held 31 classes, with total attendance of 1,849 persons, including children and their guardians.

These classes use active learning methods, providing ample opportunity for children to develop their skills in thinking, speaking, listening, and assessing. Specifically, the children are divided into teams to conduct some sorting experiments with four types of materials, including steel and different sizes of plastic. They learn how to sort these materials efficiently, making use of their special characteristics.

In 2016, Canon was recognized for this program, receiving a First Award for Excellence at the Seventh Career Education Awards held by the Ministry of Economy, Trade and Industry.

Laboratory Program for Youths

### Light Laboratory a Fun Place to Learn

Canon Inc. hosts the Light Laboratory educational program for children through a partnership with Japan Science Foundation.

The program aims to spark children's interest in science and technology by providing a place where they can enjoy learning. The Light Laboratory explains the science behind the optics technologies found in Canon products in an easy-to-understand way, through the history of cameras and various experiments.

Held in the Experiment Stadium corner of The Science Museum (Tokyo), operated by the Foundation, around 9,300 children experienced the wonders of the Light Laboratory in 2016.

Helping to Foster Optical Engineers

Supporting the Development of Optics Technologies Underlying Major Industries Through Industry-Academia Collaboration

Optics technology is essential to a variety of major industries. Opportunities for the systematic study of optics in Japan, however, have been on the decline. To remedy this situation, Canon actively supported Utsunomiya University, which has a strong relationship with Canon's Utsunomiya Office where the Optics R&D Center is located, to successfully establish the Center for Optical Research & Education (CORE) at the university. Since CORE was established in 2007, a total of 381 students have completed the optics course. In 2016, Canon dispatched nine lecturers, including three visiting professors, to enhance the educational system. Canon will continue to support CORE and the development of optics technologies.
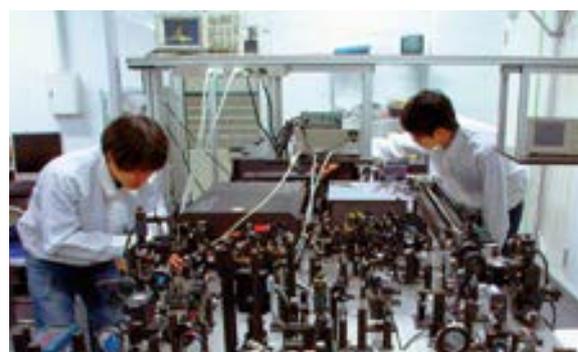
Laboratory of the Center for Optical Research & Education

Art, Culture and Sports

As a company that contributes to the development of visual culture, Canon engages in activities to foster the richness of human feelings and emotions.

Contributing to the Promotion of Art and Culture

Preserving Cultural Assets for Future Generations and Putting them on Display Through the Tsuzuri Project

Canon and Kyoto Culture Association (NPO) launched the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in 2007.

The initiative seeks to make reproductions 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 gold leafing and mounting, the reproduction, which is as close to the original as possible, is complete. These reproductions are presented to former owners, related temples, museums, and local governments.

The project has been highly acclaimed for both preserving important Japanese cultural properties and exhibiting high-resolution reproductions to the public. In 2014, it received an award at the 11th Corporate Philanthropy Awards organized by the Japan Philanthropic Association.

In 2016, the project donated the reproduction of Scenes from the Tale of Genji on the screens of Tosa Mitsuyoshi in the collection of the Metropolitan Museum of Art, New York, to the Byodo-in Temple in Kyoto.

The reproduction has been displayed at the Byodo-in Museum Hoshokan and the Tale of Genji Museum. The project also donated reproductions of 22 sliding doors, including Tiger in Bamboo and Bird and Plum Blossoms to Rinzai School Myoshinji Tenkyu-in Temple, completing a five-year effort to replace all 56 sliding door paintings of the Tenkyu-in Temple with reproductions. The originals have been entrusted to the Kyoto National Museum, and the reproductions are planned to be open to public twice a year, in spring and autumn.

Reference: the Tsuzuri Project
http://www.canon.com/tsuzuri/
The Tsuzuri Project (Cultural Heritage Inheritance Project) is certified as "Tokyo 2020 Nationwide Participation Programme" from the Tokyo Organising Committee of the Olympic and Paralympic Games.

Presentation ceremony at the Tenkyu-in Temple

Comment from the Director of the Kyoto Culture Association
The Tsuzuri Project and Canon Are Helping Introduce Japan's Cultural Assets to the World

We are living in the age of rapid technological advancement, and it seems we are in danger of forgetting history, along with the valuable traditions and culture developed by our ancestors. Launched a decade ago, the Tsuzuri Project bears a heavy responsibility as it works to link the people, the skills, and the craftsmanship of the past with those of the future. As a member of the project, I am very proud to promote its value together with the employees of Canon. The project is now well-known not just in Japan, but also at museums around the world. Recently, when we approached the owner of a certain cultural asset, they said, "So you've come at last." When I heard those words, I understood anew how important it is to keep the Tsuzuri Project going, not just for the benefit of museums, but for society as a whole. I have a great deal of respect for the employees of Canon, who always pursue the best techniques for introducing Japan's countless world-class cultural assets to as many people as possible. It is my desire to promote the Tsuzuri Project in the hope that, another decade from now, Japan will remain a superpower of tradition and culture.

Koji Tanabe
Director, Kyoto Culture Association (NPO)

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Society) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Canon Junior Photographer Classes to Foster Environmental Awareness and Develop Creative Sensitivities

Canon Junior Photographers is a photography class for primary school students based on the theme of nature. The objectives of the project are to raise children's awareness about the environment and to develop their creative sensitivities. Since the program's inception in 2004, more than 17,000 students all over Japan have taken part in Canon Junior Photographer classes.

In 2016, classes were held in 40 locations nationwide. The 2,225 participants first took part in a digital photography class led by professional photographers or Canon employees, after which they were able to take their own pictures while enjoying the beauty of nature. Following the photo shoots, participants printed their photographs and showed them to the group. Their photographs were also shown at photo exhibitions held at participating schools and other places.

Canon will continue to offer a flexible program based on the needs of participants through close collaboration with host schools and organizations.

Elementary school students taking photos on the theme of "nature around you"

Canon Photography Contest, New Cosmos of Photography, Discovers Talented New Photographers

Canon started New Cosmos of Photography in 1991 as a project to support art and culture. The aim of the project is to discover, develop, and support up-and-coming photographers exploring the potential of photographic expression.

The contest seeks submissions in print, still image, or video format, that regardless of genre express creativity and a new, original point of view. To date, 25,701 people (groups) have submitted entries. A number of these entrants have become well-known photographers both in Japan and abroad.

In 2016, seven of the 1,723 entrants were selected for Excellence Awards and fourteen for Honorable Mention Awards. At the "2016 New Cosmos of Photography Tokyo Exhibition," the winning works were displayed and the photographers held portfolio reviews and lectures on photography and videography.

Canon hopes to continue helping up-and-coming photographers take the first step in their pursuit of new photographic expression through New Cosmos of Photography.

Reference: New Cosmos of Photography
http://global.canon/en/newcosmos

2016 Grand Prize Winner of New Cosmos of Photography

Contributing to the Promotion of Sports

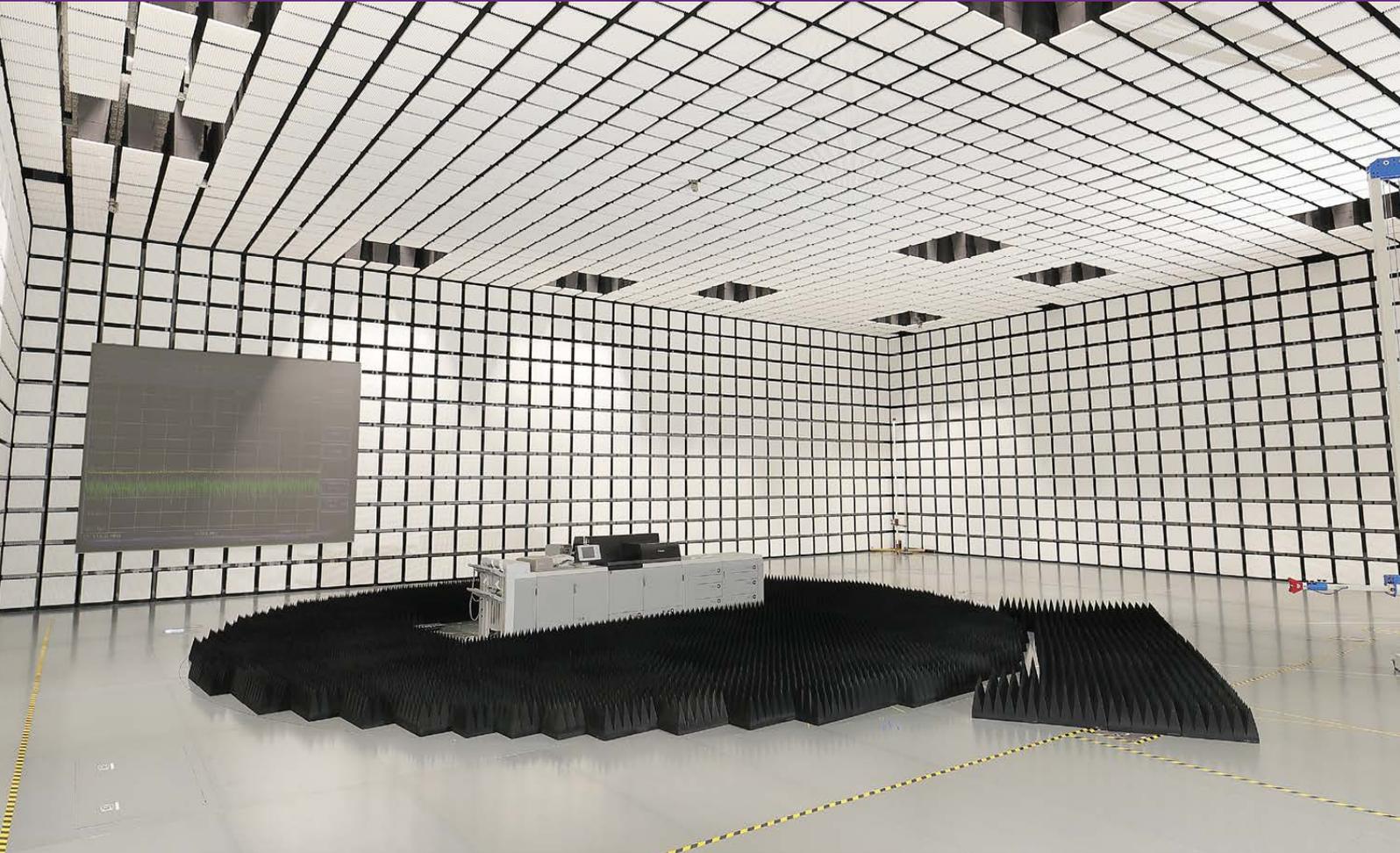### Future Nadeshiko Project to Support the Development of Female Soccer Players

As part of its sports promotion efforts, Canon Inc. has supported Canon Cup Junior Soccer, a futsal competition for elementary school boys and girls in Japan, since 2001. Recognizing the growing demand to develop the level of girls soccer in Japan through this program, in 2014 we decided to focus on supporting girls soccer mainly at the elementary school level. We are a special corporate sponsor for the Canon Girls-eight, a U-12 girls soccer tournament involving eight-member teams, and Canon Girls Camp, a U-13 girls soccer training camp, both hosted by the Japan Football Association (JFA), through our partnership with the Future Nadeshiko Project.

In 2016, we took a variety of photographs at the tournament and training camp venues, afterwards providing them to the JFA, players, and coaches. We also put them up on our support website, Canon Girls Soccer Web. This has helped to publicize girls soccer in Japan and, we hope, will lead to its growth.

Looking ahead, we are committed to contributing more effectively while building a collaborative framework with the JFA and regional soccer associations.

Product Responsibility

To further increase trust in the Canon brand among customers worldwide, Canon is working to make products with even greater added value, and striving to ensure product safety and improve usability.

One of Japan's largest semi-anechoic chamber (→P110)

Quality Improvement Activities at Canon

Quality Verification Process

- Design and Development
- Production Trials
- Production
- Sales
- After-Sales Service
- Product Planning

Market Information Feedback

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Product Responsibility) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Management Approach

Important Issues from the Perspective of Product Responsibility

In recent years, with the advancement of information technology due to the spread of the Internet, countless forms of information can now be obtained more easily than ever, and customers have a much greater interest in safety and the environment.

Canon offers a diverse range of products globally, for both businesses and individual consumers. As a growing number of these products—including network cameras and medical equipment — relate directly to the safety of society and the lives of individuals, Canon's product responsibility has become increasingly important. To increase the level of trust in the Canon brand, it is essential that we correctly convey information about the safety and environmental considerations of our products.

Based on our corporate philosophy of contributing to the betterment of society, we believe that providing products customers can use safely, securely, and with satisfaction represents one of our most important missions as a corporation. We therefore, focus our efforts on ensuring product safety and improving product usability.

Ensuring Product Safety

Canon's basic mission when it comes to quality is to ensure that customers have "no claims, no trouble," and we work hard to ensure "Canon Quality"

throughout the Group globally. We have created our own quality management system, and we strive to improve quality across the entire product lifecycle, from planning and development to production and after-sales service.

We have also established our own Product Safety Technical Standards that go beyond regulatory requirements. We use these standards in carefully assessing product safety during design and production. Furthermore, with the aim of improving customer satisfaction, Canon has created a system for gathering comments and requests received from users around the world, sharing the information among relevant divisions, and using this information for product improvements.

Improving Product Usability

Canon strives to develop products that different customers can use easily and with confidence, and to provide information that helps them use those products appropriately. To ensure their accessibility by all sorts of customers around the world, we prepare product manuals that are easy to understand and actively apply universal design concepts in developing products.

Related SDGs

Ensure sustainable consumption and production patterns

Quality Management

Canon strives 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.

We also conduct companywide activities to improve quality across the entire Canon Group at every stage, from product planning to design and development, production trials, production, sales, and after-sales service.

We thoroughly check quality in each process, from design and development to the start of production, while also ensuring that continual improvements in quality are achieved by sharing quality information and customer feedback obtained from sales and after-sales service points with departments in charge of product planning, design, and development.

Canon Quality

Safety+Smartness+Satisfaction

Product quality slogan: "Customer Safety, Peace of Mind and Satisfaction through Canon Quality"

Quality Assurance Systems

In order to fully realize "Canon Quality," Canon has established a quality management system* that combines the requirements of ISO9001, an international quality management standard, with work mechanisms unique to Canon.

Our various business divisions work together with the Global Quality Management Center to hold regular meetings with Canon Group companies around the world in order to implement appropriate quality assurance systems in accordance with the legal and regulatory standards of each country and region.

In addition to vertically integrated activities conducted by each business division to provide solutions to issues particular to that division, Canon operates the Quality Improvement Committee chaired by the head of the Global Quality Management Center. This committee facilitates horizontally integrated activities to address company-wide issues.

Through these various activities, Canon will continue to pursue "quality first."

* The company regulations establishing 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 surveys on quality awareness.

Canon has designated November as Quality Month, and each year holds the Quality Fair and Quality Awards to recognize exceptional activities that have improved quality and share them throughout the Group.

2016 Quality Awards

Most Excellent Award (First Prize)	1. Canon Vietnam's manufacturing quality improvement activities 2. Optical Products Operations' product quality improvement activities

Continuing and Expanding Quality Education

Canon provides Canon Quality Basic Course highlighting the importance of quality on an ongoing basis.

In 2016, we launched a tiered training curriculum for use throughout the Canon Group. It includes not only the existing training program for new employees, but also rank-based training up to managerial level. Canon Quality Basic Course was conducted 41 times (843 participants) at Canon Inc. and 27 times (627 participants) at Group companies, for a total of 68 times (1,470 participants).

In addition, to improve the effectiveness of this training, we customized the training program for each department, taking into account specific situations and issues needing to be addressed in each department, and also actively conduct on-site training.

Concerning the guidebooks used as teaching materials, because it is important that employees have a clear understanding of the Canon way of thinking, not just at Canon Inc., but 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 all of our quality activities.

Promoting Product Safety Education

Canon conducts product safety training based on its quality education system, encouraging employees to be thorough in ensuring product safety and preventing product accidents.

In addition to conducting courses examining such issues 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.
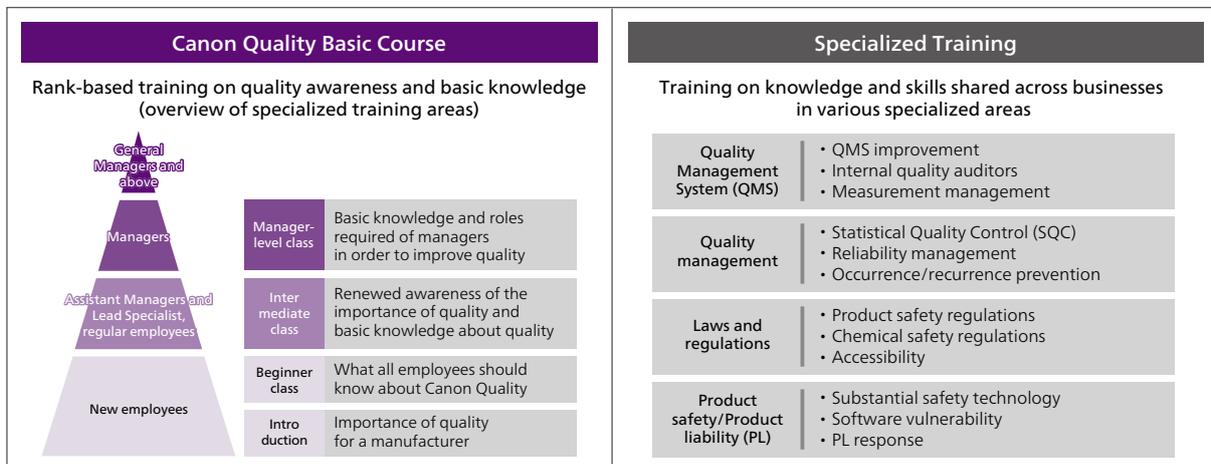
Canon Inc. conducts e-learning activities to promote thorough understanding of the Voluntary Action Plan for Product Safety on an ongoing basis.

In 2016, these courses were held a total of 15 times, involving a total of 9,871 employees (7,205 employees of Canon Inc. and 2,666 employees of Group companies), including those participating in e-learning.

In addition, we conducted a course on accident-prevention strategies, and also focused attention on compliance by expanding opportunities for training that include e-learning courses on product safety regulations pertaining to electricity, electromagnetic waves, and chemicals.

In addition to these kinds of employee training programs, we also continually provide safety information, such as safety cautions when making repairs or exchanging parts, to Group companies involved with product sales, repair, and service.

2016 Quality Training System

Canon Quality Basic Course	Specialized Training
Rank-based training on quality awareness and basic knowledge (overview of specialized training areas)	Training on knowledge and skills shared across businesses in various specialized areas

Canon Quality Basic Course:

- General Managers and above
- Managers — **Manager-level class**: Basic knowledge and roles required of managers in order to improve quality
- Assistant Managers and Lead Specialist, regular employees — **Intermediate class**: Renewed awareness of the importance of quality and basic knowledge about quality
- New employees — **Beginner class**: What all employees should know about Canon Quality
- **Introduction**: Importance of quality for a manufacturer

Specialized Training:

Area	Topics
Quality Management System (QMS)	• QMS improvement • Internal quality auditors • Measurement management
Quality management	• Statistical Quality Control (SQC) • Reliability management • Occurrence/recurrence prevention
Laws and regulations	• Product safety regulations • Chemical safety regulations • Accessibility
Product safety/Product liability (PL)	• Substantial safety technology • Software vulnerability • PL response

Ensuring Product Safety

We have set strict standards for managing quality that go beyond legal and regulatory requirements to ensure customers can use our products with complete peace of mind.

Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon 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 to which some Group companies in Japan comply with.

Moreover, based on this policy, we have formulated a Voluntary Action Plan for Product Safety that we carry out in an effort to ensure product safety and to remain customer-focused.

We also 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.

Additionally, Canon Inc. and Canon Group companies in Japan have formulated and are following individual Voluntary Action Plans for Product Safety suited to their business format.

2016 Activities Scorecard for Canon Inc.
- Management review by the president based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Revised 13 in-house rules and regulations documents, including Product Safety Regulation Compliance Procedures and Quality Issue Action Regulations
- Revised 18 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 education 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 manufacturing stages. We withhold from the market any products not meeting these exacting standards and ensure that all of our products are safe for use.

In 2016, we reviewed instructions and displays for ease of understanding and accuracy of meaning, aiming to deepen the connection between safety efforts and safety technology in light of human factors.

* Substantial safety: This means safety not just in terms of what is regulated by laws and statutes, but any safety issue that can reasonably be expected to arise when customers actually use our products.

Main Approaches to Safety Technology
- Conduct safety assessments in light of human factors (physical function, abilities, thinking and behavior), taking into account the variety of possible actions 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, and employ those meeting the requirements of Canon's Qualification System for Parts and 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 component failure, and conduct stricter safety evaluation testing than is required by the laws of each country or region.

Quality Assessment During Development

Assessment Environment in Place for Delivery of Products That Are Safe and Offer Peace of Mind

Canon Inc. has set up testing facilities compliant with official 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[1]/IEC[2] and UL[3], 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[4], Canon is able to conduct in-house all testing necessary for applying for Blue Angel[5] 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 labelling (ecolabeling) system

EMI measurement of products in a semi-anechoic chamber

Flammability verification laboratory for large products

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 benzene, styrene, ozone, dust, and ultrafine particles (UFP) 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.

Starting in 2017, large equipment that had been excluded from the UFP-related standards for receiving the Blue Angel mark will be required to meet those standards. Canon will continue to respond in a timely manner to this sort of standards tightening.

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.

Safety Assessment of Ink, Toner, and Other Consumables

Canon assesses the safety and ensures the quality 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, which is 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.

In 2016, the Ministry of Health, Labour and Welfare confirmed (via inspections) that Canon's laboratories remain compliant with GLP standards in the Chemical Substances Control Law, and renewal procedures, which are conducted every three years, have been completed.

* 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.

In vitro mammalian cell micronucleus test

Using Animal Testing to Assess the Safety of Chemicals

Certain laws and regulations in Japan and other countries require the submission of animal testing data when assessing the safety of chemicals, and in some cases, animal testing is an effective means of verifying the impact a chemical may have on human health or the environment.

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.

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: A set of principles on animal testing advocated in 1959 for worldwide application
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 that products are safe and reliable. Consequently, we built and operate a qualification system of our own design for these 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 the face of such upheaval and in order to maintain appropriate levels of quality, Canon made substantial improvements to the change management system

that was already in place and has begun operating it as an essentially new 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 companywide approaches to testing methods. In 2016, to allow accurate risk assessments about the loading of security functions, Canon began applying unified technical standards for application during product development.

To prevent any recurrence of software vulnerabilities identified in the past, we introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement at the time of production release approval. This parameter sheet is now used companywide 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 share and release 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 (including smartphones) in recent years, Canon is making efforts to optimize display screens and make other improvements to its online support services to make them 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.
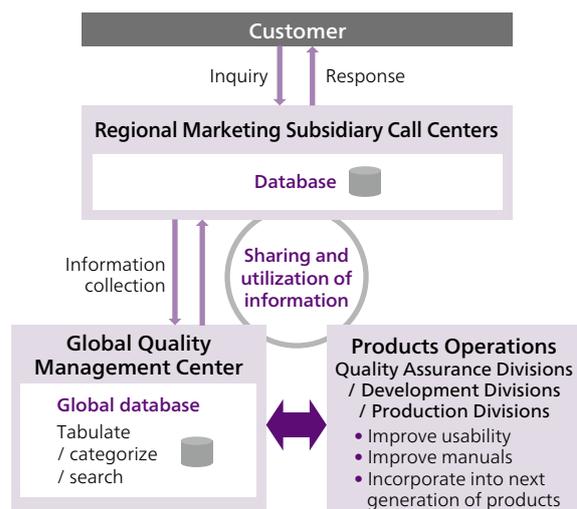
After-sales servicing

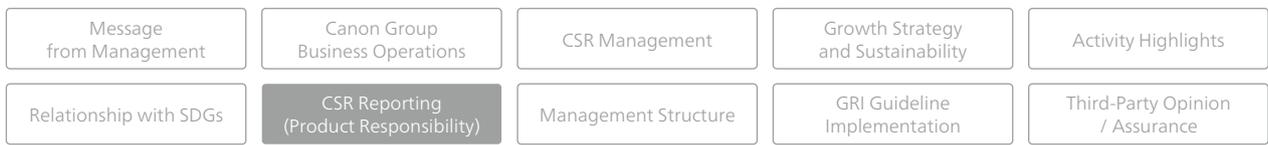## Utilizing Feedback from Market Data Analysis in Product Improvements

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 analysis 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 27 countries and regions in the Americas, Europe, Asia, Oceania, and Japan.

Call Information Collection and Analysis System

Message from Management	Canon Group Business Operations	CSR Management	Growth Strategy and Sustainability	Activity Highlights
Relationship with SDGs	CSR Reporting (Product Responsibility)	Management Structure	GRI Guideline Implementation	Third-Party Opinion / Assurance

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 2016, no product advisory statements were placed on our website. We did, however, post two quality notices and information pertaining to one incident report based on the Consumer Product Safety Act.

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 analyzes 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

→ When issue arises   ▪▪▪▪▶ When major issue arises   —→ Information disclosure
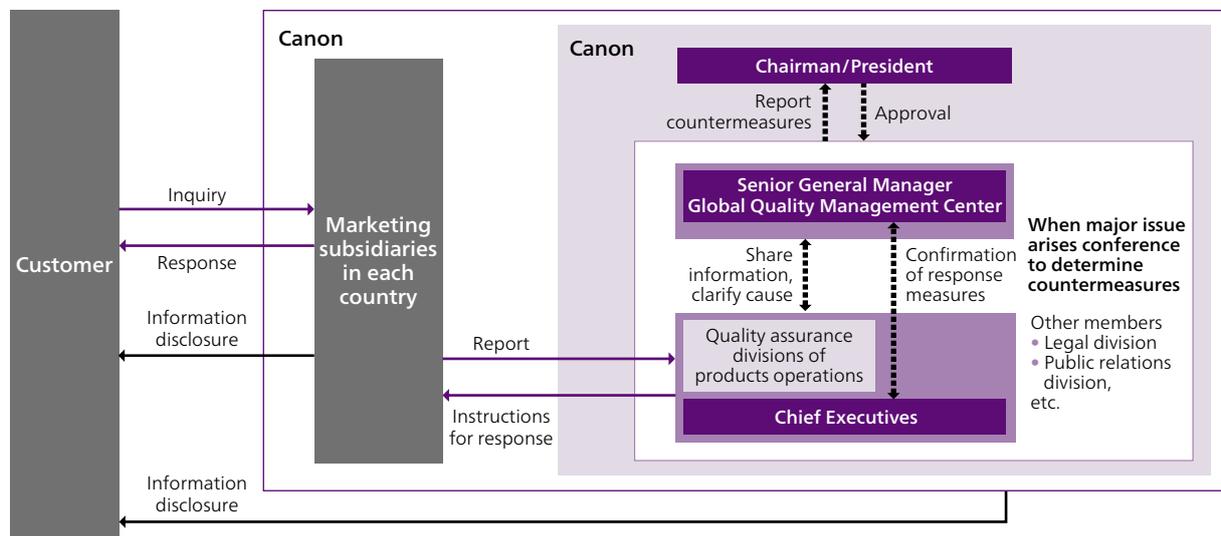
Improving Product Usability

Canon strives 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 the in-house monitor system utilizing employees 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 monitor test room, we have installed equipment that allows clear and detailed observation and recording of the behavior and actions of monitors as they operate devices.

User testing via in-house monitor system

Preparing Manuals that Are Easy to Understand

Along with improved product usability, Canon also works to increase the quality of user manuals to assist customers in using its products easily and safely.

In 2016, the user manual, guide to safety and important points, setup guide (main unit edition and connection edition), and basic operation manual for the PIXUS MG7730 (PIXMA MG7720 in North America; PIXMA MG7740 in Europe) won an Honorable Mention Award at the 2016 Japan Manual Contest in the paper manual/industrial category.

The contest is held by the Japan Technical Communicators Association with the goal of improving the quality of user manuals and developing the skills of manual writers, and is the most prestigious contest of its kind in Japan.

The PIXUS manual received high praise for its design and composition, which, while being intended for use by people with advanced technical knowledge, was outstanding not only in terms of searchability but also readability, usability, and portability.

Holding Special Design Classes in Cooperation with Universities Worldwide

With the aim of fostering the next generation of human resources, Canon has teamed up with universities around the world to hold special design classes.

In 2016, Canon conducted a special course at Zhejiang University in China at the request of the Japan Institute of Design Promotion. Held in a workshop format over eight days, the course proved to be a mutually beneficial exchange: the students received valuable design instruction while at the same time Canon gathered information about the needs of the students.

In total, we conducted 11 special courses, including one at an institute of technology in the Netherlands.

Applying Universal Design in Product Development

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."

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting (Product Responsibility) | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

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.

Analyzing the usability of products based on the physical conditions of users

Promoting Our Universal Design Project

Aiming to further encourage efforts in universal design, Canon established a universal design policy and a companywide 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 throughout the development division. We also created pamphlets and set up a website to inform customers about the UDP initiatives under way at Canon.

Through such means, we will continue to share information and promote universal design both inside and outside the company.

Product Accessibility

Canon is working to increase the accessibility of its products. Accessible products are those designed for easy use by all, including 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.

imageRUNNER ADVANCE Series is Easy to Use, Even for the Visually Impaired

The imageRUNNER ADVANCE series of multifunctional devices for offices features voice guidance and voice recognition for basic commands, allowing for easier use by the visually impaired. Also, in features were enhanced in 2015, pinch-in and pinch-out touch operation was introduced for the LCD operation screen, enabling even people with low vision to operate these devices by increasing the size of buttons and words on the display.

Product development with consideration for the visually impaired

Management Structure

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 the company's official 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.
http://www.canon.com/ir/strategies/governance.html

Governance Structure
Fundamental Policy

Canon is globally expanding its businesses in various fields, including office equipment, consumer products, 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.

Corporate Governance Structure (As of April 1, 2017)

Corporate Governance
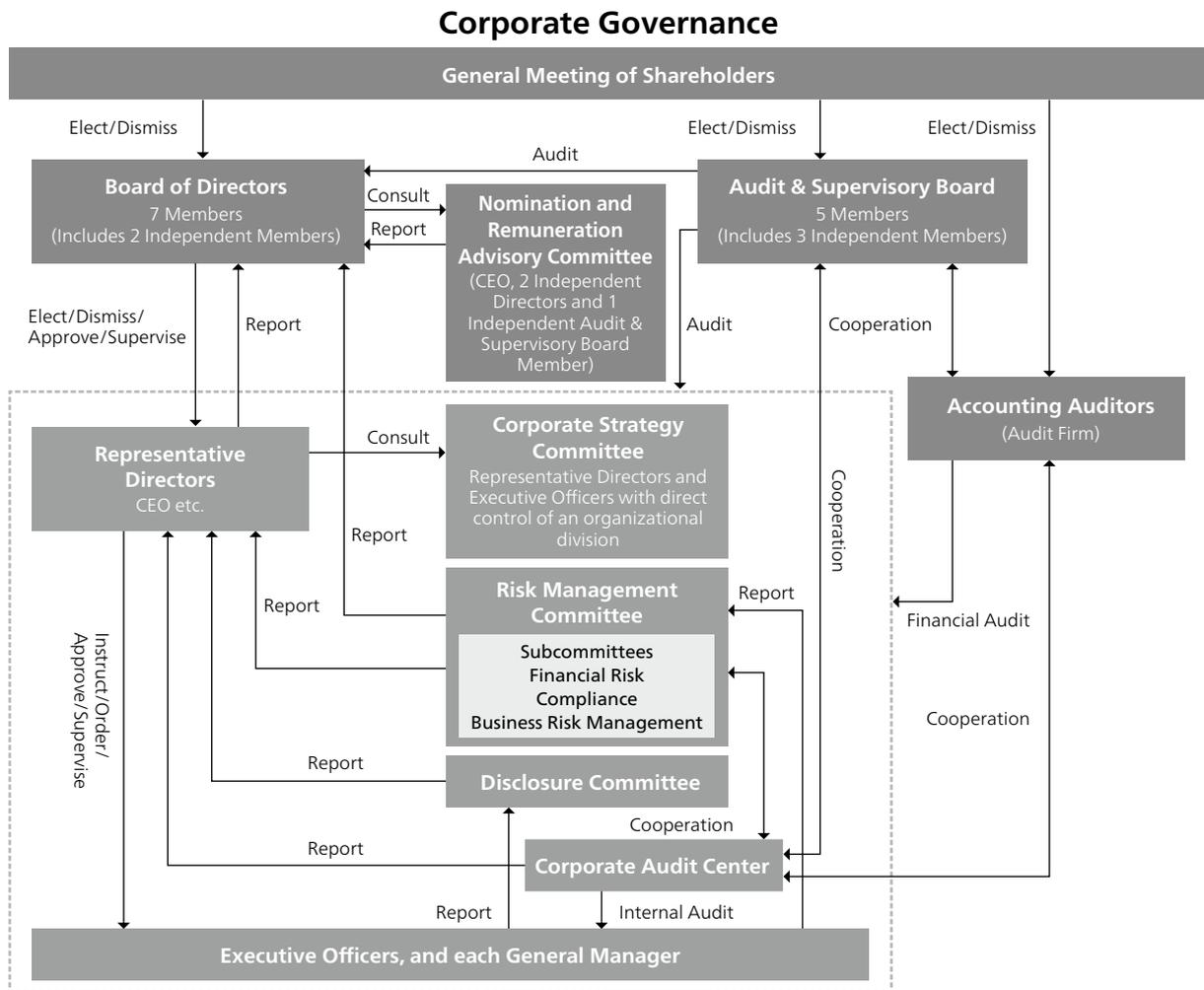
Board of Directors

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, 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 seven members: five Representative Directors from inside the company and two Outside Directors that qualify as Independent Directors. Additionally, there are 38 Executive Officers, including two females and two non-Japanese.

Audit & Supervisory Board

As a body which is in charge of the audit of operations, under the principles of autonomy, which is independent from the Board of Directors, Canon Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.'s businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance and accounting. The Audit & Supervisory Board, which is composed of these individuals, cooperates with Canon Inc.'s accounting auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

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, Corporate Strategy Committee meetings, etc., receive reports from directors and employees, review documents related to important decisions, and conducting audits by investigating etc. 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.

Procedure for Selecting Directors

Canon Inc. established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CEO, two Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member. At the time, Director and Audit & Supervisory Board Member candidates are nominated and Executive Officers are selected (includes the selection of the successor of chief executive officer) 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 recommendations prior to submission to and deliberation by the Board of Directors.

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

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 Sub-committee, which is tasked with improving systems to ensure reliability of financial reporting; the Compliance Sub-committee, which is tasked with promoting corporate ethics and improving legal compliance systems; and the Business Risk Management Sub-committee, 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

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 Inc.'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	Tadashi Ohe	Tadashi Ohe has been engaged for many years in corporate legal affairs as an attorney and as a professor specializing in legal research. 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 legal affairs to further enhance the Company'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.
	Kuniyoshi Kitamura	Kuniyoshi Kitamura has a broad range of work experience working for a life insurance company over many years. In addition to this, he has considerable knowledge regarding business management. Canon Inc. elected him as an Outside Audit & Supervisory Board Member as it desires to leverage his experience and knowledge to further enhance Canon Inc.'s auditing system.

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 official 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 Independent Directors/ Audit & Supervisory Board Members as notified to the Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges.

Reference: Independence Standards for Independent Directors/ Audit and Supervisory Board Members
http://www.canon.com/ir/strategies/governance.html

Internal Audit Divisions

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, the environment, and information security, 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 a specialized viewpoint and there are plans to increase the number of members from the current 70 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 each 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' understandings of the company's internal control systems, including how they are being implemented and maintained, and risk evaluations. Furthermore, in addition to observing audits and attending results presentations 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 pre-approval system for the content of auditing contracts and remuneration.

Executive Compensation

The remuneration of Representative Directors and Executive Directors consists of a "basic remuneration," which is a fixed amount, paid each month, as a compensation for execution of duties required in accordance with their role, and a "bonus" that is linked to Canon Inc.'s business performance in each business year.

As for Outside Directors/Audit & Supervisory Board Members, remuneration is limited to the "basic remuneration," which is a fixed amount, paid each month and a "bonus" is not paid.

Canon Inc. established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CEO, two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. The Committee examined the rationale of the remuneration system, including calculation standards of the basic remuneration and the bonus, and reported to the Board of Directors that they considered the current remuneration system reasonable, at the meeting of the Board of Directors held in September 2016.

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

The total amount of "basic remuneration" for Directors is within the limit of the remuneration amount that is resolved by the general meeting of shareholders.

As for the "bonus" for Directors, the payment is fixed provided that the proposal about such payment submitted at the ordinary general meeting of shareholders is approved. Remuneration for individual Audit & Supervisory Board Members is determined through discussion among the Audit & Supervisory Board Members within the limit of the remuneration amount resolved 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 the ordinary general meeting of shareholders, corporate strategy conferences, financial results conferences, and interviews with major institutional investors.

The 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 official 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."

Reference: Information for Canon Inc. investors
http://www.canon.com/ir/

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.

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.

2016 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	
Directors (excl. Outside Directors)	15	662	60	722
Outside Directors	2	48	-	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	2	55	-	55
Outside Audit & Supervisory Board Members	3	59	-	59

* The above numbers of Directors include 11 Directors who have retired at the conclusion of the Ordinary General Meeting of Shareholders for the 115th Business Term held on March 30, 2016.
* "Bonus" represents the accrued director's bonuses.

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 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.
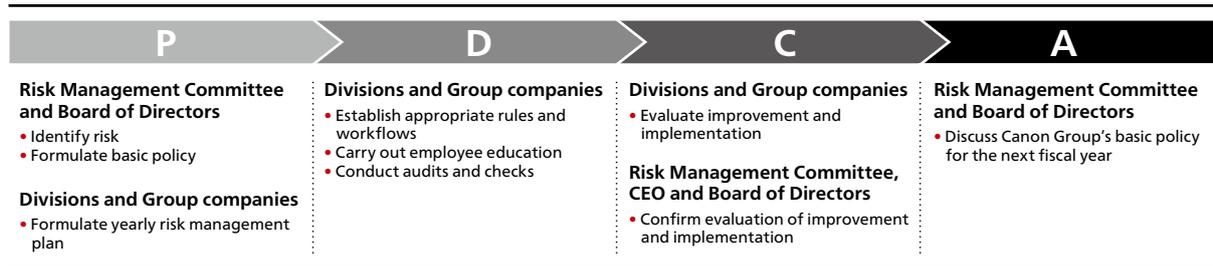
Risk Management System

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 creates an annual basic policy for risk management activities and, after obtaining the approval of the Board of Directors, carries out risk management activities at 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 result of such evaluation to the CEO and Board of Directors. In 2016, the result of the evaluation did not discover any major flaws in the system.

Processes for Improvement and Implementation of Risk Management System

P	D	C	A
Risk Management Committee and Board of Directors • Identify risk • Formulate basic policy **Divisions and Group companies** • Formulate yearly risk management plan	**Divisions and Group companies** • Establish appropriate rules and workflows • Carry out employee education • Conduct audits and checks	**Divisions and Group companies** • Evaluate improvement and implementation **Risk Management Committee, CEO and Board of Directors** • Confirm evaluation of improvement and implementation	**Risk Management Committee and Board of Directors** • Discuss Canon Group's basic policy for the next fiscal year

Risk Management Promotion System
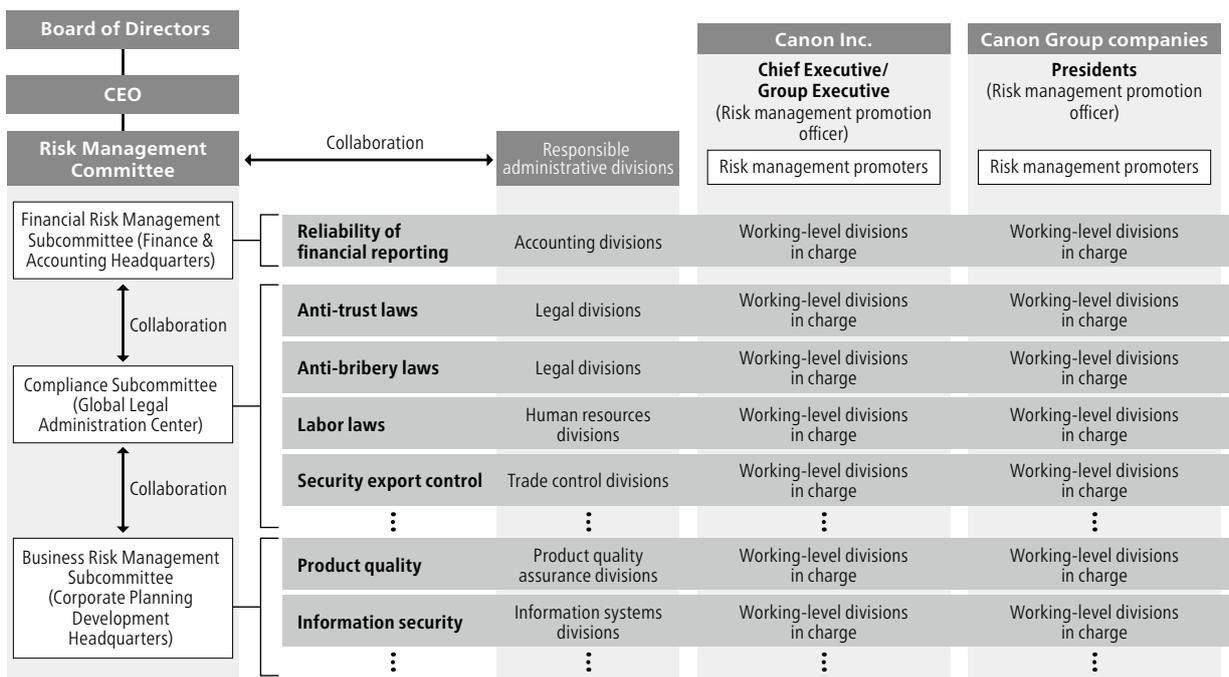
Based on the above basic policy, the heads of Canon Inc. divisions and presidents of Canon Group companies, as a risk management promotion officer, formulate an yearly risk management plan for their own division or Group company, and assume the responsibility of promoting their own risk management activities. Risk management promoters appointed for each division and Group company coordinate 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 Canon Group company.

Groupwide Risk Management Communication

During training for newly appointed Canon Group executives conducted by the human resources division, Canon Inc. educates them 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 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 system.

In addition, an intranet website provides employees of Canon Inc. and Group companies with timely information on 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 2016.

Compliance

The Compliance Subcommittee works to promote corporate ethics in accordance with the Canon Group Code of Conduct, and to improve the Group's legal risk management system.

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. This set of principles 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 14 languages, including English, French and Chinese, and adopted by 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 as well as 16 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 Selfs) 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 baisis.

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 rank-based training designed to foster compliance awareness 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. and Group company divisions in charge of the hotlines are in close coordination to continuously respond to incoming reports and increase system reliability.

Legal Risk Management System

At Canon, we have identified significant legal risks that the Canon Group may face in the course of business (e.g. 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 a system to ensure legal compliance by improving operational workflows and rules, providing training on laws for related 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 persons in charge of Canon Inc. business divisions 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.

Such thorough internal controls have ensured that the Canon Group has never violated 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.

Canon Inc.'s Security Trade Control System
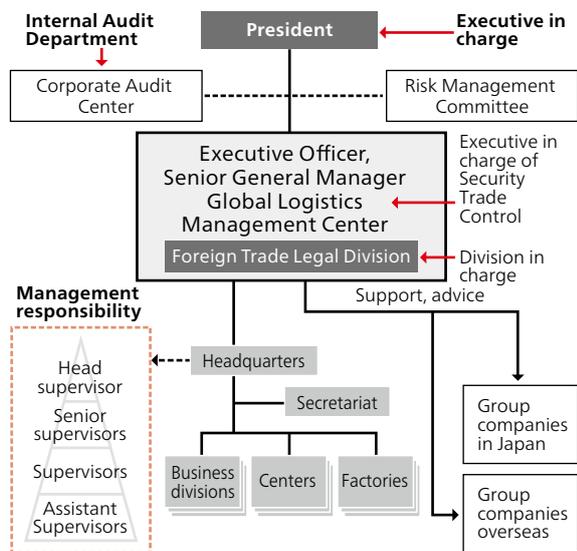
Training on Security Trade Control in 2016

Category	Subject	Number of sessions
Rank-based	New employee training	1
	New manager training	3
	New general manager training	2
Expatriates	International staff training	7
Canon Group	Expert training for security trade control employees	9
	Global e-learning (Japanese, English, Chinese and Thai languages)	Ongoing

Compliance with Anti-Trust Laws

Anti-trust laws apply to all of Canon's business activities, from product development to production, sales and after-sales service, and therefore, Canon recognizes that compliance with these laws is absolutely vital.

Based on this awareness, 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 law violations to educate them about the laws, provide examples of legal violations, and inform them of what to be aware of in carrying out their duties. We also make our anti-trust law hotline known to all employees and thoroughly encourage employees to use this hotline if they are 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 operational risks excluding legal violations and errors in financial reporting.

Individual risks are assigned to the responsible administrative divisions for the entire Canon Group. The Business Risk Management Subcommittee works with working-level divisions in charge from each Canon Inc. organization and Canon Group company to implement risk mitigation activities and further develop the risk management system.

Ensuring Thorough 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. Under this system, we implement training to raise employee's awareness and to prevent external threats and leaks of confidential internal information.

Since 2005, Canon has had external certification, ISO27001, for its information security management systems.

Information Security Management System Operations

Canon has established an Information Security Committee as the decision-making body for information security measures. This committee is made up of experts from information security departments and is responsible for information security management for the entire Group.

Committee members have also drawn up Canon Group Information Security Rules in order to maintain the same level of and approach to information security across the entire company. These rules apply to all Group companies worldwide. Each Group company creates regulations and guidelines based on these rules in line with its needs, and conducts training and awareness activities.

Based on these rules, regional administration companies conduct regular inspections to confirm how information security is being implemented at

each Group company, using the data to review and improve information security controls.

If an information security incident occurs, the matter must be reported to the Information Security Committee via the respective regional administration company. In turn, the committee issues appropriate instructions.

CSIRT*, a dedicated team for dealing with growing information network threats, was established within Canon Inc. in 2015. At that time, Canon officially joined the Nippon CSIRT Association as Canon-CSIRT in order to address the increasingly sophisticated nature of cyber attacks by strengthening collaboration with external CSIRTs. Additionally, in 2016, Canon Inc.'s Information & Communication Systems Headquarters implement information security checks on 29 Group companies in Japan and 18 Group companies overseas. These inspections found that each company's system was sound and in good working order.

Canon will maintain an expedient and smooth communication channel with its Group companies and make every effort to ensure that its mechanisms can identify and remedy issues based on regular information security checks. Moreover, we are also working to further reinforce our information security system by establishing a structure to discover information security incidents at an early stage and measures to eliminate security leaks and risks connected to these incidents.

* CSIRT: stands for Computer Security Incident Response Team. This is a dedicated organization that deals with incidents involving computer security.

Preventing Information Leaks

Canon implements measures to safeguard the three elements of information security: confidentiality*[1], integrity*[2], and availability*[3].

The most important information is stored using a dedicated system with reinforced security. By controlling access and recording usage, we guard against external attacks and prevent information leaks from within.

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.

To safeguard against the threat of external attacks, we implement training and other measures to prevent tampering with Canon's official websites and to deal with targeted email attacks.

In 2016, we continued with these initiatives and also worked on responses to cyber attacks, upgraded email security, and improved security regarding internet access to further enhance security and protect against the threat of information leaks. Going forward, we will continue to work on improving our countermeasures to maintain the three elements of information security.

*[1] Confidentiality
Enable only authorized personnel to access information.
*[2] Integrity
Ensure data and processing methods are accurate and cannot be modified without authorization.
*[3] Availability
Make data accessible to authorized personnel when needed.

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

Global Information Security System Organization

	Group administration company
	Canon Inc. Information Security Committee

Regional administration companies

Canon Inc.	Canon Marketing Japan	Canon China	Canon USA	Canon Europe	Canon Australia
Production companies in Japan and Asia	Sales companies in Japan	Sales companies in Asia	North and South America	Europe, the Middle East and Africa	Oceania

Accurate instructions

Prompt reporting

Uniform Information Security Measures

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, there were no incidents involving the loss or leakage of personal information at Canon Inc. or any of its Group companies in 2016.

Canon Inc. and Group companies in Japan have also implemented measures to deal with Japan's new Social Security and Tax Number System (referred to as the "My Number" system) , which was introduced in Japan last year, in an appropriate manner. To this end, the entire Group in Japan formulated My Number Handling Rules, My Number Regulations as well as 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 department on this matter.

Going forward, Canon will regularly monitor its management of "My Number" and other personal information while reviewing operations as needed to make appropriate improvements.

Information Security Training to Raise Employee Awareness

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

New employees are thoroughly trained on Canon's information security measures and rules through group training for both regular and mid-career hires. In addition, all employees undergo annual training using our e-learning system.

In 2016, roughly 27,000 employees—equivalent to Canon Inc.'s total workforce—received information security training. The training curriculum focused on reaffirming essential measures, focusing on cyber security in particular. This included how to respond to targeted email attacks, what to look out for when sending emails and the risk of information leaks from posting on external translation websites, among other protocols for using information infrastructure.

Canon is committed to improving the content of its training programs in order to raise employee understanding and awareness of information security matters.

Bolstering Physical Security

Aiming to strengthen physical security, Canon has been working to establish physical-security systems at each of its operational sites based on the following three policies:
- Establish and put into practice at operational sites an overall design from the viewpoint of crime prevention, disaster prevention, and safety to optimize entry and exit routes for all persons.
- Fully implement strict internal and external security measures to comprehensively prevent company assets (physical objects, information, etc.) from being removed, suspicious objects from being brought in, and suspicious individuals from entering.
- Limit entry to certain areas to people who have been authorized by area managers, and integrate management of room entry and exit logs.

Physical Security Promotion System

Canon has established Canon Security Guidelines that outline policies and rules regarding room entry and exit management and other aspects of physical security. We have also been proactively implementing security measures according to these guidelines, and revising the guidelines as needed. Each Canon site is now responsible for drafting a self-checklist that complies with the guidelines and also takes into account the unique security risks of each region in order to check the adequacy of its security protocols. In this way, each site implements security measures tailored to changes in its own environment.

In addition, the Group has adopted an Integrated Entry and Exit Management System and a control system that comprehensively manage surveillance cameras and sensors as part of Canon's efforts to strengthen physical security across the entire Group.

Due to the serious risk to society posed by toxic materials, we have developed a particularly thorough audit system, covering all Canon Group sites in Japan. Improvements and revisions to physical security measures are implemented based on audit results.

Learning from the terrorist incidents in Paris and Belgium, Canon has stepped up its security efforts in order to quickly detect suspicious persons and suspicious objects with the aim of preventing indiscriminate terrorist attacks against companies considered to be soft targets. We are also working more closely with the police, fire departments and other government agencies to heighten vigilance against possible attacks.

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) [*1] 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[*2] to back up information systems to ensure that the core IT system will operate securely in the event of a disaster.

We have also updated all Group company facilities, 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 location to enable swift understanding of damage incurred at other locations and factories in the event of a disaster. Furthermore, we have prepared a manual for persons in charge 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, 35 operational sites conducted 36 emergency drills based on these manuals.

*1 **business continuity plan (BCP):** A business continuity plan is an action plan that includes measures to provide for the continuation of a minimal level of business in the event of fire, 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.

System to Promote Responses to Infrastructure Disaster Risk and Goals

Organization in charge	Facility Management Headquarters (Facility Management Division)
Policy	Conduct drills to verify that manuals prepared by individual sites are effective. Revise manual where there are shortcomings to improve ability to respond in an emergency.
Goals	Each operational site to conduct a drill once a year

Canon Group Response to Risk of Infrastructure Damage

2014	● Established monthly communications drills at headquarters and individual business locations /Group companies using satellite phones ● Disaster Provision Standards created following enactment of Tokyo Metropolitan Ordinance on Measures for Stranded Persons
2015	● Continued communications drills mentioned above ● Conducted training exercise to set up disaster recovery headquarters in event of major natural disaster at Shimomaruko headquarters ● Stocked nonfood provisions (emergency blankets and portable toilets) based on Disaster Provision Standards
2016	● Increased frequency of central disaster recovery headquarters training exercises (focused on earthquake and flood in 2016) to twice yearly

▌Disaster Agreement with Ota Ward, Tokyo

Canon Inc. has concluded a disaster agreement with Ota Ward, Tokyo, where its Shimomaruko headquarters is located. In line with the request of the Disaster Prevention Section of Ota Ward, under the agreement our newest facilities, including a lecture hall, gymnasium and heliport, can be offered in the case of an emergency situation.

Going forward, we will continue to work closely with local governments to fulfill the role of a disaster-response base in the local community.

▌Disaster Agreement with Susono City, Shizuoka Prefecture

In July 2016, Canon Inc.'s Fuji-Susono Research Park concluded a disaster agreement with Susono City, Shizuoka Prefecture, regarding support in the event of a major disaster. Susono City is working to create an urban environment resilient against disaster. Under the agreement, if there is a major earthquake in Susono City, the two parties will offer mutual support and cooperate in relief and recovery activities, such as providing food aid and permission to travel along designated disaster roads.

Supply Chain Management

Fundamental Procurement Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept*[1], which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide, while taking the environment into consideration. Accordingly, 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 eco-friendly green procurement*[2] practices.

*[1] **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.

*[2] **green procurement:** Favoring the procurement of materials and products that have a lower environmental impact.

Procurement Policy

Following its corporate philosophy of *kyosei*, Canon aims, as a truly global company, to contribute to the prosperity and well-being 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 outlines 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.

Main Procurement Compliance Initiatives

2007	Set up specialized internal controls sections within procurement divisions
2013	Upgraded existing procurement code of conduct and formulated Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement
2014	Established detailed procurement operation rules for entire Canon Group

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

| Message from Management | Canon Group Business Operations | CSR Management | Growth Strategy and Sustainability | Activity Highlights |

| Relationship with SDGs | CSR Reporting | Management Structure | GRI Guideline Implementation | Third-Party Opinion / Assurance |

Socially Responsible Procurement

Canon strives to ensure that suppliers understand its procurement standards in order to be certain that social responsibilities are not only being fulfilled by Canon itself, but also throughout the supply chain. As part of these initiatives, a page entitled Requests to Suppliers on our website outlines suppliers' responsibilities in regard to the environment, human rights, labor, safety and health, compliance, and other matters.

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

Reference: We welcome your comments on our CSR Activities
https://secure1.canon.com/ssl-form/csr_form-e.html

Requests to Suppliers

1. Comply with all applicable laws and regulations (human rights, labor, safety and health, etc.).
2. Contribute to the growth of society as a "good corporate citizen."
3. Promote fair, honest and highly transparent business, along with the implementation of corporate ethics by prohibiting the activity against corporate social responsibility such as abuse of dominant position and eliminating antisocial forces.
4. Construct a production system considering environmental conservation by observing Canon Green Procurement Standards and promoting the activity to reduce CO_2 emissions, etc.
5. Secure the personal and customer information, and strictly manage the information obtained through business.
6. Promote persistent improvement in order to maintain a strong financial standing for continuous business and a high level in terms of quality, cost, delivery and technical aspects.

Supplier evaluation and continuous survey incorporating environmental and social perspectives

At the time of commencing trading with a new supplier, we review whether suppliers meet the criteria established independently by Canon from the standpoint of finance, 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 etc.) and global environmental conservation etc. We have registered suppliers in the "supplier list" that satisfy the standards.

Regarding the aspects of "human rights and labor", which stakeholders are highly interested in recent years, survey items are set with reference to the International Labor Organization (ILO) standards and the guidance of the Electronic Industry CSR Alliance (EICC). We are confirmed whether appropriate consideration is given to items such as child labor, forced labor including trafficking in person, discrimination, minimum wage, working hours, dialogue with employees. In addition to this, in the field of the environment, we are pursuing green procurement of parts and materials used in products on the condition that the "Canon Green Procurement Standard" is satisfied.

To ensure thoroughly supply chain management to existing suppliers registered in the supplier list, we carry out annual online surveys once a year to confirm the diversified efforts including environmental and social aspects. We comprehensively evaluate the suppliers based on the results of the survey and transaction performance and reflect the results on the supplier list so that we can preferentially trade with highly evaluated suppliers. In addition, we provide guidance and education for improvement for suppliers with low evaluation.

In accordance with these efforts, Canon also requires that its suppliers urge their own upstream suppliers (tier two suppliers for Canon) to do the same.

Main Items Surveyed
- Financial condition
- 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
http://global.canon/en/procurement/procedure.html
Reference: Green Procurement
http://global.canon/en/procurement/green.html

Supplier Evaluation System

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┌─────────────────────────────────────┐
│       New supplier (candidate)       │
└─────────────────────────────────────┘
              │
              ▼                              ◄─────────────┐
┌──────────────────────┐   ┌──────────────────────┐       │
│     New supplier     │   │   Regular evaluation  │       │
│  qualification check │   │                       │       │
├──────────────────────┤   ├──────────────────────┤       │
│ • Financial position │   │ • Financial position  │       │
│ • Production system  │   │ • Production system   │       │
│   (quality/cost/     │   │   (quality/cost/      │       │
│   delivery/          │   │   delivery/           │       │
│   manufacturing/     │   │   manufacturing/      │       │
│   management)        │   │   management)         │       │
│ • Production         │   │ • Production          │       │
│   environment        │   │   environment         │       │
│ • Conflict minerals  │   │ • Conflict minerals   │       │
│ • Corporate ethics   │   │ • Corporate ethics    │       │
│ • DPL check (not a   │   │ • Technical ability   │       │
│   banned customer/   │   │ • Development         │       │
│   company)           │   │   capability          │       │
└──────────────────────┘   └──────────────────────┘       │
       │                             │                      │
  Pass: start business               ▼                      │
  dealings              ┌──────────────────────┐            │
       │                │      Feedback         │           │
       ▼                └──────────────────────┘            │
┌──────────────────────┐            │                       │
│   Master Purchase    │            ▼                        │
│     Agreement        │   ┌──────────────────────┐         │
└──────────────────────┘   │     Improvements      │        │
       │                   └──────────────────────┘         │
       │                             │                       │
       ▼                             ▼                       │
┌─────────────────────────────────────┐                    │
│             Supplier list            │────────────────────┘
│  ┌─────────────────────────────┐    │
│  │      Existing supplier      │    │
│  └─────────────────────────────┘    │
│     Parts orders, procurement        │
└─────────────────────────────────────┘
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Addressing the Issue of Conflict Minerals

Seeking to ensure that customers can use Canon products with peace of mind, the Canon Group addresses the issue of conflict minerals.

Canon has been conducting full-scale inquiries targeting products produced at manufacturing bases across the entire Canon Group. As of May 31, 2017, within the scope of the responses collected, no specific parts or materials have been found to have contributed to funding armed groups in conflict regions as defined by U.S. legislation.

Canon Inc., a U.S. listed company, files a report at the end of May every year regarding the Company's status on this issue with the U.S. Securities and Exchange Commission. For the reporting year 2016, an independent assurance report made by an independent auditor was included with the Company's conflict minerals report, which confirmed that the Canon Group's activities were compliant with certain international standards. The report is also made available on Canon's website.

Canon is a member of the ConflictFree Sourcing Initiative (CFSI), that plays the leading role in response to the conflict minerals, and continues to support industry activities.

Reference: Responding to the issue of conflict minerals
http://www.canon.com/csr/conflict/index.html

Partnership with Suppliers

Canon holds "business trends briefings" for suppliers at each business site and each production group company and asks for understanding of cooperation and procurement policies for business plans.

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

Intellectual Property Management

Canon's Intellectual Property Approach

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 the company's belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is to support business development. Accordingly, we promote effective utilization of intellectual property rights in all aspects of business, including entry into new business areas, business diversification and global expansion of production and marketing operations.

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 thorough and persistent approach against counterfeit goods and intellectual property infringements. At the same time, we have established clear rules to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others.

More specifically, we conduct thorough investigations of third-party patents to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations of third-party rights occur 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 investigations 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 patents.
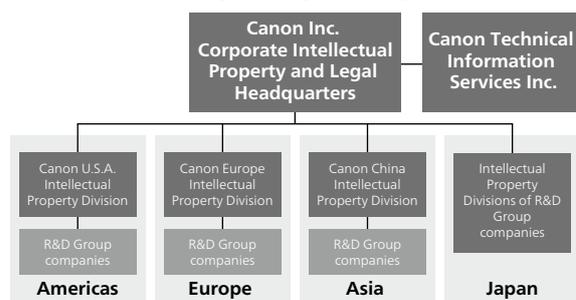
Canon Group Intellectual Property Management System

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 merits 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 other business divisions.

Intellectual Property Management System

Canon Inc. Corporate Intellectual Property and Legal Headquarters			Canon Technical Information Services Inc.
Canon U.S.A. Intellectual Property Division	Canon Europe Intellectual Property Division	Canon China Intellectual Property Division	Intellectual Property Divisions of R&D Group companies
R&D Group companies	R&D Group companies	R&D Group companies	
Americas	**Europe**	**Asia**	**Japan**

Management to Strengthen Group Companies

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

Moreover, persons in charge 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. This occurs 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.

Applying for Patents around the Globe

Canon places importance on applying for patents on a global basis, and as of the end of 2016, had approximately 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 the countries/regions where patents are necessary. We have focused on filing patent applications in the large United States market, which has many high-tech companies, in particular. Canon ranks third in the number of U.S. patent registrations, and has been the patent leader among Japanese companies for 12 straight years.

Top 5 Companies Acquiring U.S. Patents in 2016

Rank	Company	Number of patents
1	IBM Corporation	8,088
2	Samsung Electronics Co., Ltd.	5,518
3	Canon Inc.	3,665
4	Qualcomm Inc.	2,897
5	Google Inc.	2,835

Note: Figures were based on preliminary data released by IFI CLAIMS Patent Services, a U.S. research company specialized in patent information (As of January, 2017).

Working with Governments and Other Companies

Promoting Cooperation with Intellectual Property Policies

In order to strengthen international competitiveness through the use of intellectual property, the creation of a nation-wide IP strategy for Japan is absolutely imperative. Having served in a variety of roles relating to intellectual property in Japan, Canon has made various proposals to Japan Patent Office and other government agencies as a member of Intellectual Property Committee of Japan Business Federation, Japan Intellectual Property Association and International Association for the Protection of Intellectual Property Japan.

Currently, the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters serves as a member of the Evaluation, Planning and Verification Committee of the Government's Intellectual Property Strategy Headquarters, and actively lobbies for IP policy in Japan. The Group Executive also serves as the Chairman of the International Association for the Protection of Intellectual Property Japan.

In this capacity he is able to proactively exchange views with the World Intellectual Property Organization (WIPO) and Commissioners of Patents in the United States, China, South Korea and Europe, enabling him to lobby for international IP policy. For example, in September, 2016, members of Standing Committee of National People's Congress came to Canon and discussed Patent law of China under amendment. This visit was realized as patent law training dubbed "Legal system maintenance project for the healthy development of the market economy and security of the public welfare," which the Japan International Cooperation Agency provided.

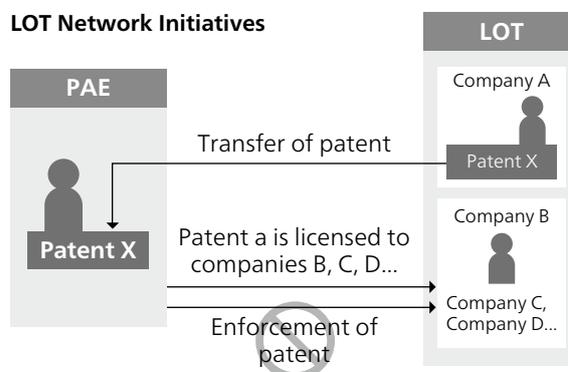### Mitigating Patent Litigation Risk through Collaboration with Other Companies

In recent years, due to the sudden 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. Over 80% of the more than 6,000 patent lawsuits filed annually in the United States are initiated by PAEs.

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

When a LOT Network member company transfers a patent to a PAE, the license for that patent is granted to other member companies without requiring any compensation. This reduces the risk of litigation from PAEs.

As of June 2017, 148 companies who own more than 680,000 patent assets belonged to the network.

LOT Network Initiatives

Attempt by private-sector companies to work together to combat PAEs

Brand Management

Brand Management

Every employee at Canon understands that the Canon brand is the symbol of Canon's commitment to its customers, and that they have a responsibility to fulfill the following mission:

- As a manufacturer, to deliver high-quality, convenient products that provide customer satisfaction and are a pleasure to use.
- As a marketing company, to provide optimal solutions and services that meet customer needs.
- As a corporation, to gain the confidence and trust of society.

Proper brand management is vital to ensure that customers and society are not adversely affected by unauthorized use of trademarks within the Group and improper use of Canon's corporate logos by third parties.

Canon therefore established the Brand Management Committee as a deliberative body charged with establishing rules for enhancing the value of the Canon brand and resolving 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.

In 2016, the Brand Management Committee discussed 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 the 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.

In 2016, Canon conducted a comprehensive review of the rules in light of changes to the environment as well as feedback concerning the brand from inside and outside the Group. To make them easier to understand, rules on the handling of trade names, trademarks, and domain names, as well as the Canon logo, were consolidated in a single guideline, along with new stipulations for the use of "Canon" externally, which had not previously been covered by the rules. We notified all Group companies, publicized the changes on our company intranet, and briefed the divisions responsible for the brand at each individual regional marketing headquarters.

Promoting Awareness of the Canon Brand

Canon carries out brand education programs across 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.

An increasing number of companies have been joining the Group in recent years through M&A, making it important for everyone within the Group to share the same culture and goal awareness. In light of this situation, we are focusing on internal branding so as to increase Group vitality through a shared recognition of the Canon brand. In 2016, we reviewed workflows and simplified documentation so the Brand Management Committee could operate more quickly and smoothly.

Going forward, we will conduct awareness campaigns aimed at employees in charge of products and brands in individual business divisions and conduct awareness campaigns for all expatriates (7 sessions, 195 participants in 2016) during training to further improve brand management capabilities across the Group.

Measures to Tackle Counterfeiting

Counterfeit products cannot be overlooked 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 trust the Canon brand. Accordingly, we are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while cooperating with customs authorities to stop their importation.

We work with customs authorities on various initiatives, including dispatching employees to serve as lecturers for authenticity seminars for customs officers and for training programs to combat counterfeit products hosted by customs authorities. In recent years, given the sharp increase in the volume of counterfeit products on e-commerce websites, Canon is also actively working to create mechanisms for eliminating such counterfeit products from the Internet.

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 own 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. Based on opinions and tasks received, we deal

Stakeholder	Main Communication Methods	Main Initiatives in 2016
Educations and Research Institutions	• Joint research • Presentations at international conferences and technical groups • Business introductions • Participation in surveys and studies • Outreach classes and instructor dispatch • Onsite briefings at schools and school visits (university/technical college level)	Canon dispatched instructors to Utsunomiya University, Center for Optical Research and Education, and collaborative lecturers on intellectual property law and corporate law to universities (15 times each). Outreach classes were held at universities and research institutions of Canon Foundation grant recipients on 17 occasions. We hosted 15 industry–academia and other research promotion department visits, and the company made two visits to university public relations and outreach departments. Canon held roughly 100 onsite briefings at universities, introducing the company and explaining its business operations. We also conducted collaborative R&D with university hospitals in Japan. Canon is working to maintain regular communication with educational and research institutions.
Employees	• Labor–management meetings • Information sharing from top management (intranet, in-house magazine, executive meetings, site visits) • Training programs • Employee surveys • Human resource hotline • Whistleblower system • Safety and Health Committee • Internal award system • Summer festivals and other events	Canon held labor–management meetings on 10 occasions. We are working to make individual workplaces more rewarding based on input received from an annual employee survey. And, through monthly meetings of workplace safety committees, we are building a framework to utilize employee feedback in our operations.
NGOs/NPOs	• Collaborative projects, including volunteer activities	In collaboration with UNHCR Representation in Japan and Japan for UNHCR*, Canon screened films from the UNHCR Refugee Film Festival and assisted with fund-raising for the organization among the roughly 200 employees who attended the event. Additionally, we gather information and receive updates from various organizations, such as NGOs/NPOs and social welfare associations, working in disaster-affected areas, and offer ongoing support for humanitarian and disaster-relief activities. We are also working to strengthen ties in relation to biodiversity activities and green procurement. * The national partner of UNHCR in Japan
Embassies and Foreign Governments	• Involvement in international exchanges and events • Cooperation with events commemorating the establishment of diplomatic relations with Japan	We interact with embassies and foreign governments around 50 times each year, responding to requests for courtesy calls and taking part in hearings and other meetings. We continue to actively participate in international exchanges and events.
Local and Global Communities	• Social-contribution activities, including community cleanups • Emergency disaster-relief assistance • Participation in disaster-preparedness and crime-prevention drills • Involvement in local groups/organizations • Participation in local events and volunteer activities • Environmental education and awareness activities	We were involved in cleanups and ran educational, sports and cultural programs, among other social contribution activities within the community. We are deepening our ties with local communities by supporting traffic-safety and disaster-preparedness drills.

appropriately with the needs of each region, and at the same time, we are sharing the important issues related to global management throughout the Group and working to resolve the issues. Here, we introduce our methods of communicating with stakeholders and introduce some specific initiatives. The stakeholders indicated here are those that Canon believes are of high importance in terms of its business activities.

Stakeholder	Main Communication Methods	Main Initiatives in 2016
Shareholders and Investors	• General Meeting of Shareholders • Briefings for institutional investors and analysts • Interviews with institutional investors and analysts • Briefings for individual investors • Disclosure of information on website for investors • Publication of corporate reports/brochures for investors, including Annual Report	We held briefings to explain Canon's initiatives on five occasions, including financial results announcement briefings and corporate strategy briefings. We are also endeavoring to meet investor needs by providing timely information disclosure on our website for investors.
Suppliers	• Online supplier surveys • Briefings for suppliers • Technology exhibitions by suppliers • Promotion of green procurement	We conduct a general survey once a year on finance, corporate information, and corporate ethics. In addition, we held 5 business activity briefings and hosted a technology exhibition by a supplier.
Customers	• Corporate website • Technology exhibitions and other events • Assistance at service centers • Factory tours and showroom tours • Corporate reports, brochures • Response to inquiries by telephone and email • Support for reducing environmental impact	In addition to holding such events, we provide onsite product servicing for corporate clients and make regular follow-up calls. Furthermore, we strive to cultivate customer trust through such initiatives as business briefings.
National and Local Governments	• Exchange of opinions with government agencies on business environment and national policies • Exchange of opinions centered on local government • Policy recommendations through economic organizations and industry groups • Cooperation in surveys and questionnaires such as government statistics	In addition to receiving a visit at the request of government agencies and municipalities, there were more than 200 opportunities for exchange in various forms such as hearings and meetings. We continue active cooperation towards grasping the actual condition and resolving issues of the business environment as well as implementing and realizing economic policies such as those related to intellectual property, trade, taxation, labor, and the environment.
Other Companies	• Collaborative projects	Canon conducts joint research with other companies and undertakes development work.

GRI Guideline Implementation

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

General Standard Disclosures

Index		Data
Strategy and Analysis		
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	PP. 3-4
G4-2	a. Provide a description of key impacts, risks, and opportunities.	PP. 3-4, PP. 13-24, P. 28, PP. 36-39, P. 76, P. 98, P. 106
Organizational Profile		
G4-3	a. Report the name of the organization.	P. 5
G4-4	a. Report the primary brands, products, and services.	P. 5, Canon Fact Book
G4-5	a. Report the location of the organization's headquarters.	P. 5
G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	P. 6, Canon Fact Book
G4-7	a. Report the nature of ownership and legal form.	PP. 5-6
G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	PP. 5-6, Canon Fact Book
G4-9	a. Report the scale of the organization.	PP. 5-6, P. 34, P. 96, Canon Fact Book
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	PP. 5-6, P. 34, P. 96, Canon Fact Book
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	P. 81
G4-12	a. Describe the organization's supply chain.	PP. 47-48, PP. 129-131
G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	P. 6, Business Report
Commitments to External Initiatives		
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	PP. 7-10, P. 25, P. 28, PP. 36-49, P. 76, P. 98, P. 106
G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	P. 148
G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations.	P. 148
Identified Material Aspects and Boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	PP. 5-6, Canon Fact Book
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	P. 1, PP. 36-39
G4-19	a. List all the material Aspects identified in the process for defining report content.	P. 9, PP. 13-24, PP. 36-39
G4-20	a. For each material Aspect, report the Aspect Boundary within the organization.	P. 1, P. 6, P. 74
G4-21	a. For each material Aspect, report the Aspect Boundary outside the organization.	PP. 31-33, PP. 36-51, PP. 55-58, P. 61, PP. 65-68, PP. 99-104, P. 110, PP. 128-131, PP. 133-136
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	P. 1
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	P. 6, Business Report
Stakeholder Engagement		
G4-24	a. Provide a list of stakeholder groups engaged by the organization.	P. 2, P. 10, PP. 135-136, P. 142
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	PP. 142-144
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	P. 10, PP. 135-136, PP. 143-144
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	P. 10, PP. 135-136, PP. 142-144
Report Profile		
G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.	P. 1
G4-29	a. Date of most recent previous report (if any).	P. 1
G4-30	a. Reporting cycle (such as annual, biennial).	P. 1
G4-31	a. Provide the contact point for questions regarding the report or its contents.	P. 1

Index	Data
GRI Content Index	

G4-32	a. Report the 'in accordance' option the organization has chosen.	Core
	b. Report the GRI Content Index for the chosen option.	PP. 137-141
	c. Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	PP. 145-146

Assurance	

G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	PP. 145-146
	b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	
	c. Report the relationship between the organization and the assurance providers.	
	d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	

Governance	
Governance Structure and Composition	

G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	P. 8, PP. 44-45, P. 107, P. 114, P. 118, P. 122, An overview of Corporate Governance at Canon Inc.
G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	P. 8, PP. 44-45, P. 107, P. 114, P. 118, P. 122, An overview of Corporate Governance at Canon Inc.
G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	P. 8, PP. 44-45, P. 107, P. 114, P. 118, P. 122, An overview of Corporate Governance at Canon Inc.
G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	P. 8, PP. 44-45, P. 107, P. 114, P. 118, P. 122, An overview of Corporate Governance at Canon Inc.
G4-38	a. Report the composition of the highest governance body and its committees.	P. 118, Annual Report, An overview of Corporate Governance at Canon Inc.
G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	P. 118
G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	PP. 118-121, An overview of Corporate Governance at Canon Inc.
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	PP. 118-121, An overview of Corporate Governance at Canon Inc.

Highest Governance Body's Role in Setting Purpose, Values, and Strategy	

G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	PP. 44-45, PP. 118-123, An overview of Corporate Governance at Canon Inc.

Highest Governance Body's Competencies and Performance Evaluation	

G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	PP. 118-121, An overview of Corporate Governance at Canon Inc.
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	P. 8, PP. 118-121
	b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	

Highest Governance Body's Role in Risk Management	

G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	PP. 122-123, An overview of Corporate Governance at Canon Inc.
	b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	
G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	PP. 122-123, An overview of Corporate Governance at Canon Inc.
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	PP. 122-123, An overview of Corporate Governance at Canon Inc.

Highest Governance Body's Role in Sustainability Reporting	

G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	PP. 8-10

Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance	

G4-49	a. Report the process for communicating critical concerns to the highest governance body.	PP. 118-123, An overview of Corporate Governance at Canon Inc.
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	—

Remuneration and Incentives	

G4-51	a. Report the remuneration policies for the highest governance body and senior executives.	P. 121, An overview of Corporate Governance at Canon Inc.
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	P. 121, An overview of Corporate Governance at Canon Inc.

Index		Data
G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	P. 121, An overview of Corporate Governance at Canon Inc.
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Non-disclosure
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Non-disclosure
Ethics and Integrity		
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	P. 2, P. 94, P. 123
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	PP. 118-121
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	P. 94, P. 124

Specific Standard Disclosures

Index		Data
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material.	PP. 9-24, P. 28, PP. 36-39, P. 76, P. 98, P. 106
	b. Report how the organization manages the material Aspect or its impacts.	
	c. Report the evaluation of the management approach.	

Index		Data
Economic		
Economic Performance		
G4-EC1	Direct economic value generated and distributed	PP. 5-6, PP. 29-34, P. 70, PP. 99-101
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	PP. 36-39
G4-EC3	Coverage of the organization's defined benefit plan obligations	P. 78, FORM 20-F
G4-EC4	Financial assistance received from government	—
Market Presence		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	P. 29
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	P. 29
Indirect Economic Impacts		
G4-EC7	Development and impact of infrastructure investments and services supported	PP. 31-33
G4-EC8	Significant indirect economic impacts, including the extent of impacts	PP. 31-33
Procurement Practices		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Non-disclosure
Environmental		
Materials		
G4-EN1	Materials used by weight or volume	P. 43, PP. 55-58
G4-EN2	Percentage of materials used that are recycled input materials	P. 43, PP. 55-58
Energy		
G4-EN3	Energy consumption within the organization	P. 43, PP. 50-54, P. 71
G4-EN4	Energy consumption outside of the organization	PP. 43-44, PP. 50-54
G4-EN5	Energy intensity	PP. 41-42, PP. 50-54
G4-EN6	Reduction of energy consumption	PP. 41-42, PP. 50-54, P. 71
G4-EN7	Reductions in energy requirements of products and services	PP. 50-54, P. 70
Water		
G4-EN8	Total water withdrawal by source	P. 59, P. 72
G4-EN9	Water sources significantly affected by withdrawal of water	PP. 59-60
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G4-PR7 — Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	—
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Reference:
An overview of Corporate Governance at Canon Inc. http://www.canon.com/ir/strategies/
Canon Fact Book http://global.canon/en/corporate/pdf/index.html
Canon Annual Report http://www.canon.com/ir/annual/index.html
Business Report http://www.canon.com/ir/report/index.html
FORM 20-F http://www.canon.com/ir/library/form20f.html

Third-Party Opinion

Project Co-ordinator,
Sustainable Production and
Consumption Department,
Wuppertal Institute for Climate,
Environment, Energy
www.wupperinst.org

Dr. Justus von Geibler

Sustainability is business' responsibility today

Recent geopolitical disruptions, including Donald Trump's election in the United States and the Brexit vote in the United Kingdom, signal changes in the structure of globalisation. Nationalism and isolationism have been encouraged by reduced economic growth and people's increased mistrust in the promises of the global economy. In these conditions public policy makers have difficulties in setting strong incentives for global sustainability. Much more than ever before, it's business' responsibility to actively shape the environmental and social landscape and clearly demonstrate the private sector's contribution. Responsiveness to societal demands and cooperation with key stakeholders are crucial for the success of innovative companies, especially for global technology providers such as Canon.

How does Canon respond to people and society?

Considering this specific perspective when reviewing the draft of the Canon 2017 Sustainability report, my overall judgement of the report's quality is very positive. Canon demonstrates that its reporting process goes beyond "pure performance presentation" and encompasses the task of "listening" to people and society to gain a better understanding of environmental and social trends. Consequently, Canon's 2017 report is focused on relevant issues and the performance can be presented against the wider context of sustainability issues and impacts. Even if some challenges remain, I would like to highlight two particularly important achievements in Canon's sustainability report compared to the previous report.

Consideration of Canon's linkages to SDGs

I greatly appreciate that this year's report addresses in more depth the relationship of Canon's activities to the UN Sustainable Development Goals (SDGs). For example, Canon has surveyed stakeholders to understand their expectations regarding Canon's contribution

to the achievement of the SDGs (CSR Management →P10). In light of the current major changes within Canon, including some larger acquisitions (→P3), the expectations of stakeholders is understandable: "staff member empowerment", "productive employment and decent work", as well as "inclusive and equitable quality education" appear as priority themes. Additionally, P25 and P26 highlight the connections between Canon's activities and the SDGs. Furthermore, in the CSR Reporting section "Environment" (→P35), the Canon report specifies the linkages to the environmentally related SDGs. In future reports, I would like to see the SDG linkages better supported by metrics and performance data, especially with regard to the social impacts. Additionally, I believe that a consideration of both risks and opportunities associated with the SDGs is helpful to better understand future market conditions. Canon might consider results of ongoing discussions on corporate action on the SDGs, for example at the SDG Business Hub of the World Business Council for Sustainable Development.

Putting the business strategy into perspective for employees

Value creation – including profit making, business activities and the company's existence itself – is a very important aspect of Canon's impact on society. This year's Canon report properly presents the new growth strategy in a sustainability context. Throughout the report – most prominently in sections "Message from Management", "CSR Management" and "Canon's Growth Strategy and Sustainability" – contextual information is presented for the new phase of the Excellent Global Corporation Plan and the establishment of the four new core businesses. This is important not only for Canon's employees in order to better understand the relevance of the current transformation processes. In this light, I hope that the new CSR training and education activities highlighted in the CSR Management Section will be expanded in the future.

Remarkable increase in reporting quality

For more than a decade, I've observed a continuous and impressive increase in the quality of Canon's sustainability reports. I congratulate Canon and the reporting team for this great success. Canon is ready to further advance its reporting practice and to push performance continuously forward.

Third-Party Opinion

Third-Party Review Process

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, Dr. von Geibler 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

For the ninth year running, Canon has welcomed external comment based on a portion of the Global Reporting Initiative Sustainability Reporting Guidelines, namely four Reporting Principles relating to Defining Report Content:

- **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, Dr. 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 2017
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

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 Dr. von Geibler and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Sancroft nor Dr. 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, 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:

In addition, there was extensive discussion of how best to present and illustrate complex ideas, including Canon's contribution to the SDGs, through the use of language, pictures and graphical elements.

Dr. von Geibler's full statement can be seen at "Third-Party Opinions" (→P142).

Topics	Third-party comment	Canon views
Validity of the materiality themes for Canon	Two materiality themes of Canon overall are rather rough and generic. Canon can highlight additional sub-themes under the two materiality themes at some point more clearly.	The result of the most recent two questionnaires to stakeholders conducted by Canon show that many people feel that these two materiality themes are well-suited for Canon. With respect to the environment, Canon supplied a more detailed materiality approach last year. Further, as Dr. von Geibler suggested in last year's dialogue, Canon determined to refer to the "Response to People and Society" in the chart of the Canon Sustainability Strategy.
Canon's strategy for sustainability and the Sustainable Development Goals (SDGs)	It is very good to make clear the connection to the *kyosei* philosophy in the chart of the sustainability strategy on P11 and 12. Further, I suggest that Canon should indicate a link to the SDGs in the same chart. Canon's contribution to the SDGs is very apparent and Canon's activities should be seen comprehensively.	We are keen to avoid presenting too much information on one page, which would make it difficult to digest. We have separated the page for Canon's activities description and the linkage to the SDGs. Since the SDGs were announced around 2 years ago, Canon is just describing the relationship to the SDGs this year. Canon researched stakeholders' interest in the SDGs in the latest questionnaire to stakeholders.
Circular economy	An important element of the company's commitment to helping customers reduce their environmental footprint is to provide high-quality, repairable products with long life.	We are promoting our "remanufacturing" program in which we recycle and reuse previously used products, and produce refreshed products with the same quality as brand new products. We think this program contributes to the extension of the product lifecycle.
Biodiversity	I believe Canon has a unique ability to aid protection of biodiversity through reaching out to people and showing them the value of nature, through its very beauty. Canon's role as an image company can connect people with nature and conservation in an emotionally immediate way.	Canon's biodiversity policy contains three main activities. The first is the utilization of Canon technologies and products for biodiversity conservation. The second is our consideration of biodiversity at our operational sites. The third element is our contribution to the realization of a community rich in biodiversity through partnerships with local communities and NGOs on biodiversity. The first activity contributes to people's awareness of the importance and beauty of nature through imaging technologies.

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, 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), when calculating direct GHG emissions (Scope 1), indirect GHG emissions that originate from energy (Scope 2) and other indirect GHG emissions (Scope 3, categories 1, 4 and 11).

Assurance Statement related to GHG Emissions Inventory 2016 prepared for CANON Group

Terms of Engagement
This Assurance Statement has been prepared for CANON INC.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by CANON INC. (30-2 Shimomaruko 3-Chome, Ota-ku, Tokyo 146-8501, Japan) to assure CANON Group's GHG Emissions Inventory for the calendar year 2016, that is, 01 January to 31 December 2016 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions (Scope 1[1]), energy indirect GHG emissions (Scope 2[1]) and other indirect GHG emissions (Scope 3 – Categories[2] 1, 4 and 11).

Management Responsibility
CANON INC.'s management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with CANON INC.

Ultimately, the Report has been approved by, and remains the responsibility of CANON INC.

LRQA's Approach
Our verification has been conducted in accordance with ISO 14064–3:2006, 'Specification with guidance for validation and verification of greenhouse gas assertions' to provide limited assurance that GHG data 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 the Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard.'

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:
- conducted site visits to CANON INC.'s head office in Tokyo, Kawasaki Office in Kanagawa Prefecture, and Canon Precision Inc. in Aomori Prefecture, Japan;
- interviewed key personnel responsible for the management of GHG emissions data and information and for the preparation of the Report at the above sites;
- reviewed processes for the management of GHG emissions data and information included in the Report; and
- verified GHG emissions data and information at an aggregated level made available at the head office and back to the original sources at the above sites visited.

Level of Assurance & Materiality
The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at a materiality of the professional judgment of the Verifier.

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[1] Scope 1 and 2 emissions are as defined in The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.
[2] The categories of Scope 3 emissions are as defined in the Greenhouse Gas Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Table 5.3.

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LRQA's opinion
Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total direct GHG emissions and energy indirect GHG emissions and other indirect GHG emissions disclosed in the Report as summarized in Table 1 below are not materially correct and that the Report has not been prepared in conformance with ISO 14064-1:2006 and taking into account the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

LRQA's recommendations
CANON INC. should continue efforts for integrating of QA/QC systems for data management with internal self-verification controls at both the corporate and member company levels.

Signed   Dated: 31 March, 2017

Takahiro Iio, Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
Japan Business Centre, Queen's Tower A10th Floor, 2-3-1 Minatomirai
Nishi-ku, Yokohama 220-6010, Japan

LRQA Reference No: YKA4005113

Table 1. Summary of CANON Group's GHG Emissions Inventory 2016

Scope of GHG emissions	Tonnes CO_2e
Direct GHG emissions (Scope 1)	164,769
Energy indirect GHG emissions (Scope 2, Location-based)	1,046,831
Energy indirect GHG emissions (Scope 2, Market-based)	953,952
Other indirect GHG emissions (Scope 3)	5,093,672

Note 1: Scope 2, Location-based and Scope 2, Market-based are defined in the GHG Protocol Scope 2 Guidance, 2015
Note 2: Some of the Scope 2, Market-based are partially included in Scope 2, Location –based
Note 3: Scope 3 includes Category 1, 4 and 11 only.

This Assurance Statement is subject to the provisions of this legal section:

This Assurance Statement is only valid when published with the Report to which it refers. It may only be reproduced in its entirety.

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Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this Assurance Statement is the only valid version. Lloyd's Register assumes no responsibility for versions translated into other languages.

In the case of any conflict between the English and Japanese versions of this legal section, the English version shall prevail.

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Major Awards, Citations, and Association Memberships

The Canon Group has received numerous awards for its products and corporate activities from various organizations in Japan and overseas. We are also a member of many industry organizations.

Major Awards and Citations

Date of Award	Region	Award/Citation	Product or Feature	Sponsor
January 2016	Europe	The Circulars 2016 "People's Choice Award category" Best Award	The toner cartridge recycling program is evaluated	World Economic Forum and Forum of Young Global Leaders in collaboration with Accenture
April 2016	Europe	Red Dot Design Award, Product Design 2016	Digital compact camera "PowerShot G9 X"	Design Center North Rhine-Westphalia
May 2016	Japan	Camera Grand Prix 2016, CJPC Editors Award	Digital SLR camera "EOS SDs/5Ds R"	Camera Journal Press Club
July 2016	Japan	"The 46th Machine Industry Design Award" Jury Special Award	Ultra-high-sensitivity multipurpose camera "ME20F-SH"	Nikkan Kogyo Shimbun
August 2016	Europe	EISA Awards 2016-2017	Digital SLR camera "EOS-1D X Mark II", inkjet printer "imagePROGRAF PRO-1000", etc. (Total 4 products)	European Imaging and Sound Association (EISA)
September 2016	Japan	2016 Good Design Award	Inkjet printer "PIXUS TS9030" "imagePROGRAF PRO-1000", office multifunction device "imageRUNNER ADVANCE C5500/6500/8500" series, etc. (Total 6 products)	Japan Institute of Design Promotion
October 2016	Asia/Oceania	China's First Five-Star Green Supply Chain Assessment-Certified Company	Canon is first five-star company Green Supply Chain Management is evaluated	China Environmental United Certification Center
November 2016	Asia/Oceania	2016 DFA Design for Asia Awards, Bronze Award	Digital compact camera "PowerShot G5 X"	Hong Kong Design Centre
December 2016	Americas	2017 Wide-Format Printer Line of the Year	Wide-Format Printer "imagePROGRAF" series	Buyers Laboratory LLC (Keypoint Intelligence)
February 2017	Europe	Winner of iF Design Awards for 23rd consecutive year	Compact digital camera "PowerShot G5 X", multimedia projector "4K501ST", etc. (Total 6 products)	iF International Forum Design GmbH
February 2017	Americas	Winner of annual A3 MFP Line of the Year for 2nd consecutive year	Office multifunction device "imageRUNNER ADVANCE" series	Keypoint Intelligence
March 2017	Japan	Award for Companies Promoting Experience-Based Learning Activities for Youth: Ministry of Education, Culture, Sports, Science and Technology	Joint school memory project between Canon Marketing Japan and Pentel	Ministry of Education, Culture, Sports, Science and Technology
April 2017	Europe	Winner of Technical Image Press Association Awards for 23rd consecutive year	Digital SLR camera "EOS 5D Mark IV", interchangeable lens "EF 24 - 105 mm F4L IS II USM", digital camcorders "XC 15"	Technical Image Press Association
April 2017	Americas	Winner of ENERGY STAR® 2017 Partner of the Year - Product Brand Owner Award for 2nd consecutive year	Contribution promoting energy conservation is recognized	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 (CSIRT)
- World Business Council for Sustainable Development (WBCSD)
- Conflict Free Sourcing Initiative (CFSI)
- Japan Intellectual Property Association (JIPA)
- License on Transfer Network
- The Federation of Electric Power Companies of Japan
- International Energy Agency (IEA)
- chemSHERPA
- Ink cartridge Satogaeri Project
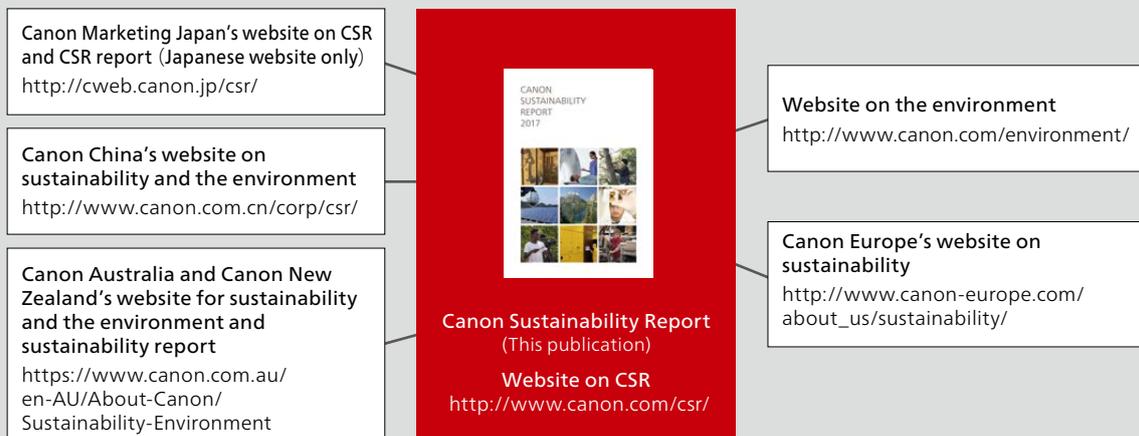
Credit Rating by Key Agencies

(As of December 31, 2016)

Recognized for its solid financial standing and consistent ability to generate cash flow, Canon Inc. is rated among the highest of any Japanese corporation— even higher than Japanese government bonds.

Credit Rating Agencies	Long Term	Short Term
Standard & Poor's	AA	A-1+
Moody's	Aa3	–
Rating and Investment Information, Inc.	AA+	–

Canon Group's System for Sharing CSR Information

Every year Canon publishes a Japanese- and English-language version of its 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)
http://cweb.canon.jp/csr/

Canon China's website on sustainability and the environment
http://www.canon.com.cn/corp/csr/

Canon Australia and Canon New Zealand's website for sustainability and the environment and sustainability report
https://www.canon.com.au/en-AU/About-Canon/Sustainability-Environment

Canon Sustainability Report (This publication)
Website on CSR
http://www.canon.com/csr/

Website on the environment
http://www.canon.com/environment/

Canon Europe's website on sustainability
http://www.canon-europe.com/about_us/sustainability/

Canon