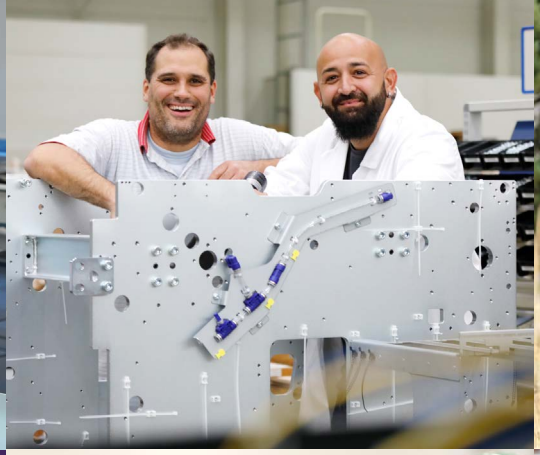
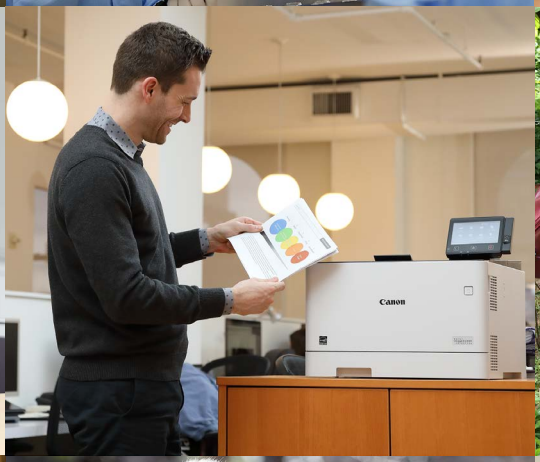
CANON
SUSTAINABILITY REPORT 2020

– An Integrated Report for Realizing *Kyosei* –










Canon
OnVision


Under the corporate philosophy "*kyosei*," we are stronger and deeper with stakeholders

Following half a century of operations, Canon adopted *kyosei* as its corporate philosophy in 1988, expressing clearly the company's firm commitment to working together with stakeholders around the world.
Kyosei is the aspiration to create a society in which all people, regardless of race, language or culture, harmoniously live and work together for the common good into the future.
Canon is pursuing the realization of a sustainable global society based on the philosophy of *kyosei*.

Injecting Excitement into Rugby World Cup 2019 (TM) as an Official Sponsor

Canon supported Rugby World Cup 2019 (TM) as an official sponsor. Rugby is a sport that develops human capabilities such as respect, dignity, resolution, passion, and discipline. In this way, it resonates with the concept of "Respect for humanity" promoted as Canon's management philosophy, and the event proved to be a resounding success.

About this Report

Editorial Policy

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

This year's report presents topics such as value creation process, the history of value creation, examples of value creation, 2019 business results, and materiality-based initiatives.

Finally, this report is prepared in accordance with the GRI Standards Core option and with reference to the disclosure items recommended by the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD).

Additional financial information is available in the CANON ANNUAL REPORT 2019.

(Ref.) CANON ANNUAL REPORT 2019
https://global.canon/en/ir/library/annual.html

Scope of the Report and Period Covered

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2019 (January 1 to December 31, 2019). 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 2019 is referenced in this report. Information specific to a region or organization is indicated as such.

Target of the Report

Data from 361 companies (58 companies in Japan and 303 overseas) that are consolidated companies of the Canon Group have been compiled and reported.

Date of Publication

July 2020 (previous: May 2019, next planned: May 2021)

Referenced Reporting Guidelines

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

Comparative tables for GRI Standards can be found online at the following URL. The relevant GRI Standards disclosure items for each management approach used in activities based on management strategy are listed and illustrated with the icons shown below.

GRI disclosure item icon example GRI102-11

(Ref.) Comparative table for GRI Standards
(to be published in July):
https://global.canon/en/csr/search/gri.html

Disclosed Data

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

Notation

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

Third-Party Opinion and Third-Party Assurance

Canon received a third-party opinion (→P131) from Justus von Geibler (D.Phil.) of the Wuppertal Institute and Judy Kuszewski of Sancroft International, which is helping to improve ongoing CSR initiatives as part of the company's stakeholder engagement activities. Furthermore, a third-party assurance (→P134) from Lloyd's Register Quality Assurance Limited (LRQA) has been obtained for GHG emissions, energy consumption and water consumption data for 2019.

Forward-Looking Statements

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

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Contents

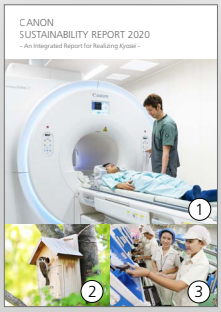
Canon Group's System for Sharing CSR Information

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

Canon Marketing Japan's website on CSR and CSR report (Japanese website only)
https://cweb.canon.jp/csr/

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

Canon Australia and Canon New Zealand's website for sustainability and the environment and sustainability report
https://www.canon.com.au/about-canon/sustainability



Canon Sustainability Report 2020
(This publication)

Website on CSR
https://global.canon/en/csr/

Website on the environment
https://global.canon/en/environment/

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

Canon's official CSR activities Instagram account @canon_csr
https://www.instagram.com/canon_csr/

On the cover

① The MRI System "Vantage Galan™ 3T" of Canon Medical Systems operating in Saitama City Hospital
② A nesting box by the Canon Bird Branch Project uses a bird to symbolize the circle of life (Canon Ecology Industry).
③ Assembly training by local trainers at Canon Hi-Tech (Thailand)

Message from the CEO

From a foundation of respect for humanity and the environment based on the corporate philosophy of *kyosei*, staying focused on quicker implementation of its strategic transformation, Canon is working to be a source of innovation to help address societal issues.

Canon's Strategic Transformation

Human prosperity is the result of economic development and technological innovation. In recent years, the twin forces of globalization and digitalization have elevated lifestyles to new levels of convenience and affluence. However, the flipside of this is the emergence of several global societal issues that grow in severity each year, including economic inequality, resource depletion and environmental issues. Innovation is needed to create solutions for these varied and complex societal issues.

Against the backdrop of these societal demands, we are looking to broaden Canon's business operations to include the domains of Consumer, Office, Industrial, and Social (relating to human safety and security).

Since Canon's foundation in 1937, business has grown consistently over time as we utilized innovation to address societal needs, based on the Enterprising Spirit we inherited as part of our corporate DNA. In Canon's early years, we enriched the lives of people with cameras. In Japan's period of rapid economic growth, we increased office productivity using copiers and supported growth in the electronics industry with the development of semiconductor production equipment. We have also helped create the information society with a range of

digital products based on advanced IT.

Looking ahead, alongside these businesses, we aim to supply value-added products and services to help realize a society in which people around the world can live in safety and comfort.

With this aim, in line with the basic policy of "embracing the challenge of new growth through a grand strategic transformation," under Phase V of the Excellent Global Corporation Plan, a five-year business initiative that we initiated in 2016, we have pursued an active M&A strategy and transformed Canon's business portfolio.

We continue to reinforce and expand operations in four areas of business: healthcare, to support human health by helping to develop advanced treatments that use the latest technology; commercial printing, notably low-volume, fast-turnaround printing jobs for promotional catalogs, direct mail and other printed materials; industrial equipment to support technical innovation in areas such as IoT, AI and robotics; and network cameras, which help to address safety needs.

Healthcare IT of Canon Medical Systems

Key Challenges for 2020

We experienced a challenging year at Canon in 2019 due to harsher business conditions. Global economic growth was sluggish due to Sino-US trade friction and the impact of slower Chinese economic growth. Demand for our cameras and printers continued to fall amid further adoption of smartphones, and our industrial equipment business experienced a protracted downturn in investment related to semiconductors and small- and medium-sized display panels.

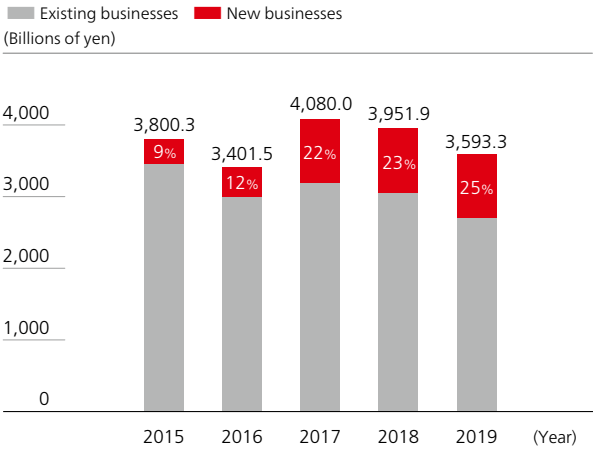
Global conditions are likely to stay uncertain in 2020, the final year of Phase V of the Excellent Global Corporation Plan. We expect further uncertainty caused by Sino-US trade friction, Britain leaving the EU, and geopolitical tensions in the Middle East, among other factors.

In line with our basic policy of "speeding up and completing the grand strategic transformation," we are focusing on four key challenges so we finish Phase V with a well-constructed, robust business platform.

The first challenge is "strengthening our existing businesses," such as cameras and printers. Besides seeking to maintain and grow market share by continually reinforcing the appeal of Canon products, we also plan to develop advanced solutions through partnerships with other companies.

The second is "expanding our new businesses." Sales generated by the four businesses of healthcare, commercial printing, industrial equipment, and network cameras already account for 25% of the consolidated total. We are targeting rapid growth through strategic M&A and a program to realize significant cuts in production costs. We are also utilizing open innovation platforms to promote active collaboration with universities and other research institutions worldwide. Two initiatives from our new businesses that we aim to commercialize in the near future are the Free Viewpoint Video System and the space-related operations of Canon Electronics, a group company.

Total net sales and new business composition



The third is "pushing structural reorganization." The aim is to reallocate human and other resources from existing businesses, as appropriate, to new areas of business with increased growth potential.

The fourth is "boosting productivity." By introducing IoT, AI and other cutting-edge technologies, we plan to use more automated assembly for high mix, short-run production, while also extending automation to include processes such as testing and inspection. At the same time, we will strive to keep production in-house wherever possible, and not simply for core components.

These kinds of initiatives will help us to address societal issues and add value using innovation.

Towards the Realization of *Kyosei*

Although we are in the midst of a grand transformation, some things at Canon are and will remain unchanged—such as our people-first management philosophy.

Canon's first president, Takeshi Mitarai, set out the principle of "creating a company whose employees could live full and happy lives." Besides instituting people-oriented remuneration and HR systems, we have cultivated a dynamic culture based on a code of conduct expressed in the *San-ji Spirit* ("Three Selfs": self-motivation, self-management, and self-awareness).

In 1988, the company's 51st anniversary, our people-first management principle evolved into the globally-minded corporate philosophy of *kyosei*. *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. Based on this philosophy, we are developing various initiatives such as promotion of diversity to ensure working environments across the Canon Group enable individual employees to find personal growth as the business expands. At the same time, while seeking to build good relationships with suppliers, customers and our other stakeholders, as well as communities at local, regional, and national levels, we are striving to address wide-ranging societal issues through incremental improvements to CSR initiatives across the supply chain.

At Canon, we have always taken a progressive stance to building a harmonious relationship with the natural environment. We were a global pioneer in 1990 with our introduction of systems to collect and recycle toner cartridges. Today, it is no exaggeration to say that humanity is facing an environmental crisis. Companies are working to address environmental issues as a priority, and we see this mission as part of Canon's responsibility as a global enterprise. We will continue to find ways to address these issues over the entire product lifecycle.

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

At the same time, in developing global business, we have sought to manage our operations in line with local customs and cultural norms to help develop alongside countries and regions in which we operate while also seeking to address societal issues. We recycle some of the profits we gain from our business activities into various social contribution activities at the national and local level. This includes humanitarian and disaster relief, educational grant programs and sponsorship of arts, cultural, and sporting events.

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

Our goal of realizing *kyosei* is also aligned with the Sustainable Development Goals (SDGs) that the United Nations adopted in 2015.

The concept of *kyosei* is the foundation for our three materiality themes of "Creating New Value and Solving Social Issues," "Protecting and Conserving the Environment" and "Responding to People and Society as a Good Corporate Citizen." Going forward, as we maintain close communication with customers and stakeholders, we at Canon will put all our efforts into helping to realize a better society by addressing various issues facing the world. To that end, we will reinforce our focus on achieving a grand strategic transformation while also seeking to stimulate growth and create new value and striving to make a lasting contribution through technology, so that Canon may remain a company that is admired and respected by people worldwide.

In closing, I humbly ask for your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

A History of Value Creation

Since its founding in 1937, Canon has grown by creating value through continuous self-transformation to meet the needs of society in every era.

Social and Environmental Value

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

1960s

Societal Issues and Global Trends

High economic growth

Development of Products and Businesses

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

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

1970s

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

NP-1100

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

PPC-1

1980s

Advance of electronics technology

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

LBP-8

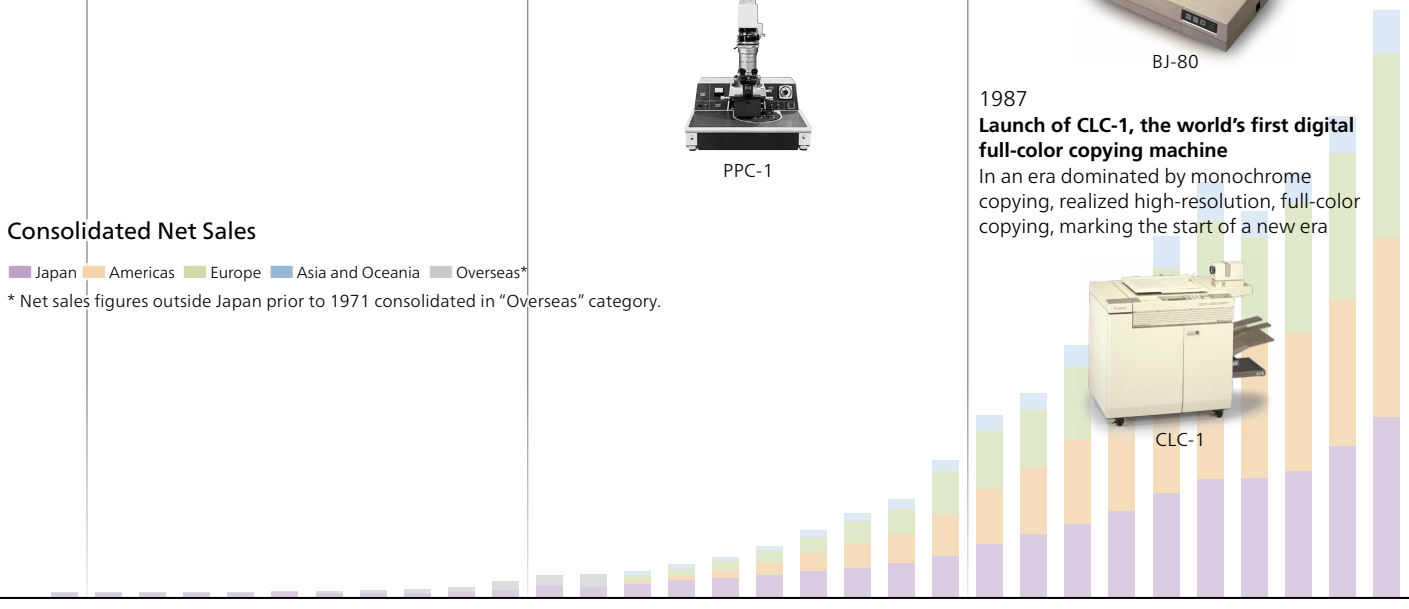
1985
Launch of the world's first inkjet printer using Bubble Jet technology
Subsequently developed superior miniaturization and color printing technologies, leading to the popularization of high-resolution, full-color printing at home

BJ-80

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

CLC-1

Consolidated Net Sales



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

Economic Value

Total Net Sales (2019) ¥3,593.3 billion

(Billions of yen)
4,000
3,000
2,000
1,000
0

Asia and Oceania
¥809.2 billion
(22.5%)

Europe
¥882.5 billion
(24.6%)

Americas
¥1,029.1 billion
(28.6%)

Japan
¥872.5 billion
(24.3%)

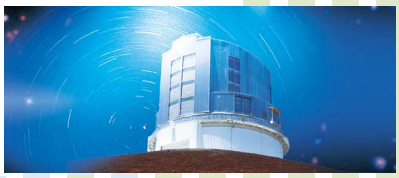
1990s

Digitalization and networking technology advanced with the development of IT

Increasing environmental awareness

1990
Start of toner cartridge recycling program
Quickly recognizing the large volume of consumed cartridges as an issue for companies, started a recycling program

1999
Developed and manufactured a corrector for the Subaru Telescope
Enabled cosmic observation over a wide field and expedited research aimed at illuminating the origins of space



Subaru Telescope (USA Hawaii)

2000s

2000
Launch of iR series new-generation network MFDs
Realized seamless linking of input and output of paper and digital documents and enabled digitization of paper documents and output from remote locations

2000
Launch of PowerShot S100 DIGITAL ELPH (DIGITAL IXUS in other regions), the world's smallest, lightest digital compact camera
A high-image-quality digital camera that was stylish and easy to carry became a hit product

2007
Expansion of industrial equipment business
Canon Tokki (formerly Tokki) joined the Group. Contributed to spread of devices using OLED displays through successful realization of OLED panel manufacturing equipment in the 2010s

2010s

Adoption and expansion of AI and IoT

2010
Expansion of digital commercial printing business
Canon Production Printing (formerly Océ) joined the Group. Promoted advanced digital printing that doesn't require plates

2011
Launch of Cinema EOS System
New possibilities in visual expression for the motion picture production industry

2015
Strengthening of network camera field
Leading global company Axis Communications joined the Group. Expanded Canon's presence in the field of public security

2016
Expansion of the medical business
Canon Medical Systems (formerly Toshiba Medical Systems) joined the Group. Expanded businesses that serve patients and medical institutions

2018
Opened the Canon Eco Technology Park, an automated recycling plant
Developed as a site for communicating environmental activities. The plant, designed for recycling MFDs and toner cartridges in a clean environment, includes experiential showroom

Excellent Global Corporation Plan →P27-28 "Evolution of Business Plans"

Phase I	Phase II	Phase III	Phase IV	Phase V
Total optimization and profitability	Increased competitiveness through digitalization	Reinforcing existing businesses and expanding into new areas	Enhancing growth and manufacturing capabilities	New growth through a grand strategic transformation
1996–2000	2001–2005	2006–2010	2011–2015	2016–2020

Phase I Phase II Phase III Phase IV Phase V

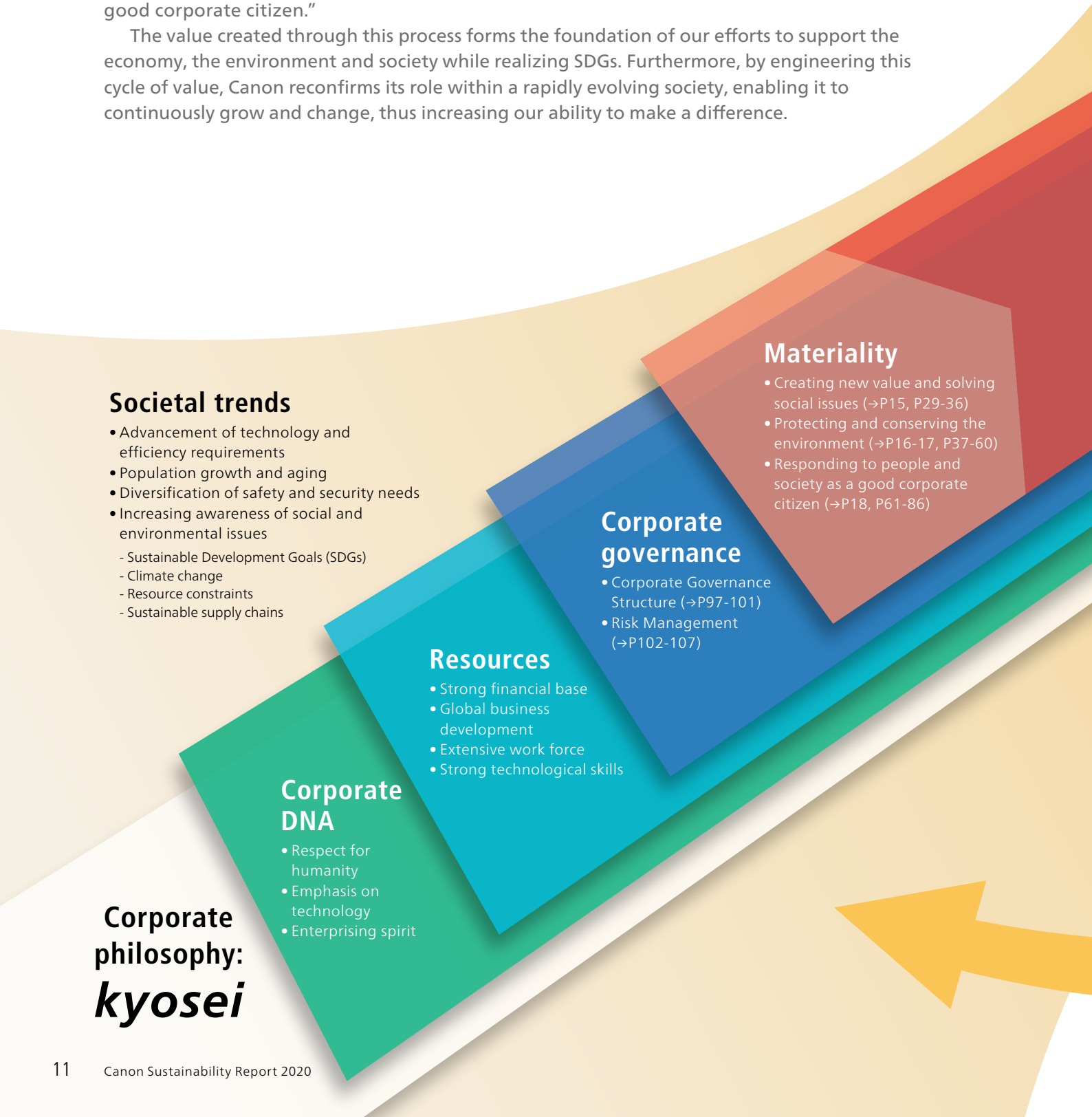
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

Value Creation Process

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

Under its Excellent Global Corporation Plan, a series of five-year initiatives, Canon focuses on creating unique technology and ensuring business activities which are aligned with changing needs, while targeting faster progress in each business unit. The plan focuses especially on the three material themes of "Creating new value and solving social issues," "Protecting and conserving the environment," and "Responding to people and society as a good corporate citizen."

The value created through this process forms the foundation of our efforts to support the economy, the environment and society while realizing SDGs. Furthermore, by engineering this cycle of value, Canon reconfirms its role within a rapidly evolving society, enabling it to continuously grow and change, thus increasing our ability to make a difference.



Realizing
kyosei

Contributing to achievement of SDGs

Economic, Environmental & Social Contribution

- Creating a safe and secure society (→P31-32)
- Expanding medical equipment business to help improve medical care (→P33-34)
- Contributing to economic growth through industrial innovation (→P35-36)
- Realizing a low-carbon society (→P47-50)
- Realizing a circular economy (→P51-55)
- Ensuring respect for human rights in the workplace (→P61-74)
- Ensuring product safety and improving usability (→P75-82)
- Promoting sustainable development of local communities (→P83-86)

Business Units

- Office (→P87-88)
- Imaging System (→P89-90)
- Medical System (→P91-92)
- Industry and Others (→P93-94)

Engineer a cycle of value

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

Materiality and SDGs

3 Materiality Themes

Materiality identification uses a three-step process at Canon, as outlined below.

<STEP 1>

About 70 potential materiality issues were proposed, based on comparing Canon's initiatives and various business activities consistent with medium- to long-term business plans to date against the GRI Standards for sustainability reporting, other CSR-related metrics and wider social expectations of corporations.

<STEP 2>

We surveyed, via questionnaire, such stakeholders as consumers, NPOs, community groups, investors, analysts, suppliers, universities, research institutions and government bodies on the contribution expected of Canon.

<STEP 3>

The survey results showed many respondents gave high marks to initiatives contributing to "Creating New Value and Solving Social Issues" and "Protecting and Conserving the Environment." The two were confirmed as materiality themes. The survey also pointed to "Responding to People and Society as a Good Corporate Citizen" as a third key theme supporting the others. After review by the CSR-related departments, these three materiality themes were given final approval by management.

Note that, with items related to "Protecting and Conserving the Environment," we used the survey to identify materiality issues at the topic level, as stipulated in the GRI Standards (→P37).

STEP 1 Potential issues identified

- About 70 topics chosen, based on comparing business activities against GRI Standards for sustainability reporting and other CSR-related metrics

STEP 2 Stakeholder expectations gauged

- Stakeholders surveyed via questionnaire on issues identified in Step 1

STEP 3 Materiality themes selected

- Materiality themes narrowed down to two with particularly high stakeholder interest plus one supporting theme (total: three)
- Approved by management after review by CSR-related departments

3 Materiality Themes and Results of Stakeholder Survey

Identified materiality issue		Questionnaire items (extract)	Level of expectations*	Refer to page
Creating New Value and Solving Social Issues		■ Supporting health and disease prevention ■ Developing photography/imaging-related products and technology ■ Security technologies that support a safe and secure society ■ Productivity-improvement technology	★★★★★	P29-36
Protecting and Conserving the Environment		■ Reuse and recycling of used products ■ Management of chemical substances contained in products ■ Management of air emissions and prevention of pollution ■ Management of raw material use	★★★★	P37-60
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor	■ Female empowerment at work ■ Support for work-life balance	★★	P61-74
	Product Responsibility	■ Ensuring product safety ■ Universal design	★★	P75-82
	Social Contribution	■ Development of the next generation ■ Support for disaster-affected regions	★★	P83-86

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

Relationship with SDGs

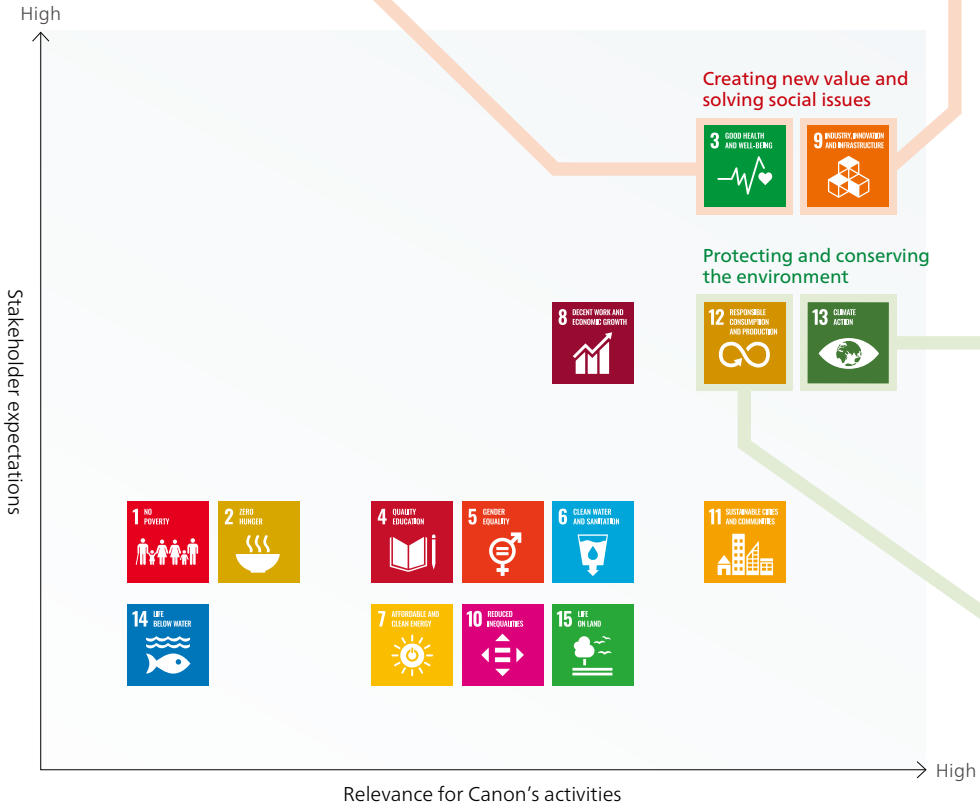
Canon is contributing to the achievement of SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes on P13.

- In vitro diagnostic systems detect disease early and help prevent spread of infection (→P34)
- Deep learning-based image reconstruction technology lowers radiation exposure and produces high-quality images (→P34)

Ebola virus testing in the Democratic Republic of the Congo (DRC)

- Canon's high-performance semiconductor production equipment reduces the cost of making chips, the brains of the electronic devices essential to the IoT era (→P36)
- Canon-developed system solutions help to automate factories and improve productivity (→P36)

Nanoimprint semiconductor lithography equipment in testing for mass production use at a memory chip manufacturer



- Canon promotes lower CO_2 emissions throughout the product lifecycles (→P47-50)
- Canon helps customers in environmental impact reduction, such as carbon offsets (→P47-48)

CO_2 emissions reductions using products and IT solutions

- Canon promotes raw material conservation and product-to-product recycling (→P51-55)
- Chemicals used in products and production processes are strictly managed (→P56-58)

Canon Eco Technology Park (Japan) —targeting advanced resource recycling

17 PARTNERSHIPS FOR THE GOALS

Goal 17 is omitted from the above matrix because it relates to all business activities (see P58 and P109 for specific examples of Goal 17-related business activities).

Promoting in-house understanding

We are working to promote understanding of the SDGs by Canon Group employees.

- SDG workshops (Canon Inc./Japan)
- In-house photography competitions based on SDGs-inspired themes (Canon Europe/UK)
- Employee education about SDGs through environmental events, such as Earth Day (Canon U.S.A./US)

SDGs workshop in Canon Inc.

Canon's Materiality-based Approach

Creating New Value and Solving Social Issues

Risks and Opportunities

Amid the various ongoing efforts being made globally to realize a more sustainable future, multiple challenges for companies remain.

The march of technical innovation and globalization is generating various threats to the safety and security of homes and businesses due to societal issues, ranging from cyber-attacks or terrorist acts that target concentrated urban populations to aging demographics and novel infectious outbreaks. Delaying the response to rapid societal changes poses a risk for business. In contrast, actively mitigating such risks can be an opportunity for companies to generate additional growth by looking to address societal issues in ways that add original value to people's lives.

Utilizing the imaging technology Canon has cultivated over decades through the camera business, we supply a variety of products and services such as network cameras that contribute to a safe, secure society. We are also striving to develop cutting-edge medical technology for early diagnosis of diseases so that people can enjoy a high quality of life and enriched lifestyles even into old age. Addressing such issues with innovation that is in tune with local community needs and responsive to societal changes helps us fulfil our social responsibility while also enhancing the sustainability of Canon's operations and of society.

The results of Canon's stakeholder questionnaire survey identify areas where stakeholders expect the most from Canon in terms of "Creating New Value and Solving Social Issues." In descending order, these are: development of medical technology that contributes to human health and the prevention of disease; development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging; advancing security technology to contribute to the safety and security of society; and developing technology that boosts industrial productivity. Based on the concerns of stakeholders, we are promoting related initiatives under the four themes of "Meeting diversified needs in commercial printing," "Creating a safe and secure society," "Expanding our medical business," and "Supporting industrial innovation."

Top 5 Stakeholder Expectations (Creating New Value and Solving Social Issues)

	Items
1	Development of medical technology that contributes to human health and the prevention of disease
2	Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging
3	Advancing security technology to contribute to the safety and security of society
4	Developing technology that boosts industrial productivity
5	Making technological contributions to high-level academic research

Approach

We are building Canon's new business foundation around our traditional mainstays of office equipment and digital cameras plus our four new businesses: commercial printing, network cameras, medical, and industrial equipment. We are working to create new value by leveraging our collaboration with newly acquired Group companies by utilizing their technical expertise, sales networks, human capital, and other resources. We also continue to promote joint development and open innovation with top research institutions such as universities and other companies in Japan and overseas, while also seeking to supply products and services tailored to various needs.

Relationship with SDGs

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

Protecting and Conserving the Environment

Risks and Opportunities

Affluent consumer lifestyles contrast with the varied environmental problems that the planet now faces, including climate change, resource depletion, pollution and loss of biodiversity. Many countries are instituting policies to reduce CO_2 emissions to address global warming, and there is a growing debate about the need for a circular economy to make effective use of resources. Recognizing these global developments and the business impact of environmental issues, companies believe it is vital to contribute to efforts to address these issues in partnership with national and local governments, experts and other stakeholders.

Along with continual analysis of related global trends based on information from specialist institutions and government agencies, Canon designates business risks and opportunities by field, based on various estimates about the social impacts of rising temperatures.

In tackling climate change, we believe the critical approach to reduce risk while expanding opportunities involves mitigation by cumulative reduction of CO_2 emissions across product lifecycles alongside adaptation to physical risks.

Major Risks and Opportunities in Four Areas of Materiality, Impact on Business Activities

	Risks	Opportunities
Climate change	**Transition risks:** • Stricter energy-efficiency regulation and associated compliance costs (products/sites) • Increase in business costs from economic measures to reduce emissions (e.g., carbon tax) **Physical risks:** • Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods **Reputational risks:** • Worsening external evaluation due to insufficient information disclosure	• Expanded opportunities for sale of energy-efficient products (low lifecycle emissions) • Contribution to society-wide CO_2 emissions reductions through IT solutions and sales of energy-efficient industrial products • Reduced energy costs through increased efficiency in production and transportation • Expanded opportunities for use of renewable energy through lower associated costs • Enhanced corporate image through proactive disclosure of activity results
Circular economy	**Transition risks:** • Increased procurement costs of raw material due to resource constraints • Stricter resource-efficiency regulation and associated compliance costs (products/services) • Increased costs for collection and recycling of used products in various regions **Physical risks:** • Impairment of stable water supply and negative impacts of operation due to extreme weather events **Reputational risks:** • Damage to corporate image from slow transition to circular economy	• Business cost reduction through improved resource efficiency • Enhanced competitiveness through 3R design and development of advanced recycling technology • Increased demand for remanufacturing products • Enhanced corporate image through showcasing of our advanced approach to resource recycling
Hazardous substances	• Increased chemical substance management costs due to strengthened and expanded regulations • Suspension of production or disruption to parts supply chain due to serious noncompliance by suppliers • Damage to corporate image due to poor regulatory compliance	• Supplying safe products and maintaining competitiveness through more advanced chemical substance management • Cost reduction by introducing more efficient management process across the supply chain • Enhanced corporate image through contribution to international standardization, etc.
Biodiversity	• Decreasing supply and price increase of printing paper due to dwindling forestry resources • Restraints on business activities due to disturbed balance of local ecosystems	• Applicable usage of our products and technologies to conservation of ecosystem • Enhanced corporate image through contribution to local communities

Approach

In 2008, we formulated Action for Green as our environmental vision, expressing a goal to balance lifestyle enrichment with the need to exist in harmony with the environment. We have designated related material areas as "contributing to a low-carbon society," "contributing to a circular economy," "eliminating hazardous substances and preventing pollution" and "contributing to a society in harmony with nature." We try to improve the lifecycle performance of Canon products as part of our business activities.

■ Contributing to a Low-Carbon Society (→P47-50)
We take various initiatives, such as the improvement of energy efficiency and reduced CO_2 emissions across the whole product lifecycle, utilization of renewable energy sources in line with regional characteristics, and activities to support customers and society to reduce their environmental impact.

■ Contributing to a Circular Economy (→P51-55)
Targeting a more advanced resource regeneration process, we are promoting more compact and lightweight products, remanufacturing, and the re-use or recycling of consumables. We are also striving to use water more efficiently and to promote recycling of wastes.

■ Eliminating Hazardous Substances and Preventing Pollution (→P56-58)

We manage chemical substances by getting our suppliers to follow Canon's green procurement standard. Also, we proactively establish frameworks to manage chemical substance information more effectively in the supply chain. Moreover, we reduce chemical substances used in our own production process and control related emissions.

■ Contributing to a Society in Harmony with Nature (→P59-60)

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

KPI

Canon has adopted lifecycle CO_2 emissions as an integrated indicator to measure the progress achieved across environmental activities aimed at saving energy, conserving resources, and promoting recycling.

Overall target	An average improvement of 3% per year in the lifecycle CO_2 emissions improvement index per product
Achievement	Avg. improvement: 4.7% p.a. (2008–2019) (Cumulative improvement 40.0%)

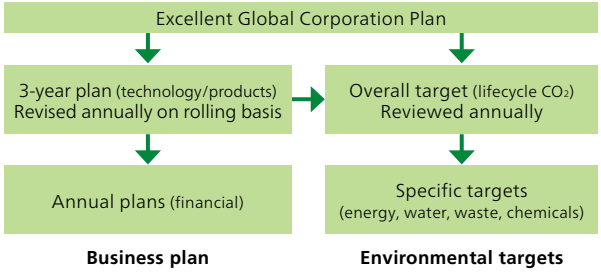
Integrated Management Framework

Canon believes it is vital that environmental activities such as measures for climate change are integrated into the management of the business. For instance, the time frames for achieving environmental targets are consistent with those in business plans. In line with the Excellent Global Corporation Plan defining the company's direction in five-year phases, Canon uses rolling three-year technology and product plans that are revised annually. This annual review includes considering the need to modify environmental targets. To tie business and environmental activities and provide a suitable indicator of progress, Canon has tracked the improvement in lifecycle CO_2 emissions per product using a standardized approach since 2008.

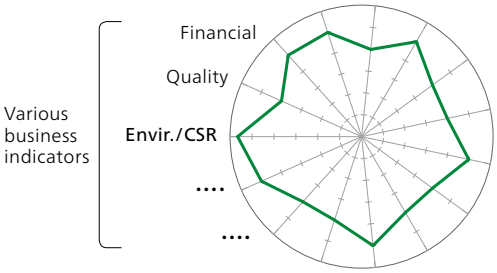
The results of environmental activities by each part of the Canon Group (including each business, production subsidiary and sales company) are evaluated using a consolidated performance evaluation system. The system uses financial results as well as indicators for non-financial aspects such as environmental and CSR activities, so the latter are managed as one aspect of the business. The system has been operating since 2001. Indicators have been revised in line with broader changes (→P44).

By utilizing this basic framework to ensure environmental activities are systematically integrated into business management, we are achieving results by focusing on boosting the effectiveness of our measures aimed at achieving environmental targets.

Link with Business Plans



Consolidated Performance Scoring (image)



TCFD-Recommended Disclosures

In line with disclosure recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the following pages provide information on our activities related to climate change.

Governance	P17 P42, P44-45	Strategy	P16-17 P38-39, P43-44
Risk Management	P16-17 P42-45, P102	Metrics and Targets	P17 P19-20, P39-40

Relationship with SDGs

Canon's environmental initiatives in the four material areas of "contributing to a low-carbon society," "contributing to a circular economy," "eliminating hazardous substances and preventing pollution" and "contributing to a society in harmony with nature" contribute to achievement of SDGs as outlined below.

Responding to People and Society as a Good Corporate Citizen

Risks and Opportunities

Although the spread of globalization has helped to enrich the lives of people around the world, on the flipside new issues are emerging. These include greater mobility demand, less favorable labor conditions, and widening poverty and inequality gaps.

These global societal issues have various effects on the sustainable development of Canon's business worldwide. For example, poverty, education gaps and other societal issues not only inhibit market growth, but also pose a risk to the recruitment and retention of the human resources required to expand operations. Moreover, serious product quality issues that affect customer safety can have a significant impact due to any loss of business opportunities caused by brand damage or erosion of trust.

However, contributions made by Canon to addressing issues facing local communities where we are developing our business add value. By utilizing our advanced technical expertise and global workforce, we gain not only the trust of local communities, but also opportunities to grow the business. By cultivating workplaces to enable individual employees to fulfill their potential, we also build the enthusiasm of employees, which leads to the sustainable development of the Canon Group.

Besides supporting initiatives to encourage active roles for female employees and working to implement measures that improve better work-life balance, the survey shows that stakeholder expectations of Canon are highest in terms of ensuring product quality and consideration toward employees for child and elder care. Aiming to foster the sustained growth of the Canon Group, we are sincerely developing initiatives within the materiality theme of "Responding to People and Society as a Good Corporate Citizen."

Top 5 Stakeholder Expectations (Responding to People and Society as a Good Corporate Citizen)

	Items
1	Initiatives to support active roles of female employees
2	Enhancement of policies aimed at realizing work-life balance for employees
3	Maintenance and improvement of employees' occupational safety and health, physical health and mental health
4	Assurance product safety
5	Consideration toward employees engaged in childcare and nursing care

Approach

Recognizing these risks and opportunities, we are engaged in related activities, as outlined below.

Human Rights and Labor

We are working to ensure all employees can enjoy workplaces in which individuals with varied backgrounds and values are respected and each employee feels secure and highly motivated to work. Our various initiatives in this area are divided into the subthemes of "Respecting Human Rights," "Hiring and Treatment of Human Resources," "Diversity and Inclusion," "Occupational Safety and Health Support," and "Human Resource Development and Personal Growth" (→P61-74).

Product Responsibility

We are seeking to build customer trust by focusing on the areas of "Quality Management," "Ensuring Product Safety," and "Improving Product Usability" (→P75-82).

Social Contribution

Canon is developing activities that utilize in-house technology, business expertise and human resources covering the fields of "Humanitarian Aid and Disaster Relief," "Environmental Conservation," "Social Welfare," "Local Communities," "Education and Science," and "Art, Culture and Sports" (→P83-86).

Relationship with SDGs

Our activities in the three fields of "Human Rights and Labor," "Product Responsibility," and "Social Contribution" are closely related to the achievement of SDGs as outlined below.

Examples of Initiatives to Realize the *Kyosei* Philosophy

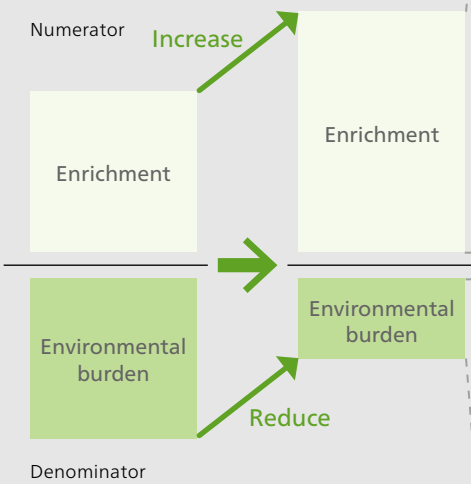
CASE 1

Creating Environmental Value through Product Life Cycle

Canon's Vision of Environmental Value

Guided by its Environmental Vision "Action for Green," Canon is working to reduce environmental impact through its business activity. Within this vision, we define the environmental value we seek to achieve as the striking of a beneficial balance between "enriching lifestyles"—improving the amenity of human life with superior products—and "reducing environmental burden"—minimizing the environmental impacts associated with creating and delivering products. This approach can be illustrated in a diagram where "enriching lifestyles" represents the top number in a fraction (the numerator) and "environmental burden" the bottom number (the denominator). Our initiatives aim to make the numerator bigger and the denominator smaller.

Canon's vision of environmental value



Generally, there is a trade-off relationship between enriching lifestyles and reducing environmental burden, whereby prioritizing one makes it difficult to achieve improvements in the other. At Canon, however, at the same time as creating better products, we are moving ahead with a range of adaptations and initiatives to reduce environmental burden at each stage of the product lifecycle, allowing us to combine the pursuit of enriched lifestyles with environmental burden reduction.

Initiatives to Enrich Lifestyles

Enriching lifestyles is achieved by developing more advanced product functionality. At Canon, we are achieving higher functionality in a wide range of products, while at the same time minimizing their environmental impact.

One example is the latest model of one of our key business products, the imageRUNNER ADVANCE series of office multifunction devices. Among other improvements, it now boasts enhanced Cloud connectivity to support more efficient operation, alongside reinforcement of the robust security functions that contribute to enhanced user confidence.

"uniFLOW Online"*1 is a feature that widens the scope of Cloud service connectivity by sending scanned documents directly to any among a range of Cloud services,*2 promoting seamless data sharing and improved operational efficiency. As for security functions, the series features a "tamper detector" based on system verification on startup, which ensures advance prevention of any damage from unauthorized program operation. In such ways, we contribute to enriching customer lifestyles with functions that improve user-friendliness in the office environment.

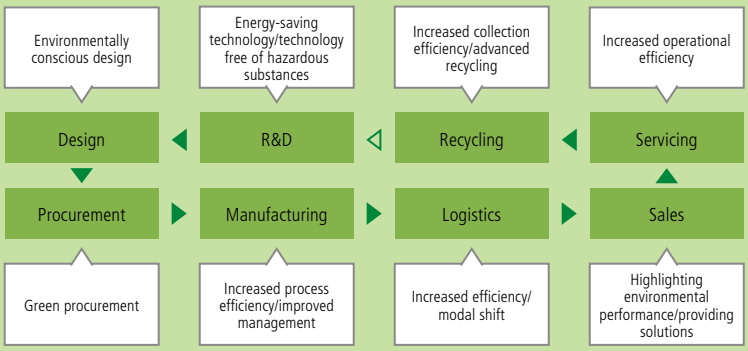
uniFLOW Online—a feature that widens the scope of Cloud service connectivity for office multifunction devices

*1 uniFLOW Online is a paid service. Scan and upload to Google Drive is available with the free-of-charge service uniFLOW Online Express, but a fee is charged for interface with other Cloud services and for mobile printing functions.
*2 For details about compatible Cloud services, please inquire at your nearest dealership.

Initiatives for Environmental Burden Reduction

Environmental burden reduction is relevant at all stages of business activity, from research & development, to design, procurement, production logistics, sales, servicing and recycling. That is why, at Canon, the departments involved work together to implement a range of environmental activities throughout the product lifecycle.

Environmental Activity Throughout the Product Lifecycle



At Canon, in order to monitor the results of all environmental activities in an integrated way and ensure a beneficial balance with business activities, we measure the efficiency of environmental initiatives through the index of "lifecycle CO_2." This is the sum total of CO_2 emissions at each stage in the product lifecycle, for which we set an "overall target" of a 3% average yearly reduction per product unit.

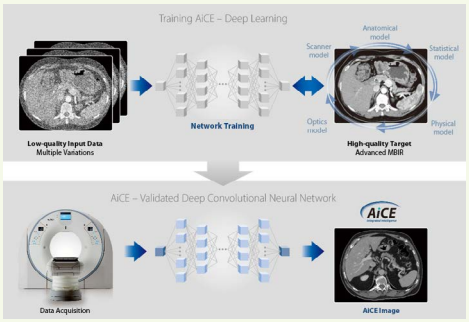
Measuring this figure per product unit makes it a benchmark that is easily grasped at the manufacturing frontline. Unlike measurement per unit of net sales, it also allows the exclusion of factors beyond the enterprise's control,

Likewise, when it comes to environmental burden, the imageRUNNER ADVANCE C3530FIII released for sale in 2019 achieves a reduction of as much as 25% in lifecycle CO_2 emissions compared to the imageRUNNER ADVANCE C2230F, thus realizing both enriched lifestyles in the office environment and environmental burden reduction.

Aquilion Prime SP, an X-ray CT system manufactured by our subsidiary Canon Medical, is newly fitted with the deep-learning technology "AiCE-i" for CT image reconstruction. This makes possible high-quality imaging investigation with low radiation exposure and reduced use of contrast agents. The system's state-of-the-art clinical functions realize increased throughput to ensure that it meets the diverse needs of both patients and health care professionals, contributing as a result to enriched lifestyles.

In terms of environmental burden, the new system achieves a reduction of 31 tons in lifecycle CO_2 compared to the previous model. This and other enhancements enable it to achieve the combined goals of enriching lifestyles and reducing environmental burden.

X-ray CT system
Aquilion Prime SP



AiCE-i realizes low noise, high spatial resolution, and high-speed image reconstruction

Toward further increase in environmental value

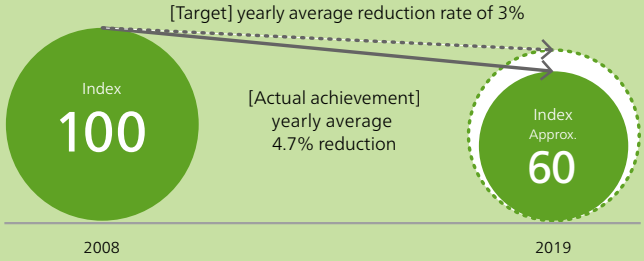
Going forward, Canon will continue to understand environmental value as meaning the creation of "a society that achieves a beneficial balance between enriched lifestyles and the environment." By continuing to deliver products and services that enrich people's lives, and at the same time steadily promoting the protection and conservation of the environment, we will work to further increase environmental value and to realize our corporate philosophy of *kyosei*—harmonious coexistence.

such as foreign exchange. The result is that efforts toward environmental burden reduction are accurately reflected in the index figure, which in turn helps to maintain and improve employee motivation. Currently, a total of some 400 employees are active as environmental officers within each Canon department (business divisions, sales companies, production companies, etc.), where they advance environmental activities towards realization of the above-mentioned goal. These activities are likewise supported by individual employees across the manufacturing frontline, from planning and development to design and production.

Group-wide Environmental Activities

As a result of these concerted Group-wide initiatives, lifecycle CO_2 per product unit has been reduced by a yearly average of 4.7%, exceeding the target figure of 3%.

Lifecycle CO_2 per Product Unit



CASE 2

Intellectual Property (IP) Activities: Promoting Continuous Growth Together with Business

Canon's IP Activities

Knowing IP assets form the foundation of business development, Canon formulates and pursues IP strategies with a long-term perspective of 10-20 years into the future.

Canon has inherited an established corporate DNA that emphasizes creation of innovative technology as the means of generating new social value. We are creating original IP assets every day to enhance the value of products and services through continual evolution of our basic and core proprietary technologies via relentless R&D activities.

Support Business to Create New Value

Patent Filing and Management of IP

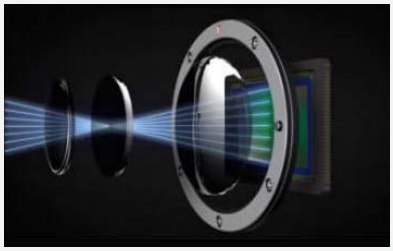
Working closely with R&D, production and marketing divisions, our IP Division focuses on unearthing and pursuing innovative discoveries so they can be protected by strong patents. For technologies in areas where it would take others a long time to catch up with us, we aim to maintain the inventions in the form of in-house trade secrets rather than seeking patents for them.

These IP activities, which effectively utilize our wealth of highly experienced personnel and technical expertise, help support Canon's competitive advantage in business.

Examples of Technology-based Differentiation

Canon seeks to differentiate its products from those of rivals by constructing a robust IP portfolio that protects its proprietary technology.

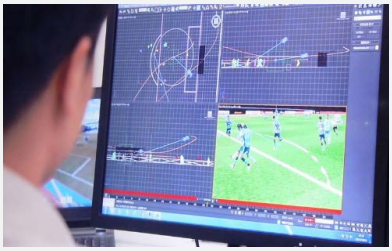
Example 1: EOS R System New camera system that enhances photographic capabilities



Building on the imaging capabilities of the newly developed RF lenses, the EOS R system delivers sharper detail in the subject image to reproduce color gradations not visible to the naked eye. It also enables dramatically quicker camera-lens communication for continuous shooting without compromising image quality, helping users capture high-quality images of subjects in motion.

The three features at the core of the system are short back focus, a large internal mount diameter and new mount data-transmission system. These technologies are protected by a strong portfolio of patents.

Example 2: Free Viewpoint Video System Technology that realizes radically new video experience



Canon demonstrated its Free Viewpoint Video System during Rugby World Cup 2019 (TM), to help enhance the appeal of the sport. The system allows viewers to watch the action from any viewpoint or angle.

A comprehensive patent filing program supports the innovative technologies involved in this system, from camera deployment and image capture to communications, image processing and the user interface.

Example 3: Optical Coherence Tomography Angiography (OCTA) Image-processing technology that creates a 3D picture of retinal blood vessels

Canon's Optical Coherence Tomography (OCT) scanning technology enables rapid capture of high-definition images of retinal blood vessels at the base of the eye, reducing the burden on the patient and the medical professional. One technology making this possible is a proprietary image-processing technology developed using deep learning known as "Intelligent Denoise" for reducing noise in high-definition images.

Based on patent applications relating not only to the inventions incorporated in products, but also to a broader range of medical devices using AI technology, Canon aims to construct an IP portfolio to protect future medical devices that will contribute to society.

Present

Future

For New Businesses

IP Licensing Activities

To create new businesses, Canon tries to be ahead of the curve in IP licensing activities anticipating future trends. For example, anticipating the development of AI/IoT technologies, we started years ago to negotiate IP licenses with firms from other sectors. By securing cross licenses from companies with competitive technologies at an early stage using our strong patent portfolio, we aim to provide high-value-added products and services based on the integration of external and in-house technologies.

Ownership of multiple strong patents is an essential part of protecting the technology behind Canon's core competences while also facilitating alliances with the owners of competitive technologies. We maintain the strength of Canon's IP portfolio by selecting patents through constant evaluation of their values. Canon was the third-ranked company in the US by the number of registered patents in 2019 (→P26), and has been the leading Japanese company by this measure for 15 years running.

Initiatives for Development of Businesses

Standardization Promotion Activities

Canon takes part in activities to promote the adoption of international standards in areas such as streaming video, video coding, and communication technology and has contributed to the widespread adoption of digital video systems.

In recent years, Canon acquired standard-essential patents and other related IP in communications technologies and coding technologies that have become societal infrastructure through adoption of IoT, through which Canon is also actively establishing cross-license relationships with companies in other industries.

These efforts help secure freedom for technology development.

Activities as Leader in the IP Field

License on Transfer (LOT) Network

Lawsuits from so-called "patent trolls" that use IP purely for litigious purposes rather than innovation have posed challenges for many firms. In 2014, Canon, Google and four other companies took the initiative to found the License on Transfer (LOT) Network, which aims to restrict the threat of patent troll litigation as part of risk management.

LOT Network members agree to grant fellow member firms a free license to use any patent if the ownership of that patent is transferred to a non-member entity. This protects companies from the risks associated with frivolous patent lawsuits, enabling member firms to focus on developing products and services. We believe this contributes to promoting innovation. The number of LOT Network members has grown over the years to more than 600. Canon is continuing to engage in activities to promote innovation in partnership with other members.

Contribution to the Environment Through IP

WIPO GREEN

Canon became a partner in the "WIPO GREEN" program, an international framework operated by the World Intellectual Property Organization (WIPO) for the transfer of green technologies. By providing green technologies to the companies and organizations that need them, Canon hopes to contribute to environmental solutions through IP (→P109).

Greater Value for Customers

"Canon Design" Brand

Canon's IP activities also seek to support the development of "Canon Design" as a valuable intellectual property.

Canon supplies products and services that are usage-optimized, based on designs that aim to combine ideal appearance with performance and ease of use. This approach to design helps add value for customers.

The value of the Canon brand is controlled and promoted by all the Group companies through established brand management rules.

Canon Design helps to boost brand value

Stakeholder Engagement

Basic Approach

Canon thinks it is important to have ongoing dialogue with its diverse stakeholders to communicate the company's thinking to them and to listen carefully to their feedback with the aim of deepening mutual understanding. We consequently strive to maintain close communication with stakeholders using departments in charge at Group companies worldwide as points of contact. Responding to the issues identified based on the opinions we receive, we deal appropriately with the needs of each region, and at the same time, we share important issues related to global management throughout the Group and work to resolve them.

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

When preparing this report, starting from the planning stage, we conduct several rounds of direct discussion with third parties regarding the content of the report (→P131-133). We also try to ensure that report disclosures meet the expectations of all stakeholders by canvassing the views of various experts and institutional shareholders.

Stakeholder	Topics of Interest	Main Communication Methods	Main Initiatives in 2019*
Educational/ Research Institutions	• Optical technology • Cutting-edge technology • Joint research • Environmental education related to recycling	• Joint research • Presentations at international conferences and technical working group meetings • Business introductions • Participation in surveys and studies • Outreach classes and instructor dispatch • Onsite briefings at schools, school visits (university/ technical college level) • Internship programs to support the career development of students	• Instructors dispatched to Utsunomiya University (Japan), Center for Optical Research and Education (29 times) • Environmental classes held at elementary schools (55 times) • Held meetings at such Canon Foundation grant recipients as universities and research institutions (29 occasions) • Visits to promote joint research initiatives between industry and academia (15 times) • Onsite briefings held at universities to introduce Canon and its business operations (approx. 100 times) • Regular communications with educational and research institutions such as collaborative R&D conducted with university hospitals in Japan • Onsite briefings at schools and school visits (university/ technical college level) • Internships for students on administrative, technical or specialist tracks (36 times, approx. 2,000 students) • Internships for special support school students (14 students from 5 schools)
Employees	• Improvement in workplace environments • Understanding of management policies • Maintenance of employee welfare system • Support for career development • Maintenance of personnel evaluation system • Maintenance of workplace safety system • Cultivation of high company morale	• 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 • Company events	• Canon Group labor-management meetings (once) • Central labor-management meetings (8 times) • Labor-management committees on wages, welfare, workplace reforms, etc. (8 times) • Initiatives to help make individual workplaces more rewarding • Career matching system (163 employees) • Information security seminars (12 times) • Compliance meetings (2 times) • Environmental training • Barrier-free Mindsets training (online learning) • Central Safety and Health Committee meetings (2 times) • Regional Safety and Health Committee meetings (at least monthly at each operational site) • Summer festivals (once at each operational site)
NGOs/ NPOs	• Issues affecting global society such as refugee issues and poverty • Disaster relief support • Ecosystem protection/ conservation • Supply chain risks	• Collaborative projects, including volunteer activities • Share information/hold discussions	• Support for UNHCR WILL2LIVE Cinema 2019 organized by Japan for UNHCR*1 with cooperation and supervision by UNHCR Representation in Japan • Partnership-based biodiversity conservation initiatives "*Furusato* Project" • Canon Bird Branch Project in collaboration with the Wild Bird Society of Japan • Humanitarian and disaster-relief activities in disaster-affected areas • Collaborative biodiversity conservation initiatives in areas around the world • Collaboration to achieve a green supply chain *1 The national partner of UNHCR in Japan

* Numbers in parentheses represent the number of activities in 2019

Stakeholder	Topics of Interest	Main Communication Methods	Main Initiatives in 2019*
Foreign Governments/ Embassies	• Support for evaluating and addressing social issues at the bilateral and international levels • Building, maintaining and promoting friendly relations with other countries	• Meeting/exchanging views with important people from overseas • Participation in various types of events • Responding to various types of inquiries • Completing various surveys and studies	• Courtesy calls and participation in hearings or other meetings in response to requests from foreign governments and embassies (over 50 times) • Participation in international discussions and events designed to improve bilateral relations • Completing various surveys and studies
Local Communities	• Protection/conservation of local community ecosystems • Contributions to local communities through business operations • Understanding local communities • Fulfilling responsibilities as corporate citizen to participate in local community activities	• Emergency disaster-relief assistance • Disaster-preparedness and crime-prevention drills • Involvement in local groups/organizations • Local events and volunteer activities • Environmental education and awareness activities • Community cleanups	• Community-based social contribution activities including educational, sports and cultural programs • Activities to protect and conserve local ecosystems, such as tree-planting programs • Cleanup activities
Shareholders/ Investors	• Medium- to long-term management strategy aimed at achieving continued growth • Status of business portfolio transformation • Business activity trends and results • Financial condition • ESG activities	• General meeting of shareholders • Conferences for institutional investors • Individual meetings with institutional investors • Conferences for individual investors • Website for investors • Corporate reports/ brochures for investors	• Financial results conferences, corporate strategy conference (5 times) • Release of corporate governance report • Improved disclosure of financial results and related information • Quick release of documents relating to general meeting of shareholders, enrichment of voluntary disclosure • Publication of Canon Annual Report and Sustainability Report • Inclusion of financial information in Sustainability Report • Discussions aimed at improving content of Sustainability Report
Suppliers	• Understanding of various Canon Group procurement standards • Implementation of procurement standards • Product/technology trends • General business activity trends • Improved efficiency of the chemical substance information transmission scheme	• Online supplier surveys • Procurement annual meeting • Briefings on business trends • Technology exhibitions by suppliers • Promotion of green procurement	• Survey covering finance, corporate data, business ethics, conflict minerals, and environmental conservation (yearly) • Procurement strategy meeting, parts exhibition (each once a year) • Briefings on business trends (13 times) • Product/technology exhibitions by suppliers (twice) • Collection and management of product information for products containing chemical substances through chemSHERPA
Central/Local Governments	• Active support for initiatives addressing societal issues • Strengthening ties with companies • Promotion of community revitalization	• Opinion exchange with government agencies • Participation in economic organizations and industry groups • Opinion exchange with municipalities • Cooperation in surveys and questionnaires	• Policy recommendations via discussions with government agencies • Policy recommendations via activities of economic organizations and industry groups • Promoting/supporting personnel exchanges • Holding discussions with municipalities • Participation in, and organization of, various types of events such as local government fairs • Creation of PR videos for tourism • Introduction/provision of new technologies and solutions • Cooperation in surveys/questionnaires for government statistics, industry groups and economic organizations (73 items)
Other Companies	• Industry trends • Addressing social issues that affect multiple industry sectors • Product/technology trends	• Collaborative projects	• Joint research with other companies and undertaking of development work

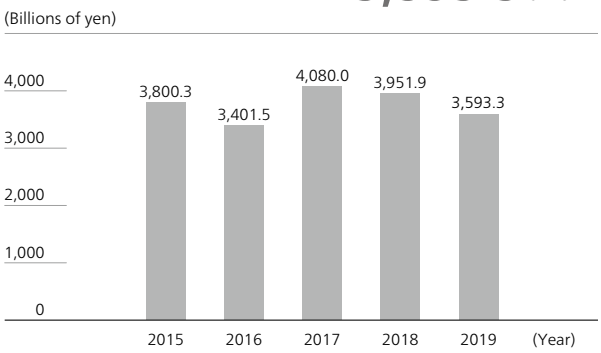
* Numbers in parentheses represent the number of activities in 2019

Financial and Non-financial Highlights

Financial Information

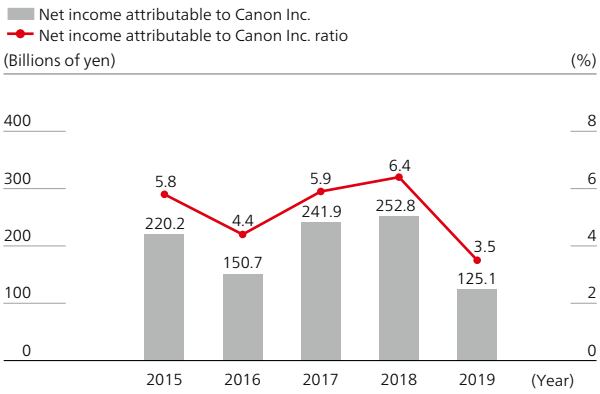
Net Sales

¥3,593.3 billion



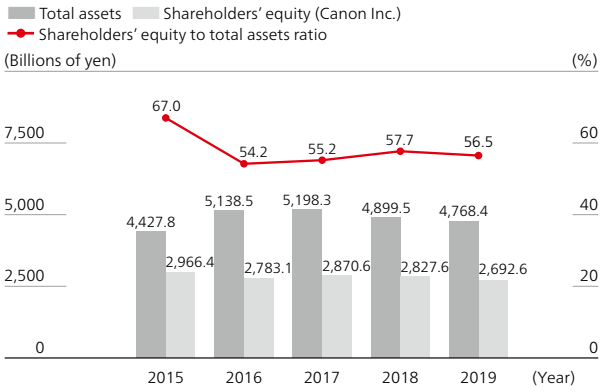
Net Income Attributable to Canon Inc./ Net Income Attributable to Canon Inc. Ratio

¥125.1 billion/3.5%



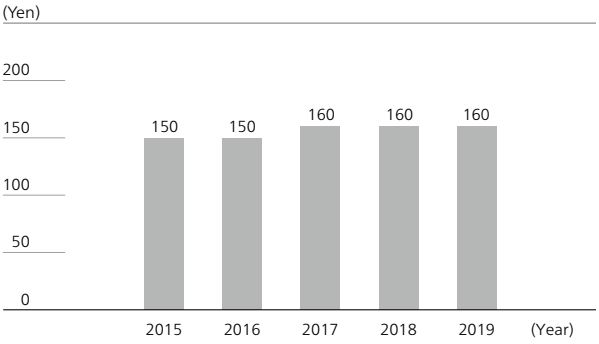
Total Assets/Shareholders' Equity/ Shareholders' Equity to Total Assets Ratio

¥4,768.4 billion/¥2,692.6 billion/56.5%



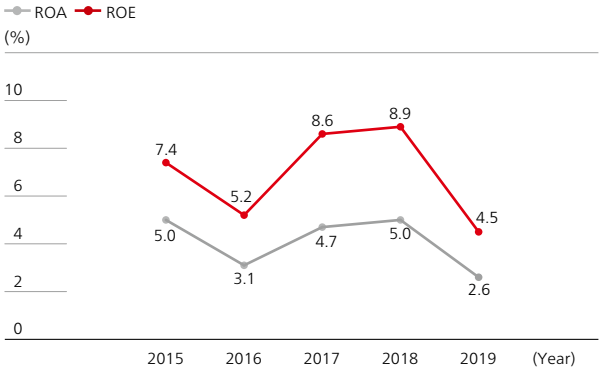
Dividend per Share

¥160



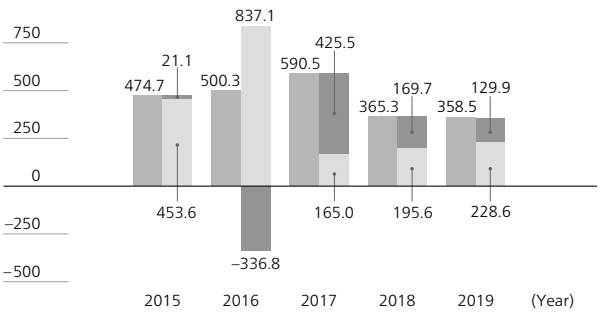
ROA/ROE

2.6%/4.5%



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

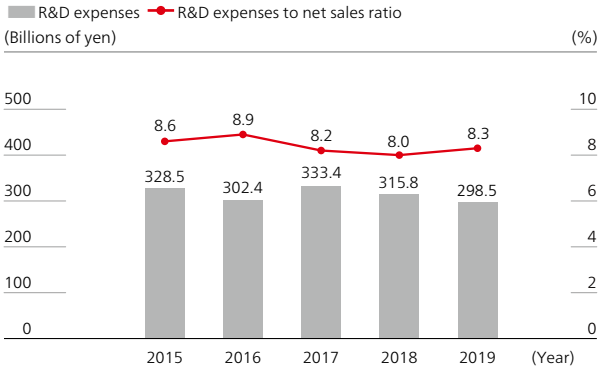
¥358.5 billion/¥228.6 billion/¥129.9 billion



Non-financial Information

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

¥298.5 billion/8.3%



* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to a change in pension accounting standard. 2017 figures for R&D expenses were restated to reflect this change.

Top Ten U.S. Patent Holders by Company

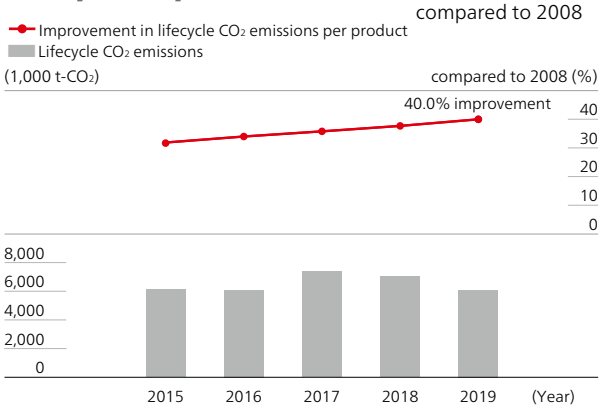
No. 3

	2015	2016	2017	2018	2019
1	IBM	IBM	IBM	IBM	IBM
2	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics	Samsung Electronics
3	Canon	Canon	Canon	Canon	Canon
4	Qualcomm	Qualcomm	Intel	Intel	Microsoft Technology Licensing
5	Google	Google	LG Electronics	LG Electronics	Intel
6	Toshiba	Intel	Qualcomm	TSMC	LG Electronics
7	Sony	LG Electronics	Google	Microsoft Technology Licensing	Apple
8	LG Electronics	Microsoft Technology Licensing	Microsoft Technology Licensing	Qualcomm	Ford Global Technologies
9	Intel	TSMC	TSMC	Apple	Amazon Technologies
10	Microsoft Technology Licensing	Sony	Samsung Display	Ford Global Technologies	Huawei Technologies

* Number of patents for 2016 to 2019 are based on figures released by IFI CLAIMS Patent Services.
* Number of patents for 2015 are based on information released by the United States Patent and Trademark Office.
* IBM is an abbreviation for International Business Machines Corporation.
* TSMC is an abbreviation for Taiwan Semiconductor Manufacturing Company Limited.

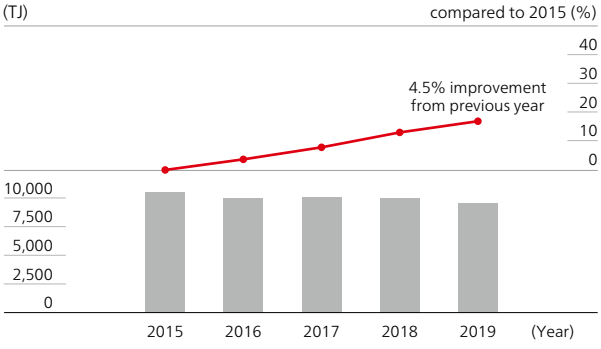
Lifecycle CO_2 Emissions/Improvement in Basic Unit

6,088,000 t-CO_2/40.0% improvement compared to 2008



Site Energy Consumption/Improvement in Basic Unit

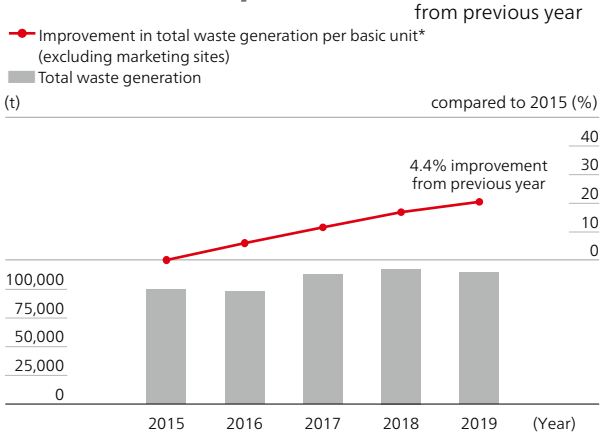
9,550 TJ/4.5% improvement from previous year



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

Total Waste Generation/Improvement in Basic Unit

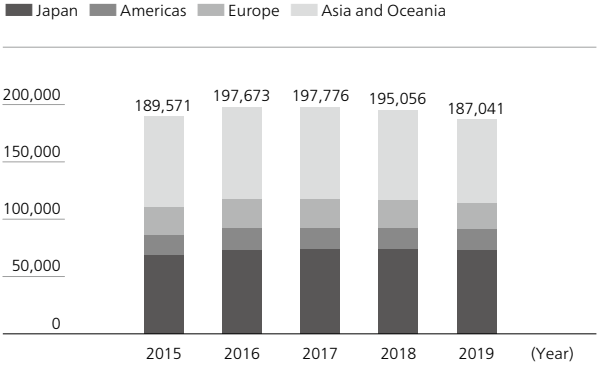
114,541 t/4.4% improvement from previous year



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

Canon Group Employee Numbers by Region

187,041



Evolution of Business Plans

Canon has achieved continuous growth through a business strategy founded on diversification—expanding into business areas that meet contemporary needs by combining new and existing technologies—and globalization—adapting in good time to the increasingly international nature of business.
Since 1996, in line with our philosophy of *kyosei*, we have initiated a five-year scheme called the Excellent Global Corporation Plan to make Canon a globally admired and respected company dedicated to contributing to society through continuous technological innovation, and we have been promoting business reforms.

–1996

Business strategy combining comprehensive diversification and globalization

• Globalization

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

• Diversification

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

Business Plans

1962–1966
First Five-Year Plan:
Launch of full-scale business activities in business machine market

1976–1986
Premier Company Plan:
Implementation of matrix management system based on divisional structure and Canon-style development, production and sales systems

1988–1995
First Global Corporation Plan:
Second inauguration of company announced under the corporate philosophy of *kyosei*. In line with this philosophy, promotion of global rollout of production and development and other policies to create a structure resilient to the negative impacts of exchange rate fluctuation and trade friction.

Excellent Global Corporation Plan

Phase I 1996–2000

Total optimization and profitability

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

Main strategies

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

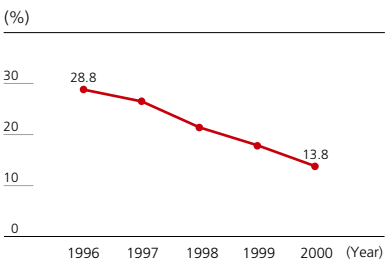
Economic value

- 1.1-fold growth in net sales
  1.4-fold growth in net income
  (1996→2000)
- Debt ratio
  28.8%→13.8% (1996→2000)
- Shareholders' equity ratio
  38.1%→45.9% (1996→2000)

Social and environmental value

- Digitalization of cameras, multifunction devices, etc., in line with the development of the IT environment
- Progress with development and production of CMOS sensors for digital cameras to establish presence in the image sensor market

Debt Ratio



Development using 3D-CAD

Excellent Global Corporation Plan

Phase II 2001–2005

Increased competitiveness through digitalization

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

Main strategies

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

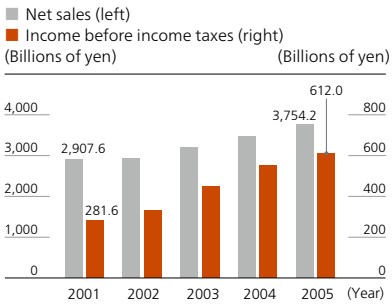
Economic value

- Record-high figures achieved for both net sales and income before income taxes in each of the five consecutive business periods (2001-2005)
  Net sales (2005): ¥3,754.2 billion
  Income before income taxes (2005): ¥612.0 billion

Social and environmental value

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

Net Sales and Income Before Income Taxes



LCD lithography equipment released for sale in 2002

Excellent Global Corporation Plan

Phase III 2006–2010

Reinforcing existing businesses and expanding into new areas

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

Main strategies

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

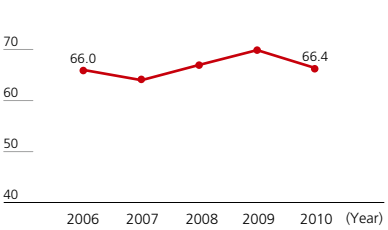
Economic value

- Maintenance of high shareholders' equity ratio
  66.0% (2006) →66.4% (2010)
- Record-high figures for net sales and income before income taxes (2007)
  Net sales: ¥4,481.3 billion
  Income before income taxes: ¥768.4 billion

Social and environmental value

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

Shareholders' Equity Ratio



Development in progress at Canon Production Printing (formerly Océ) (2011)

Excellent Global Corporation Plan

Phase IV 2011–2015

Enhancing growth and manufacturing capabilities

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

Main strategies

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

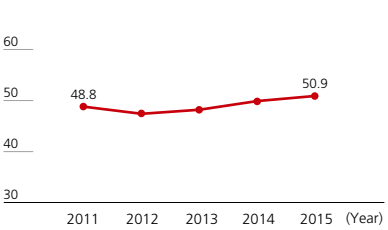
Economic value

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

Social and environmental value

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

Gross Profit Ratio



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

Excellent Global Corporation Plan

Phase V 2016–2020

New growth through a grand strategic transformation

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

Main strategies

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

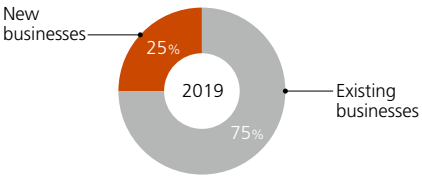
Economic value

- Net sales from new businesses: 12%→25% (2016→2019)
- Stable level of cash and cash equivalents ¥412.8 billion (2019)

Social and environmental value

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

Share of Net Sales Provided by New Businesses



Diagnostic ultrasound system by Canon Medical Systems

Meeting Diversified Needs in Commercial Printing

Management Approach

We are contributing to value creation in a new age of digital printing, targeting the market for high quality, on-demand printing using a wide range of media.

Canon's Approach

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

In the field of commercial printing for publications, direct mail and other marketing materials, demand is growing annually for digital printing to enable small-run production of multiple items with quick turnaround rather than large traditional printing runs.

Leveraging its extensive track record of supplying MFPs, high-quality printers and other office equipment, Canon entered the digital commercial printing market in 2007 with the launch of the production printer imagePRESS C7000VP. Canon has continued to supply a range of digital printing products and related solutions.

In 2010, the Canon Group was strengthened with the arrival of Canon Production Printing (formerly Océ), a major player in commercial printing in Europe and the United States. By combining the unique skills of each company, we have augmented our lineup of products delivering superior quality, productivity and reliability, while also expanding our business to service a broad range of digital printing needs. PRISMA workflow software centrally manages the print production workflow from order intake to post-press processes for increased productivity in short run printing jobs. In 2017, we launched continuous feed inkjet presses for the graphic arts market to meet the growing demand for high-quality printing of luxury catalogs and premium direct mail items.

To enable customers to experience having the latest digital printing solutions at their fingertips, we opened Customer Experience Centers in the Netherlands, Germany, the United States and Japan to demonstrate state-of-the-art digital printers. Besides showcasing the latest digital printing presses, the centers are equipped with printing server systems, cutting and binding machines, and other finishing equipment to provide an end-to-end experience.

Going forward, we will continue pushing to create original value in the fast-growing field of industrial printing.

Relationship with SDGs

Canon's commercial and industrial printing business contributes to the realization of SDG 9: "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." We will continue to create new value for society with high-quality, high-productivity printing solutions, while at the same time promoting innovation that utilizes digital printing technology.

Examples of Value Creation

Value Creation in the Graphic Arts Field

Designed for the graphic arts market, the ProStream1000 continuous feed digital press utilizes a proprietary media-pretreatment called ColorGrip which enables printing on a wide range of paper types by preventing ink from spreading and bleeding on papers and a specially developed polymer pigment inkset for realizing vibrant colors and enhancing abrasion resistance. In addition, air flotation non-contact drying technology is used to dry the ink while minimizing stress on the paper without using a paper conveyor belt. This ensures high speed double-sided printing while keeping haptics and gloss levels of the original paper unchanged. These technologies serve graphic arts needs for higher-quality, higher-definition images in the commercial printing market.

ProStream1000 continuous feed digital press for the graphic arts market

Digital Printing for Short Run Printing Applications

Canon is developing printers for various commercial printing needs.

The UV curing Colorado 1650 large-format production printer uses UVgel technology developed by Canon Production Printing. The proprietary UVgel ink minimizes the distinctive odor of UV ink and reduces thermal stress on the media, enabling printing for a wide range of media for either outdoor or indoor use.

In addition, the use of Canon Production Printing's proprietary FLXfinish technology allows the curing timing of the ink to be controlled enabling separate printing in two modes for a shiny gloss finish or a high quality matt finish.

In 2019, the Colorado's printing capabilities were showcased on a shuttle bus operating between Canon sites with a wrap-around design to advertise the Rugby World Cup 2019 (TM). The vivid and lightfast colors helped to build excitement for the inaugural staging of this event in Japan.

Canon shuttle bus featuring wrap-around graphics created using UV gel technology

Role for Elevated Printing Technology in Cultural Preservation and Diversity Support

The elevated printing technology offered by Canon Production Printing involves using UV curable ink and overprinting multiple layers of ink to produce an unprecedented visual appearance and texture. This technology has made it possible to achieve appearances and tactile feeling that were once impossible.

In the reconstruction of the tomb of the Ancient Egyptian 19th Dynasty pharaoh Seti I in the Valley of the Kings, based on 3D data of the tomb the relief sculptures that are up to 15 mm thick were successfully produced using the large format UV flatbed printer with elevated printing technology.

In the Netherlands, elevated printing is also being used to create street signage featuring Braille and raised QR codes for greater ease of access by visually impaired residents or visitors. In France, it has been used to reproduce paintings and in providing technical assistance to visually impaired visitors at art museums.

Tomb of Seti I, reproduced using elevated printing technology

Creating a Safe and Secure Society

Management Approach

Leveraging its expertise in network visual solutions and social infrastructure inspection, Canon is helping to build resilient and sustainable urban infrastructure by ensuring enhanced public safety and security.

Canon's Approach

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

Having positioned network cameras as one of its new core businesses under Phase V of its Excellent Global Corporation Plan, Canon is working to enhance its product lineup and to reinforce its solutions and development capabilities. This involves the integration of core camera technologies developed over many years, including optical, sensor and imaging engine technologies as well as video content analytic software, with the network management and cloud services that have been cultivated in MFP development.

The network camera market continues to grow due to increasing security demand as well as replacement of analog products with digital models. Market forecasts indicate double-digit growth over the medium and long term. To date, Canon's network camera business has achieved average growth of over 15%, outpacing the market. We have also grown our partner network in the field to an industry-leading 90,000 companies.

A major issue in Japan has been development of a safe and secure infrastructure, both to support large-scale sporting events such as the Rugby World Cup 2019 (TM) and the Olympic and Paralympic Games Tokyo 2020, and to respond to natural disasters associated with climate change. Amid social adoption of IoT technologies, Canon aims to promote development of social infrastructure by providing high-quality, high-performance network cameras, along with video content analytic software to analyze the vast amounts of videos from network cameras quickly and accurately.

We have pursued an M&A strategy to accelerate development and strengthen our set-up in this area. Axis, a major player in the network camera industry from Sweden, and Milestone, a leading Denmark-based supplier of global video management software, have both joined the Canon Group. In 2018, we also welcomed BriefCam, a leading company in video content analytic software from Israel. Going forward, by strengthening collaboration and accelerating technical integration with these companies, we are aiming to develop network visual solutions for application in a variety of fields, including health, nursing care, education, transport, and urban infrastructure.

Canon has put AI technology to practical use for detecting cracks in concrete structures as part of addressing the global issue of obsolete and aging infrastructure such as bridges and tunnels. Combining imaging and AI technologies to create accurate inspection data efficiently, Canon's crack detection service significantly increases the efficiency of infrastructure inspections, contributing to the realization of a safe and secure society.

Relationship with SDGs

Canon's efforts to create a safe and secure society are contributing to the realization of SDG 11: "make cities and human settlements inclusive, safe, resilient and sustainable." By providing optimized solutions for various customers including governments and commercial facilities, Canon seeks to satisfy social demand for safe, resilient and sustainable urban infrastructure.

Examples of Value Creation

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

The ME20F-SHN, an ultra-high-sensitivity network camera equipped with Canon's proprietary 35mm full-frame CMOS sensor, makes color video capture possible in low-light environments that had been difficult for conventional network cameras. Its ultra-high sensitivity enables to capture video even when there is hardly any light where a subject would not be visible to the naked eye, allowing it to effectively monitor critical facilities or border crossings, as well as disaster sites during the night.

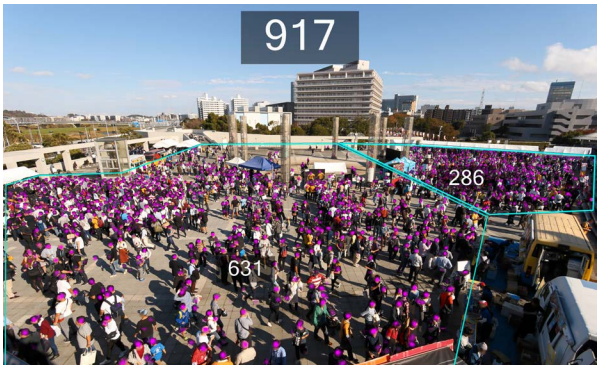
Network cameras installed outdoors for crime-prevention or disaster-monitoring purposes operate under highly variable natural conditions. Canon developed Hydrophilic Coating II to suppress the loss of visibility due to rain or dirt. Cameras equipped with this coating maintain clear visibility even during and after rainfall.

With a range of potential applications, Canon's network cameras help to promote public safety day and night and regardless of the weather.

Video Content Analytic Software to Meet Safety and Security Needs

The network camera market has stimulated demand for solutions to record and analyze captured videos. Canon is promoting the development of video content analytic software products to support value-added solutions in sectors such as security, customer service and marketing.

To enhance the utility of videos captured by network cameras, Canon developed People Counter, a video content analytic software that can count from a small number of people to approximately 1,500 people, and, in 2019 we introduced Crowd People Counter for Milestone XProtect, a video content analysis software that can count thousands of people in real time even in crowded conditions. The software uses enhanced crowd counting AI that leverages deep learning to count numbers of people in crowded areas, which can assist in deployment of security personnel or related security planning for public spaces or urban surveillance. It can also help authorities to provide appropriate instructions at large venues, events, or in disaster situations.



Monitor screen indicating crowd count

While the use of network camera video is expanding, privacy concerns exist around its use. Canon has developed Moving Object Mask, video content analytic software that helps to realize both the respect of privacy and monitoring for the safety in areas where network cameras are operating by silhouetting people within the video feed.

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

Applying Video Synopsis® Technology for Efficient Video Analysis

The rapid adoption of network cameras has necessitated development of a method for efficiently extracting specific data from the vast quantity of video generated. BriefCam's video content analytic (VCA) software utilizing its proprietary Video Synopsis technology enables videos captured at different times to be superimposed and displayed at the same time, thus shortening the video stream to roughly 3–5% of its original length. It gives the user instant access to videos of interest by enabling video images to be filtered by object size, color or various other characteristics.

Functions to boost the efficiency of video analytics include the automatic charting of results using various filters, heat mapping, and alert functions based on characteristics or movement of objects.


Original 30-minute video compressed to review in 53 seconds

Expanding Our Medical Business

Management Approach

By integrating imaging and manufacturing technologies, we are contributing to better medical care through the development of advanced technologies in such areas as diagnostic imaging systems, healthcare IT and in vitro diagnostics.

Canon's Approach

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

Canon's founder and first president, Takeshi Mitarai, who was also a doctor, was strongly committed to "contributing to society through medicine." In 1941, not long after the company was established, Canon launched the first radiographic camera made in Japan to help detect pulmonary tuberculosis. Ever since, Canon has contributed to the early detection and treatment of disease by supplying ophthalmological instruments and diagnostic equipment using digital radiography and other technologies. In Phase V of the Excellent Global Corporation Plan, Canon is reinforcing medical operations as one of its new core businesses. The Canon Group expanded in 2016 to include Canon Medical (formerly Toshiba Medical Systems). Canon Medical has been developing medical systems operations for around a century, building up technical expertise in diagnostic equipment such as CT, MRI, X Ray and Ultrasound systems that reduce the burden on patients while providing highly detailed images for diagnostic purposes. Our aim is to supply solutions for patients and health professionals by combining AI with our proprietary image-processing technologies to support better medical diagnoses and improve patient outcomes.

With demand for wide-ranging healthcare services rising worldwide as populations age, the market is projected to grow. In July 2019, as part of moves to strengthen the medical business further, Canon invested in Japanese Organization for Medical Device Development, Inc. (JOMDD). The aim is to create original value and help to accelerate business development using JOMDD's open innovation platform to support incubator alliances focused on the commercialization of medical devices and other products.

In August 2019, Canon also initiated joint research with the Center for iPS Cell Research and Application, Kyoto University (CiRA) aimed at realizing high-quality autologous iPS cells. The aim is to develop techniques for low-cost examination based on Canon's proprietary optical, measurement, image-processing and quality control technologies to support the manufacturing of iPS cells at lower cost and with shorter lead times.

Canon USA's Healthcare Optics Research Laboratory in Boston conducts research into the latest technical advances in areas such as diagnostics and healthcare support in partnership with Harvard Medical School-affiliated institutions Massachusetts General Hospital and Brigham and Women's Hospital.

Going forward, partnering with leading medical institutions in Japan and abroad, we plan to strengthen and expand our medical business centered on Canon Medical.

Relationship with SDGs

The expansion of Canon's medical business helps contribute to the realization of SDG 3: "ensure healthy lives and promote well-being for all at all ages." By further broadening open innovation programs with advanced medical institutions in Japan and other countries, we hope to contribute to SDG 17: "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development" by finding solutions in the healthcare field and creating new value.

Examples of Value Creation

Solutions Developed Across Three Domains

Canon's medical business spans the three domains of diagnostic imaging, healthcare IT and in vitro diagnostics. Across all these fields, our aim is to provide solutions that increase medical efficiency while ensuring patient comfort.

In diagnostic imaging, based on the pursuit of open innovation with leading medical institutions and universities worldwide, we are focusing on development of technologies to provide high-resolution images enabling accurate diagnosis while making procedures less invasive for patients based on reduced radiation exposure and shorter scan times.

In healthcare IT, by applying AI and other approaches, we aim to make medicine more efficient by providing medical information with high utility value based on integration and analysis of the vast amounts of data spread across medical institutions.

In the field of in vitro diagnostics, to detect disease earlier and help prevent the spread of infections, we are trying to introduce more advanced medicine through solutions to test blood, genetic and other samples, and with DNA chips for high-speed genetic analysis.

Clinical laboratory system (Canon Medical)

Deep Learning Technology for CT Image Reconstruction

The challenge with diagnostic scanners that utilize X-rays is exposing patients to as little radiation as possible while ensuring sufficiently high-resolution images to allow accurate diagnosis. Canon Medical has developed a technology called Advanced intelligent Clear-IQ Engine (AiCE) for CT image reconstruction. Employing a type of AI technology called deep learning to reduce noise in CT images, AiCE makes possible high-quality images while exposing patients to a lower dose of radiation. This technology is used in the world's first ultra-high-resolution CT scanner Aquilion Precision, the Aquilion ONE/GENESIS Edition dynamic volume CT scanner, and the Aquilion Prime SP scanner. In July 2019, we added it to the Vantage Centurian MRI scanner as well. The unprecedented image quality and speed of imaging provide high-resolution diagnostic images while making procedures less invasive for patients using shorter scan time.

In Vitro Diagnostic Systems for Rapid, Patient-friendly Diagnoses

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

Canon Medical's wide range of in vitro diagnostic systems for testing blood and other samples enable a range of clinical tests. With tropical viruses such as Ebola and Zika posing a growing global threat, we are developing DNA testing kits to help the early detection of infections in partnership with Nagasaki University under a research program sponsored by the Japan Agency for Medical Research and Development (AMED). In 2018, we began selling the first RNA reagents in Japan for Zika virus detection. In 2019, we also developed a fluorescent LAMP reagent capable of room temperature storage and transportation. Field tests for Ebola virus detection have been conducted in the Democratic Republic of the Congo to support its use in tropical regions, and the research program is continuing.

Our aim going forward is to reduce patient burden while enabling more efficient medical care by developing faster tests that require smaller quantities of specimen.

Ebola virus testing in the Democratic Republic of the Congo

Supporting Industrial Innovation

Management Approach

We are contributing to next-generation semiconductor and electronic equipment manufacturing by applying proprietary optical and image-processing technologies.

Canon's Approach

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

Semiconductor chips, which are often likened to the brain of electronic equipment, are an essential part of modern life due to their presence in equipment ranging from smartphones and PCs to televisions, air conditioners and automobiles. In line with the Society 5.0* vision promoted by the Japanese government, the key to a future sustainable society will be the use of data through innovative science and technology such as AI, IoT and robots. This is expected to drive further evolution of semiconductor chips and demand expansion.

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

In semiconductor manufacturing, building on conventional lithographic approaches as high-end device manufacturing moves into the IoT era, Canon is working to establish nanoimprint technology to achieve semiconductor-device miniaturization at lower cost.

In other sectors, OLED panel manufacturing equipment (Canon Tokki) and sputtering equipment (Canon ANELVA) are supporting the front line of manufacturing.

In addition, in the field of factory automation, we are advancing our development for system solutions. We will accelerate our collaboration with robot manufacturers in a bid to help increase industrial manufacturing productivity.

* Society 5.0 is the Japanese government's vision for a new form of society in which scientific and technical innovations such as AI, IoT, robots and big data are integrated widely across industry and society as part of realizing this new future society.

Sputtering equipment (Canon ANELVA)

Relationship with SDGs

Through the expansion of business in the industrial machinery sector, Canon is contributing to the realization of SDG 9: "build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." Besides promoting increased efficiency for existing industries, we also aim to foster innovation that is continually adaptive of changes in society as part of our active contribution to the development of new industries.

Examples of Value Creation

Technology Supporting Enriched Lifestyles

The functionality and memory capacity of semiconductor devices continue to rise as chip manufacturers adopt more complex circuit patterns and large-scale integration. Canon supplies lithography equipment for semiconductor mass production. Our focus is on the use of nanoimprint lithography, groundbreaking technology for stamping circuit patterns onto wafers at high resolution rather than following the conventional lithographic approach. This will support process migration while also achieving significant reductions in manufacturing costs. Our semiconductor lithography equipment using nanoimprint technology is currently installed at a leading chip manufacturer, where its suitability for mass-production purposes is being assessed.

Nanoimprint semiconductor lithography equipment in testing for mass production use at a memory chip manufacturer

Moreover, Canon ANELVA manufactures sputtering equipment employing high-vacuum thin-film process technology for use in semiconductor production, and it is the world's sole supplier of sputtering equipment for hard disk drive (HDD) head production. In addition, equipment supplied by Canon ANELVA is helping to boost performance while dramatically reducing production costs for communications devices used in high-speed 5G networks.

With demand for OLED displays on the rise, the OLED panel manufacturing equipment developed and manufactured by Canon Tokki has become a critical component in production processes. Demand is expected to grow in the future as these displays offer new possibilities in smartphones, televisions and other electronic devices for thin-light and foldable forms. Based on overwhelming technological superiority compared to competitors in the OLED panel-manufacturing field, Canon is working to create innovative value to cater to rising demand for OLED displays for use in various products.

OLED panel manufacturing equipment developed and manufactured by Canon Tokki

Technology Supporting Innovation in Manufacturing

Canon is focusing efforts on the field of factory automation (FA), where demand has grown in recent years due to rising labor costs combined with labor shortages. Responding to these market trends, we are developing the Canon Industrial Imaging Platform as a system solution for shop floor visualization. By combining imaging technologies used in network cameras and industrial cameras with image-processing technology, we aim to support greater automation of production while helping to boost productivity. In 2019, we launched Vision Edition-U image-processing software that is compatible with collaborative robots made by Universal Robots and Canon network cameras. The image acquisition and processing capabilities of the software add value by enhancing the robots' operational capabilities from the laboratory to the shop floor, enabling development of automation solutions for various factory environments. Going forward, we plan to collaborate with varied partners to help automate production facilities and increase productivity.

Management Approach

Working to realize *kyosei* throughout the product lifecycle.

Materiality and Environmental Aspects

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

Canon works to protect and conserve the environment throughout the product lifecycle, with emphasis on four material areas: (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.

To advance efficiently and effectively with initiatives in all areas, we take regular action to monitor the characteristics of our business activities and their impact on the environment and to ensure that we remain up to date with social issues such as the Sustainable Development Goals (SDGs). In addition, we use the procedures indicated below to analyze materiality and identify relevant material issues in the environmental domain.

First, we analyze how our business activities relate to environmental issues and needs. We then assign them a level of priority based on the relative level of interest among stakeholders, ascertained with the help of surveys, and the relative impact on our business activities.

The issue of the greatest relative interest to stakeholders is found to be "reuse and recycling of used products," followed by "management of chemical substances contained in products," "management of air emissions and prevention of pollution," "management of raw material use," and "reduction of energy consumption."

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

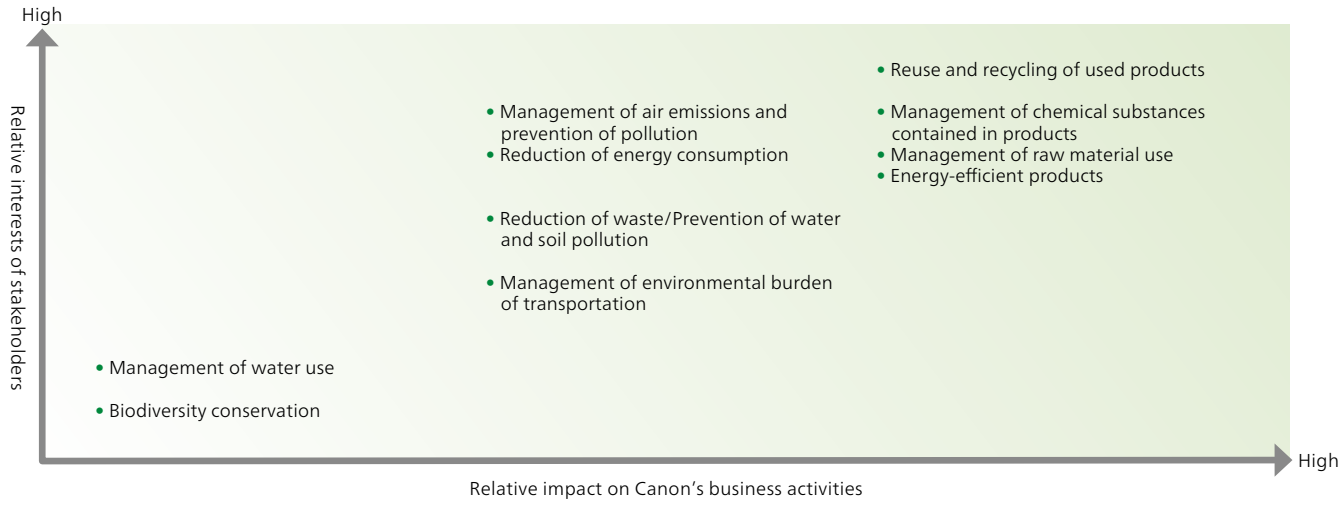
Also, the issue of the "management of chemical substances contained in products" is one to which Canon assigns a high level of priority because of its potential links to health issues and environmental pollution and the resulting global trend toward stricter and more extensive regulation of chemical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

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

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

In this way, by taking careful note of social issues and needs, the level of stakeholder interest, and a wide range of other changes in the world around us, Canon continues to drive forward and develop initiatives throughout the product lifecycle, thus progressing toward the realization of *kyosei*.

Materiality Matrix



Environmentally Conscious Management

Canon's Approach to Environmental Assurance

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

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

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

23 March, 2007
Chairman & CEO
Canon Inc.

Canon Group Environmental Charter

Canon Environmental Vision

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 environment.

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

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

Canon Environmental Vision

Environmental Targets and Achievements

Overall Target, Product Targets and Operational Site Targets

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

To gauge our progress in reducing these impacts over the entire product lifecycle, we convert each type of environmental impact to CO_2 equivalents, and, using these as benchmarks, we set an overall goal for our Medium-Term Environmental Targets of achieving an average 3% per year improvement in the index of lifecycle CO_2 emissions per product unit. This enables us to use a single integrated index figure to monitor progress across the full range of environmental activities, from the development of more lightweight, more compact products and more efficient logistics operations to energy-saving initiatives at production sites, development of products that are energy-saving during utilization, and more effective product recycling.

We have broken down the overall target into product targets and operational site targets. We have established a product target of an average 3% improvement per year in the raw materials and usage CO_2 emissions improvement index per product, and operational sites have unit improvement targets covering energy consumption, total waste generation, water usage, and emission of controlled chemical substances.

Coordination with the Business Plan

With the aim of improving coordination between environmental management and business management, Canon's Medium-Term Environmental Targets are designed on a timeframe shared in common with the business plan. Additionally, to decide whether they need adjustment, the Medium-Term Environmental Targets are reviewed every year to align them with the three-year business plan, which focuses on technology and products and is created with reference to the Excellent Global Corporation Plan that sets the company's direction for five years at a time.

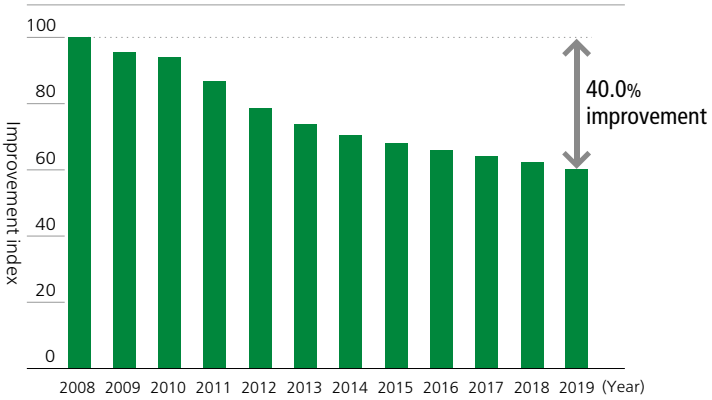
Review of the Overall Target from a Long-Term Perspective

A 3% average yearly reduction in product lifecycle CO_2 emissions, which is the overall target set in 2008, would, if sustained, mean a roughly 50% reduction from 2008 levels by the year 2030. We recognize this to be in line with the level of reduction called for by the Paris Agreement. We will continue to undertake target reviews from a long-term perspective as a way of checking our contribution to the realization of a low-carbon society.

Achievement Relative to the Overall Target

We achieved our target of improving lifecycle CO_2 emissions per product by an average 3% per year, recording an average improvement of 4.7% (2008–2019) thanks to the ongoing efforts of our business units throughout the entire product lifecycle. This represents an improvement of 40% compared to 2008.

Lifecycle CO_2 Emissions Improvement Index per Product



* Indexed to 2008 = 100

Achievement of Product Targets

We continued with initiatives including efforts to make products more compact, lightweight, and energy efficient, and achieved an average annual improvement of 2.9% (2008–2019) in raw materials and usage CO_2 emissions per product, falling just short of our target of 3%.

Achievement of Operational Site Targets

■ Energy consumption per basic unit at operational sites

The Facilities Management Headquarters is the primary driver of energy-reduction activities. In 2019, energy consumption per basic unit improved by 4.5% over the previous year, exceeding the 1.2% improvement target.

■ Total waste generation per basic unit

As a result of such initiatives as reducing waste at manufacturing sites and recycling waste generated internally at manufacturing sites, we met our target of a 1.0% improvement with a 4.4% reduction in total waste generation over 2018.

■ Water usage per basic unit in production

Water usage per basic unit of production declined by 0.2% compared to 2018 on the strength of efforts to improve water management including more efficient water use and greater reuse of wastewater. However, technical difficulties at certain production sites meant that our target of a 1.0% improvement remained slightly out of reach.

■ Emissions of controlled chemical substances per basic unit

We achieved a 7.9% improvement over 2018 in emissions of controlled chemical substances per basic unit, attaining our target of a 1.0% improvement, by reducing chemical substances used in manufacturing processes and reusing materials.

Environmental Targets and Achievements

	2019–2021 Medium-Term Environmental Targets	2019 Achievements
Lifecycle	3%-per-year average improvement in lifecycle CO_2 emissions improvement index per product	Avg. improvement: 4.7% p.a. (2008–2019)
Products	3%-per-year average improvement in raw materials and use CO_2 emissions improvement index per product	Avg. improvement: 2.9% p.a. (2008–2019)
	2019 Environmental Targets	**2019 Achievements**
Operational Sites	Improve energy consumption per basic unit at operational sites* (excluding marketing sites) by 1.2% (compared to 2018)	4.5% improvement over 2018
	Improve total waste generation per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2018)	4.4% improvement over 2018
	Improve water usage per basic unit in production* by 1% (compared to 2018)	0.2% improvement over 2018
	Improve emissions of controlled chemical substances per basic unit at operational sites* (excluding marketing sites) by 1% (compared to 2018)	7.9% improvement over 2018

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

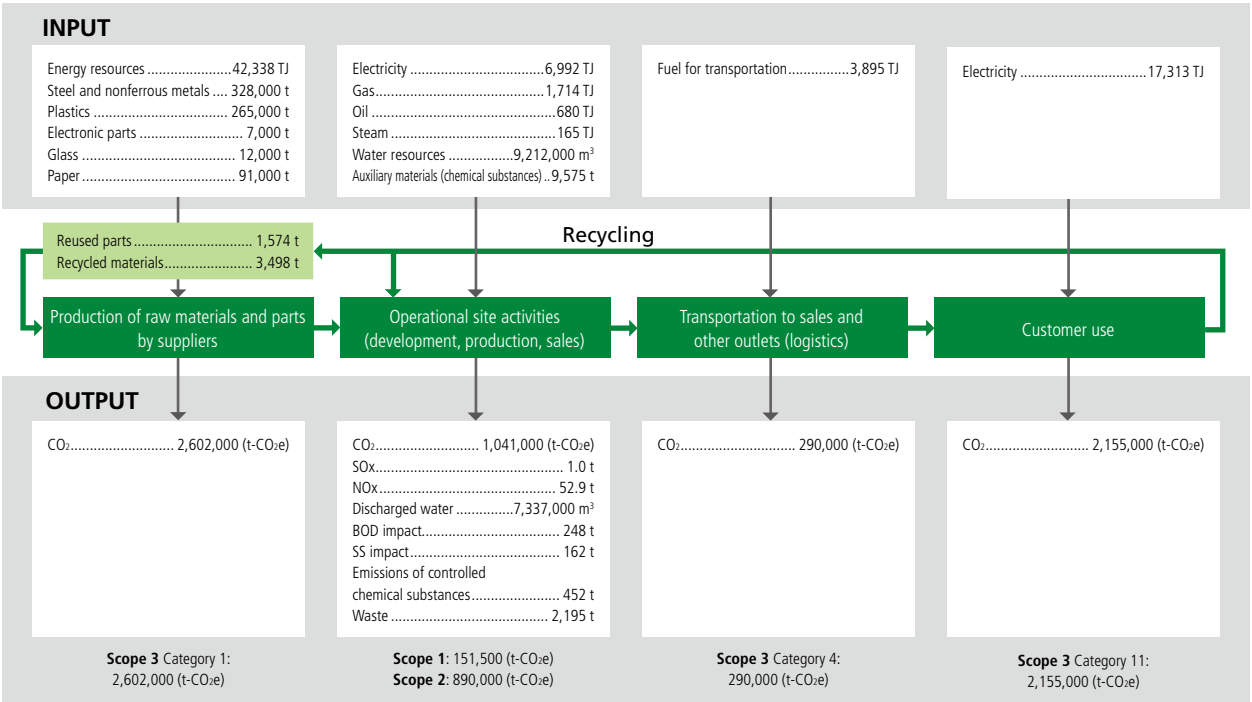
In 2020, we will work for further improvements in performance across the board, with targets set at the same level as in 2019.

Overview of Environmental Impacts

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

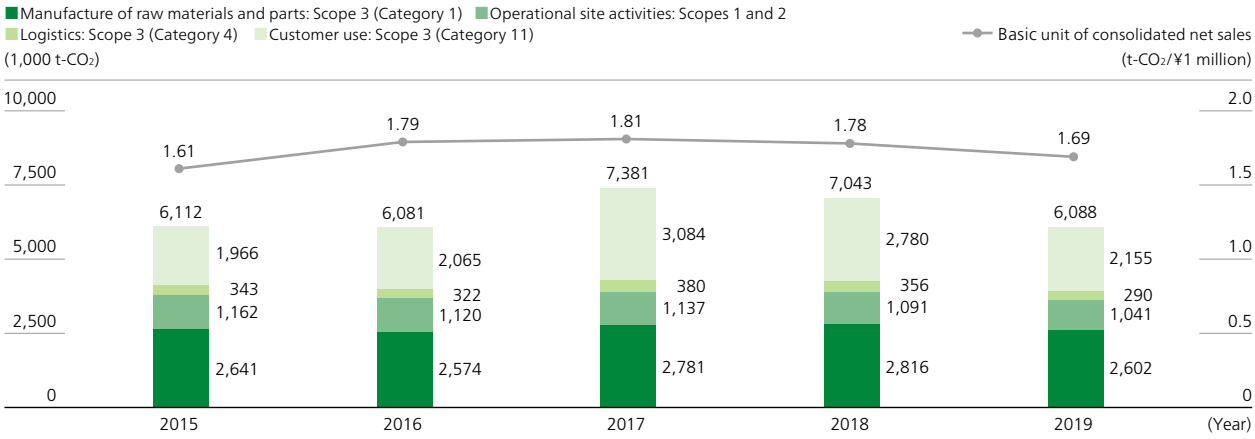
Total lifecycle CO_2 emissions in 2019 were approximately 6.09 million tons, a decrease of roughly 0.96 million tons compared to 2018. This figure reflected initiatives at all stages of the product lifecycle, from the manufacture of raw materials and components by suppliers through activities at development, production and sales sites to logistics operations and customer use. The figure in turn corresponds to approximately 0.02% of the 2018 world total CO_2 emissions volume of approximately 33.1 billion tons as reported by the International Energy Agency (IEA).

2019 Material Balance



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

Lifecycle GHG Emissions (CO_2 Equivalent)



* Figures for 2017 onwards include data for Canon Medical.

Scope 3 GHG Emissions in 2019

Category	Scope	2019 (1,000 t-CO_2e)	Calculation Method
1	Purchased goods and services	2,602	Calculated by multiplying the weight of each material input (including any inputs emitted as waste) by the emission factor for each material/process.
2	Capital goods	609	Calculated by multiplying the total amount of each asset category of purchased capital goods by the emission factor for each asset category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	91	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	290	Logistics from the supplier to Canon manufacturing sites is calculated by finding the average transport distance and transport volume and then multiplying this by the emission factor for transportation. Logistics from manufacturing site to customer's warehouse is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	1	The total weight of waste generated by material and disposal process at each operational site is derived and then multiplied by the end-of-life treatment emission factor.
6	Business travel	45	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor of fuel consumption.
7	Employee commuting	121	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method. For commutes by private vehicle, total fuel usage is derived from amounts paid and then multiplied by the emission factor for fuel combustion.
8	Upstream leased assets	0	CO_2 emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transport and distribution	47	Average transport distance and weight of transported products is calculated for each region and multiplied by the emission factor of transportation.
10	Processing of sold products	0	Emissions from production by outsourcing partners of intermediate products used in sale of Canon-branded products are included in Category 1.
11	Use of sold products	2,155	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	206	Sold products are categorized by material and then the emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	0	Leased assets such as multifunction devices are included in Category 11 above together with sold products
14	Franchises	0	Not applicable
15	Investments	0	Not applicable
Scope 3		6,166	

Basic Approach to CO_2 Calculations

Canon compiles data for greenhouse gas (GHG; energy-derived greenhouse gas CO_2, and non-energy derived greenhouse gases PFCs, HFCs, SF_6, N_2O, methane, and NF_3) designated under the Kyoto Protocol (revised version).

For CO_2 emission factors for electricity, figures provided by individual electricity supply companies are used, but publicly disclosed region-specific figures are used when figures are not provided by electricity supply companies (Please refer to Operational Sites Covered in the Environmental Section on page 122). As the latest CO_2 conversion coefficients become public after compilation of CO_2 data for the report, the data are adjusted retroactively in subsequent reports. For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifetime and printing volume, and converted to the CO_2 equivalent using CO_2 emission factors for electricity which are calculated in the same way as the above methods. Other CO_2 emission factors use coefficients from the Carbon Footprint Communication Program of Sustainable Management Promotion Organization (SuMPO). Past data may be revised due to improvements in the precision of data collection.

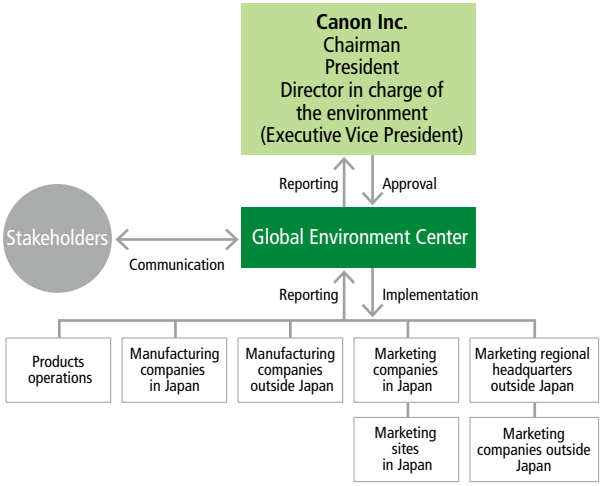
Third-Party Verification of GHG Emissions (Converted to CO_2)

Third-party verification has been obtained for CO_2 emissions data and basic unit of consolidated net sales appearing in "2019 Material Balance" and "Lifecycle GHG Emissions (CO_2 Equivalent)" in 2018/2019 and for each data in "Scope 3 GHG Emissions in 2019."

Global Environmental Promotion System

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

Global Environmental Promotion System



Environmental Management System

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

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

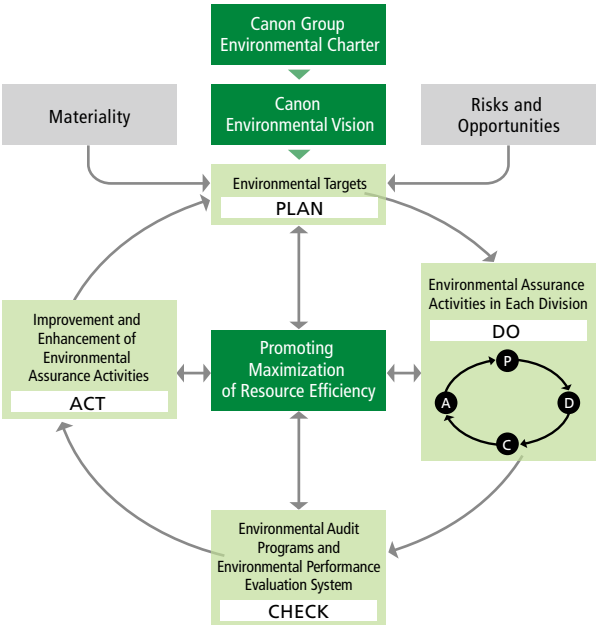
The Global Environment Center ensures the smooth management of this system by gathering information on environment-related laws and regulations, establishing environmental policies and rules for the entire Group, and planning and managing evaluation methods for environmental assurance activities.

Manufacturing and sales companies in Japan and outside Japan obtain ISO 14001 consolidated certification as an objective third-party evaluation of EMS effectiveness. As of 2019, ISO 14001 consolidated certification covers Canon Inc. as well as 126 Group companies in 40 countries (668 operational sites) and regions around the world. The Canon Group received the positive evaluation from the accreditation body that "within the context of a business environment undergoing great change, the Canon Group as a whole has identified new risks and opportunities associated with prospective expansion into new business domains, and has incorporated these in its EMS."

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

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

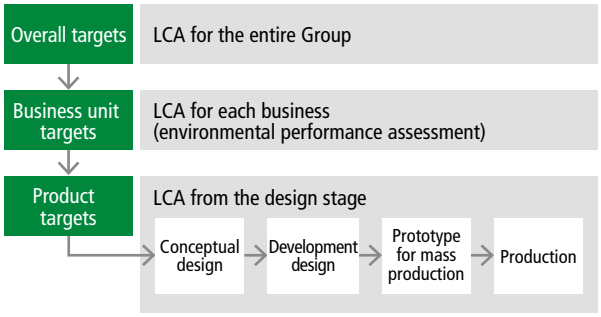
Canon's Environmental Management System



Product Development System Using LCA Methodology

Canon's environmental initiatives are not limited to its manufacturing processes, but undertaken over the entire product lifecycle. Lifecycle assessment (LCA) methodology has been introduced in the product development stage to help reduce environmental impacts throughout the product lifecycle. Canon has established an LCA development management system that can centrally manage all processes from product development to information disclosure. This system ensures that CO_2 emissions can be calculated from the development and design stages, which we use when manufacturing products as we move toward our environmental targets.

Flow Chart of Environmentally Conscious Design Using LCA Methodology



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

Product Environmental Assessments

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

In the first step of the assessment, an environmental performance target is assigned to the product at the product planning stage. Before the decision is made to realize the product and initiate mass production, Canon evaluates whether this target has been met, and ascertains whether the product also satisfies the applicable legal and other requirements.

Environmental Assurance Activities in Cooperation with Suppliers

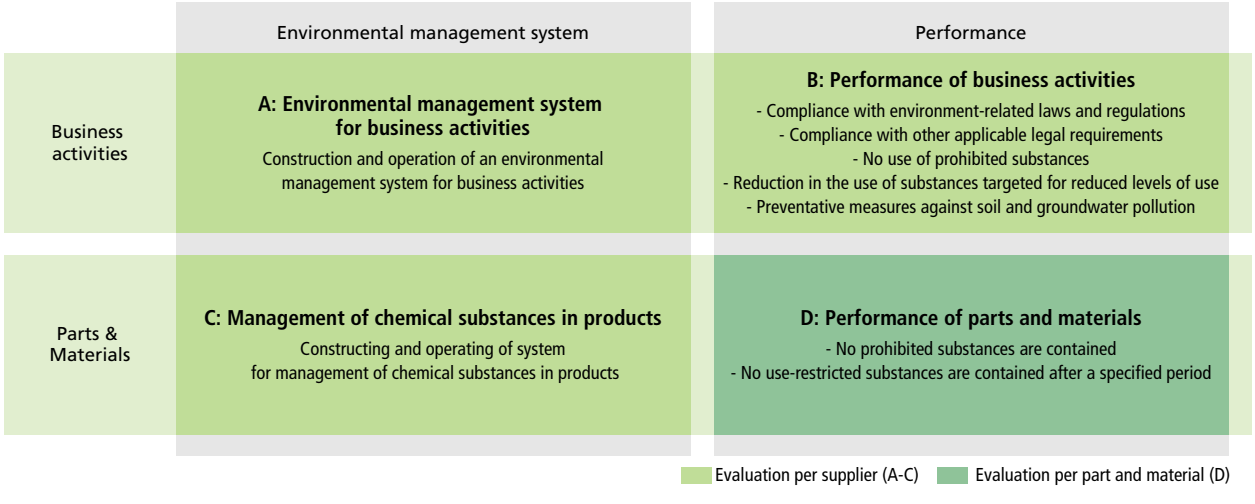
In addition to its own environmental initiatives, Canon gives attention to the operations of partners that supply parts and materials. Canon has established Canon Green Procurement Standards, which outline its environment-related requests to suppliers. Suppliers must comply with these standards to do business with Canon.

Specifically, we view a supplier's environmental management as consisting of two interrelated elements: Management of business activities and Management of parts and materials. We require that the supplier must operate effective environmental management in each of the four frameworks labeled A – D in the diagram below. If a supplier is found to have a negative impact on the environment, we immediately demand corrective action be taken and check the status of improvements made.

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

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

Requirements of the Canon Green Procurement Standards



Stronger Risk Management Aimed at Preventing Pollution

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

For example, in order to ensure compliance with strengthened regulation of operating sites, we are taking measures to boost information gathering and analysis activities regarding laws and regulations on wastewater and emissions in emerging countries. We are also reinforcing risk management in plating processes, where there is a relatively high risk of environmental pollution associated with wastewater treatment as a certain volume of heavy metals is used. As some of our plating contractors, who constitute tier-two suppliers, lack an in-house wastewater treatment facility and subcontract services to a wastewater treatment provider, Canon now also verifies the compliance status of these subcontractors. Expanding the scope of risk management in this way helps ensure that pollution is prevented in advance.

Canon Recognized as "Five-Star Green Supply Chain" Company

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

The five-star Certificate of Green Supply Chain Assessment

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

Confirming the Effectiveness of Environmental Management

Canon uses internal environmental audit to confirm the effectiveness of environmental management systems. Internal environmental audits are composed of headquarters environmental audits performed by the Global Environment Center, and operational site environmental audits and product environmental audits conducted by the audit divisions of operational sites and products operations. Mutual cross-site audits are also carried out in certain locations.

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

In 2019, the audits found no major nonconformity or violations. From the perspective of continual improvement and prevention, we are taking steps to rectify even minor findings in operations management.

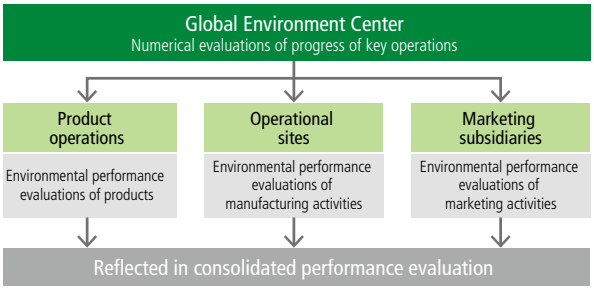
Environmental Performance Evaluations Coordinated with Business Management

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

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

In this way, Canon incorporates the environment into business activities and includes it as one element of overall performance evaluation.

Environmental Performance Evaluation Process



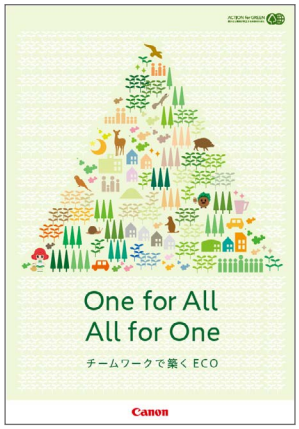
Sharing of environmental information with management and employees

Environmental Awards and Environmental Exhibition

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

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

Top management judges entries at the Environmental Awards ceremony



Original environmental awareness-raising poster (2019)

Environmental Activity Reports

To promote rapid sharing of information on the latest environmental trends within and outside the Group, including policy trends in different countries around the world and the Canon's level of progress with environmental targets, environmental activity reports in Japanese and English have been published every month since 2008 to management, including at overseas group companies. The same report is also distributed to the department responsible for environmental activities within each organization, allowing the whole Group to identify trends within and outside the Group in a timely manner.

Environmental Education

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

The basic environmental training aims to equip employees with an awareness of the importance of environmental assurance activities and an understanding of related policies and targets, while the specialized training program aims to enhance the capabilities of employees involved in environmental assurance activities.

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

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

In particular, among the specialized environmental training programs, Canon is reinforcing its education course for risk management globally, and has been using training materials in English and Chinese since 2016. As of the end of 2019, employees involved in related operations had completed this training program (total of approximately 5,000 participants).

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

Environmental Communication

Information Disclosure to Stakeholders, Education and Awareness

Canon has been vigilant in disclosing environmental information to a diverse range of stakeholders.

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

Canon also promotes environmental education and awareness activities for the benefit of people in regional communities, providing environmental outreach classes for elementary students and environmental programs run in cooperation with regional organizations. Canon has held a total of over 220 outreach classes on toner cartridge recycling since 2011 for more than about 11,000 participants. In 2017, this program was accredited by the Tokyo Organising Committee of the Olympic and Paralympic Games as "Tokyo 2020 Official Programme (Sustainability)."

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

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

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

An environmental outreach class

Information Transmission at Canon Eco Technology Park

The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant, but also serves as a focal point of the environmental activities of the Canon Group. The facility offers a tour of Canon's automated toner and ink cartridge recycling systems and a showroom introducing Canon's wide variety of activities, such as the Canon Bird Branch Project, through information panels, videos, and hands-on content. In this way, it is not only a place where customers can come to observe our operations, but also serves as an environmental education center for elementary school pupils and other groups from the general public. Our educational programs offer hands-on experiences such as taking part in experimental sorting of materials by magnetism, weight, size and other properties, as well as opportunities to see in action the recycling technology participants have learned about. In this way, participants get to see scientific knowledge being applied in practice for the benefit of recycling.

A project based at the Canon Eco Technology Park and designed to showcase environmental activities won a Good Design Award 2019 from the Japan Institute of Design Promotion.

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

Learning about the environment at the Canon Eco Technology Park showroom

Environmental Regulatory Compliance and Response to Complaints

As a result of implementing an environmental management system coordinated across the Group, Canon came through 2019 without a single legal violation or accident that seriously impacted the environment. The Canon Group also did not incur any fines. Operational sites received complaints about issues such as facilities generating noise and foul odors emitted by factories, all of which were resolved satisfactorily via appropriate measures.

Contributing to a Low-Carbon Society

Canon is working to reduce CO_2 emissions at all stages of the product lifecycle.

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

Contributing to a Low-Carbon Society
Climate Change, Energy

• Designing energy-efficient products	Target 13.2	Target 7.3
• Improving energy efficiency at operational sites	Target 13.2	Target 7.3
• Use of renewable energy	Target 13.2	Target 7.2
• Reducing CO_2 emissions from logistics	Target 13.2	Target 7.3

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

CO_2 Reduction in Product Development

Energy-Saving Designs for Office Equipment

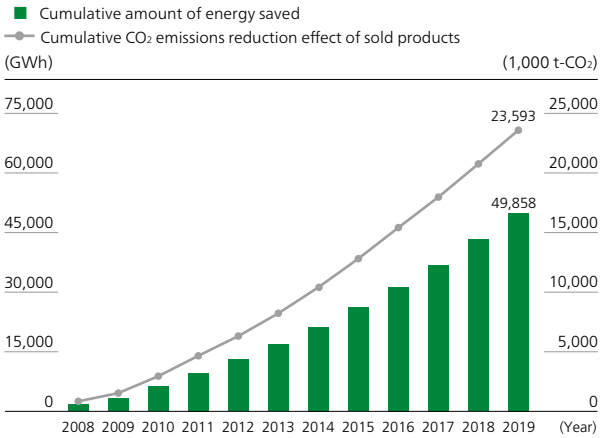
The multifunction office device imageRUNNER ADVANCE Gen3 3rd Edition is fitted with a range of features that contribute to increased efficiency in office operations, including a human sensor that activates automatic recovery from sleep mode and reduced waiting time for sleep mode recovery. Additionally, the imageRUNNER ADVANCE C5550F III pursues energy-efficient design through features such as on-demand fixing technology, a high-performance main controller, and a toner designed for optimal melt characteristics. These features enable it to achieve approximately 47% reduction in CO_2 emissions during customer use compared to the imageRUNNER ADVANCE C5250F. It thus manages to combine improved product functions with reduced CO_2 emissions. Meanwhile, the A4 monochrome laser printer LBP162/161 achieves the lowest electric power consumption for its range at 0.6W within a compact width of just 371 mm. As well as contributing to space-saving in the office environment, it also realizes energy-saving as a business printer.

imageRUNNER ADVANCE C5500F III Series (left)
Satera LBP162/161 (right)

Thanks to energy-saving technologies used in office equipment, between 2008 and 2019 Canon products achieved cumulative energy savings of 49,858GWh. This is expected to result in a CO_2 reduction of 23,593,000 tons.

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

Energy/CO_2-Saving Effects of Office Equipment (Cumulative)



* Covered products: Electrophotographic multifunction devices and laser printers for offices (excluding production printers).
* Energy-saving effect using the average energy (electricity) consumed by products sold in 2007 as a baseline.
* Cumulative yearly effect assumes that products sold in each year are used for 5 years.
* 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 (in Japan) and the International Energy Agency (outside Japan).

Environmentally Conscious Designs for Medical Equipment

We are promoting environmental consciousness not only in office equipment but also across a wide range of product fields. Vantage Orian is Canon Medical Systems' new flagship MRI system, a wide-bore 1.5T (Tesla) system

realized in the smallest installation space for a model in its class. This not only makes it easy to select the installation site, but also reduces installation time and costs. The system is automatically switched to standby mode during intervals between examinations, reducing standby power consumption. In addition, the optimal running of the magnet cooling system helps significantly reduce power consumption during a non-operational state. These functions allow running costs to be reduced without the operator's involvement. Compared with the previous model, annual electric power consumption is reduced by up to 34%, while lifecycle CO_2 emissions are reduced by 181 tons. These and other improvements not only raise quality standards at the medical frontline but also contribute significantly to environmental progress.

Vantage Orian MRI system

Contributing to CO_2 Reduction Across the Whole of Society

In addition to reducing lifecycle CO_2 emissions through hardware measures, we are deploying IT solutions to improve the efficiency of work operations, reduce the movements of people and objects, and realize savings in the consumption of resources and energy. This also promotes CO_2 reduction in the office and in society as a whole. For example, the computerization of paper documents not only allows more efficient document management, but also contributes to savings in paper resources used and storage space required, enabling customer enterprises to reduce resource consumption and CO_2 emissions. By delivering to society a range of IT solutions in addition to the hardware-based CO_2 reductions, Canon will continue contributing to reducing CO_2 emissions not only in its own operations but also in society as a whole, moving thus toward the global goal of net zero emissions by 2050.

Helping Customers Reduce Their Environmental Impact

Using the Carbon Offset Program (Japan)

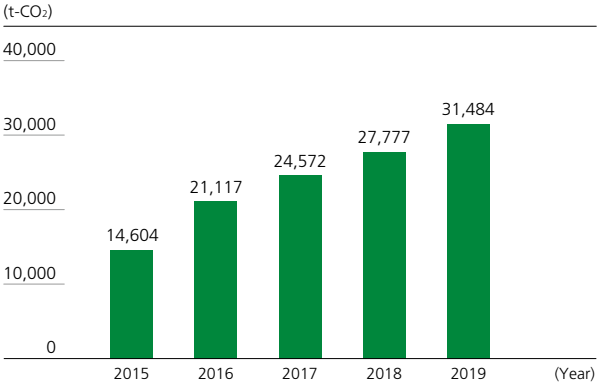
Canon promotes initiatives that help customers reduce their CO_2 emissions.

To enable customers to select products with lower CO_2 emissions, we strive to disclose relevant information and are also in the process of obtaining carbon footprint (CFP) certification under the Sustainable Management Promotion Organization (SuMPO)'s CFP communication program.

Additionally, by utilizing the Carbon Offset Program making use of CFP* promoted by the Ministry of Economy, Trade and Industry, we have been able to realize products with practically zero lifecycle CO_2 emissions. With some of these products, such as the imageRUNNER ADVANCE series and the imagePRESS production printers, customers can report to the authorities, based on the Act on Promotion of Global Warming Countermeasures (Japan), that they do not produce the CO_2 emissions that would ordinarily be expected from use of the products.

Carbon offsets linked to customer demand from when we began using this system in 2014 until 2019 totaled 31,484 t-CO_2.

Carbon Offsets Linked to Customer Demand (Cumulative)



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

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

Canon U.S.A. Named "Partner of the Year" at ENERGY STAR® Awards 2020

At the ENERGY STAR® Awards 2020, sponsored by the United States Environmental Protection Agency (EPA), Canon U.S.A. was selected as a "Partner of the Year–Product Brand Owner" for the fifth consecutive year. In recognition of its continued initiatives, it additionally received, for the third consecutive year, the highest-level distinction of "Partner of the Year–Sustained Excellence Award." Going forward, we will seek to continue contributing through our products to improving the energy-saving awareness of our customers and business partners and supporting them in related activities.

CO_2 Reduction Through Initiatives at Operational Sites

Canon created the Energy Cost Reduction Working Group in 2014 as a horizontally integrated organization to take Group-wide action on reducing energy consumption. In an approach whose key concept is the 5Gs*, the group has worked to reduce energy consumption by undertaking a thorough-going review of operating conditions at production facilities, for instance by cutting out excess use of pressurized air and cooling water and adjusting air conditioner settings. Measures that prove effective are adopted for horizontal rollout to Japan and overseas production sites. Meanwhile, staff from a dedicated department at Head Office carry out energy-efficiency diagnosis on visits to production sites and suppliers all over the world. There, they check the operating status and settings of production equipment and then use their observations to make improvements to the operating efficiency of facilities and equipment and provide staff with relevant on-site training. Since the launch of this initiative, it has resulted in a Group-wide energy saving of 125,390 kL (crude oil equivalent).

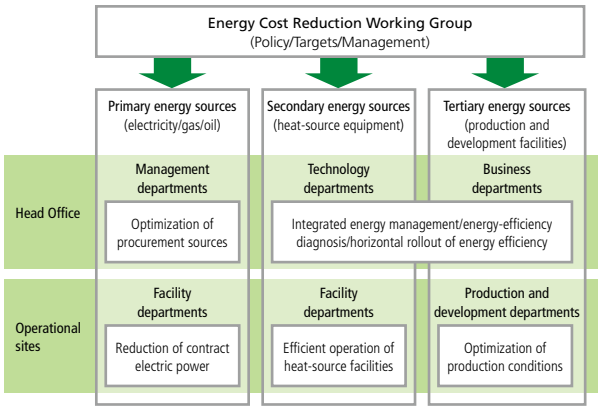
* The 5Gs is an operational improvement methodology for problem-solving. It adds theory "genri" and principle "gensoku," which are the foundation of decision making, to the well-known 3Gs—visit the actual site "genba" in person and recognize the actual facts "genjitsu" through the actual parts or things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

One example of this involves Oita Canon Materials, a domestic subsidiary engaged in production. The company turned its attention to the energy wasted while equipment is not in operation and responded with systematic energy-saving activities coordinated between its manufacturing, technology, and facility departments. Through the combination of a range of improvement measures, it achieved a yearly CO_2 reduction of 300 tons. Meanwhile, one of our overseas production companies, Canon Vietnam, is progressing with energy-saving activities at its three plants in Vietnam based on collaboration between two departments. They have managed to reduce air-conditioning load by introducing air conditioning incorporating ceiling fans, installing ice heat storage tanks, switching to LED lighting, and reducing heat emission from production facilities. This and a range of other measures has achieved a yearly CO_2 reduction of around 2,000 tons. We are producing steadily growing results by rolling out a variety of initiatives of this kind at operational sites in Japan and overseas.

In 2019, thanks to a rigorous program of energy conservation measures across operational sites in Japan and overseas, led by the activities of the Energy Cost Reduction Working Group, we achieved a year-on-year reduction in greenhouse gas emissions of 50 kt-CO_2 to 1,041 kt-CO_2.

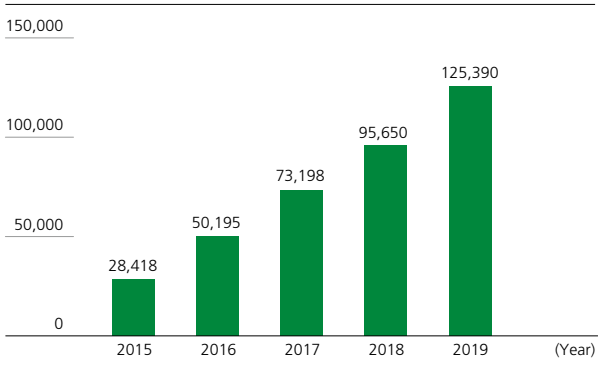
A reduction of approximately 13% was achieved in CO_2 generated in association with production activities (equipment and facilities, etc.). However, due to the fixed amounts of CO_2 generated independently of production volume (air-conditioning, lighting, etc.), this was not enough to absorb fluctuations in sales and the amount generated per unit of consolidated sales increased slightly.

System of Energy Cost Reduction Working Group

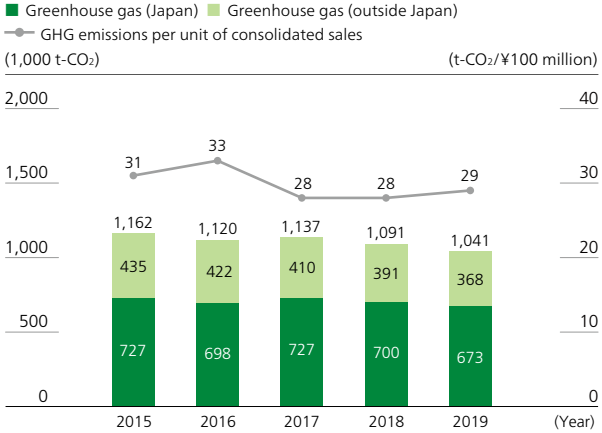


Cumulative Energy Saving Through Working Group Activities (Cumulative)

(kL: crude oil equivalent)



Greenhouse Gas Emissions at Operational Sites



* For information on our basic approach to calculating greenhouse gas emissions, please refer to P41.
* Figures for 2017 onwards include Canon Medical.

Start of Kiyohara Industrial Park Smart Energy Project Involving Collaboration between Five Companies

In a joint project with Tokyo Gas Co., Ltd., and three other enterprises*, Canon has launched the Kiyohara Industrial Park Smart Energy Project, which aims to realize major energy savings. The Kiyohara Industrial Park, located in Utsunomiya City, Tochigi Prefecture, is the location for Japan's first multi-plant integrated energy-saving project, which has introduced shared use of electric power and heat (steam and hot water) between a number of business sites with differing levels of demand. The aim is to realize benefits that would not be possible at a single business site operating in isolation—an energy saving of approximately 20%, a reduction in CO_2 emissions, and improved corporate resilience.

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

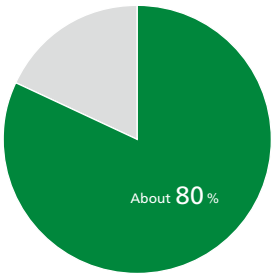
Kiyohara Smart Energy Center

Use of Renewable Energy

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

As a result of these initiatives adapted to local conditions, total renewable energy consumption by Canon Group companies worldwide in 2019 was 80,647MWh. Canon Group companies in Europe sourced about 33% of total energy needs from electric power. Of this electric power, generation from renewable sources accounted for around 80%. Going forward, we will continue to promote the use of renewable energies based on deploying the right resource in the right place from the viewpoint of economic efficiency.

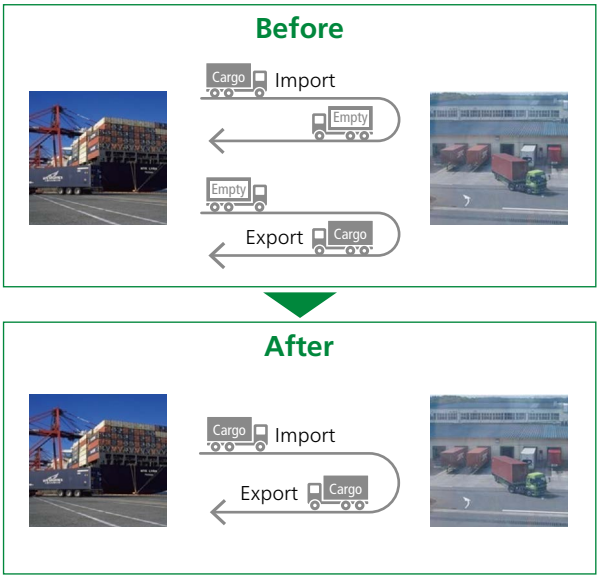
Share of Energy from Renewable Sources in Electric Power Consumption (Europe)



CO_2 Reduction in Logistics

In order to reduce CO_2 emissions from the logistics process, Canon has undertaken several initiatives: modal shifts that utilize transport modes with a lower environmental impact, improving loading efficiency by downsizing of products and packaging, diversion or direct-shipment from production sites, and shortening routes by consolidating distribution centers. In addition to these initiatives, to further improve transport efficiency, instead of the traditional one-way transport of containers with cargo, we have been actively pursuing Container Round Use (CRU), which includes not just containers within the Canon Group, but also containers imported by other companies for us to export. We are working with carriers and container transporters to expand the initiative. Also, in our overseas sites such as Vietnam, we have been promoting the same initiative.

Overview of Container Round Use



Canon U.S.A. Receives 2019 SmartWay® Excellence Award

As part of the activities of the SmartWay Transport Partnership, sponsored by the United States Environmental Protection Agency (EPA), Canon U.S.A. has significantly reduced the environmental burden associated with cargo shipment and helped to increase the number of shipment operators taking part in the initiative. For this and related activities, it received a 2019 SmartWay® Excellence Award in the Shipper Category.

Contributing to a Circular Economy

Canon promotes both reductions in resource consumption and product-to-product recycling.

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

Contributing to a Circular Economy

• Designing more compact and more lightweight products	Target 12.2	Target 12.5
• Remanufacturing products	Target 12.2	Target 12.5
• Recycling consumables	Target 12.2	Target 12.5
• Reducing waste through prevention, reuse and recycling	Target 12.4	Target 12.5
• Using sustainable water resources	Target 6.3	Target 6.4

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

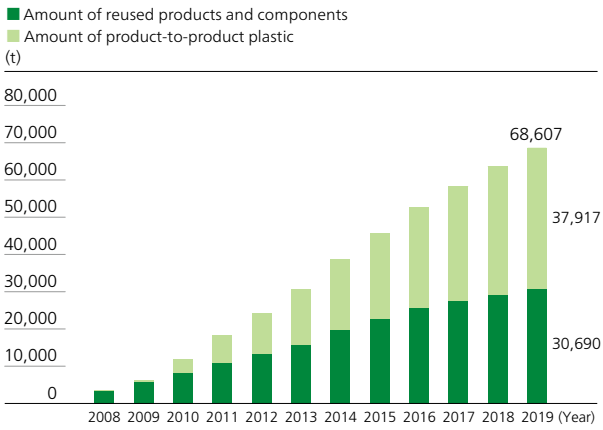
Resource Recycling at Canon

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

Flowchart of Canon's Circular Economy

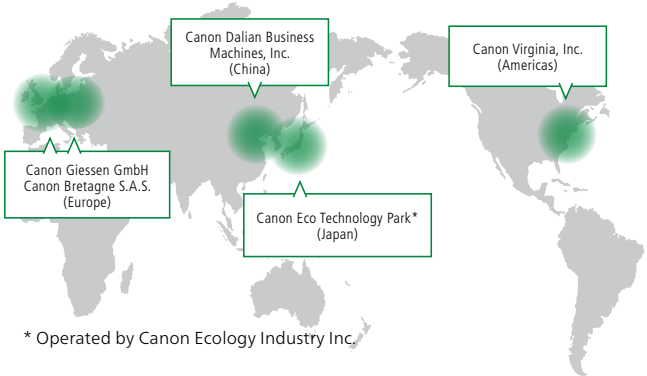
Since 2008, we have taken 37,917 tons of plastics from used products for recycling as raw materials, and another 30,690 tons of products and parts were reused directly.

Product-to-Product Recycling Amounts (Cumulative)



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

Canon Recycling Sites Worldwide

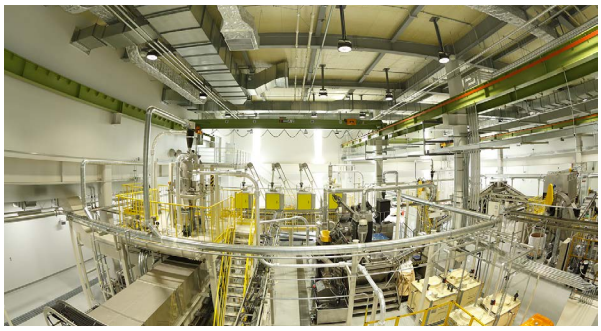


* Operated by Canon Ecology Industry Inc.

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

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

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



CARS-T

CARS-I

Receipt of Minister of Economy, Trade and Industry Award in the 28th Grand Prize for the Global Environment Awards

In the 28th Grand Prize for the Global Environment Awards, sponsored by the Fujisankei Communications Group, the Minister of Economy, Trade and Industry Award was presented to the Canon Eco Technology Park with Canon Recycling Technologies for "efforts for social issue resolution toward the creation of a circular economy." We are committed to continuing technological innovation for more effective use of our limited resources.

Canon Eco Technology Park

Initiatives for Efficient Use of Resources

Recycling-Conscious Design

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

Our Environmentally Conscious Design Guidance summarizes the considerations that need to be addressed at the product design stage, including product-related environmental laws and regulations, Green Public Procurement standards, and environmental labeling standards in the different countries where we sell our products. It sets out concrete guidelines covering a range of areas, such as extending product life, making products easier to maintain, disassemble, and sort into constituent materials after disassembly, and improving information disclosure.

Designing Smaller and Lighter Products

Canon is making efforts across a wide range of product types to make its products smaller and lighter to help reduce the consumption of resources in the form of raw materials.

Released for sale in 2019, the EOS RP digital mirrorless camera with interchangeable lens features high image resolution, speedy autofocus, and multiple photographic functions as part of a complete performance package, yet at the same time realizes a light weight of around 485g (including battery/card), less than a beginner's single-lens reflex camera, making this the most compact and most lightweight model in the Canon full-frame EOS series.

In the PIXMA series of inkjet printers, the new TR703 model achieves an approximately 18% reduction in the

floor area required for installation compared to the previous iP7230 model thanks to the new architecture. The compacter dimensions are accompanied by a weight reduction of approximately 18%.

Reference: Canon's Environmentally Friendly Products
https://global.canon/en/environment/products/index.html

Remanufacturing of Multifunction Devices

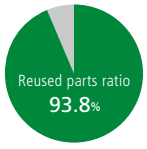
Since 1992, Canon has undertaken remanufacturing of used multifunction devices. We collect used devices and break them down into parts, which are washed and cleaned using optimal techniques. Following strict reuse standards, we replace any parts that show wear or deterioration. The production line and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

We market remanufactured devices from the imageRUNNER ADVANCE series under the Refreshed series brand in Japan and under the EQ80 series brand in Europe.

Canon Giessen (Germany)

In 2019, Canon launched sales of a new product under the Refreshed series brand, the imageRUNNER ADVANCE C3330F-RG, a special environmentally conscious model with an increased reused parts ratio.

imageRUNNER
ADVANCE C3330F-RG



Sandblast polishing to remove surface marks

Using meticulous washing and cleaning processes, with sandblast polishing* to remove the smallest imperfections and other special treatments, a reused parts ratio of over 90% has been achieved.

* A technique for polishing resin surfaces by blasting with microparticles

Toner Cartridge Closed-Loop Recycling

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

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

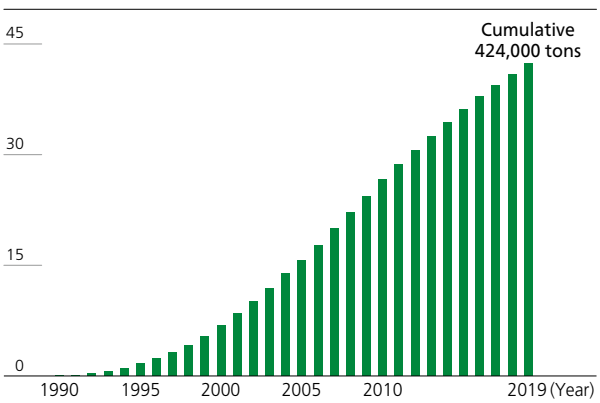
The primary material of toner cartridges is the high-impact polystyrene (HIPS) used primarily for the housing. HIPS can be used repeatedly to make new toner cartridges a unique feature of Canon's closed-loop recycling process.

We conduct used toner cartridge collection in 23 countries and regions (with a cumulative collection volume of about 424,000 tons as of the end of 2019) for recycling at four sites*, in Japan, the United States, France, and China (recycling in the same region where the product is used).

Thanks to our recycling initiatives, as of 2019 we have achieved a cumulative reduction in the use of new resources of approximately 296,000 tons.

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

Used Toner Cartridge Collection Volume (Cumulative)



Collection and Recycling of Ink Cartridges

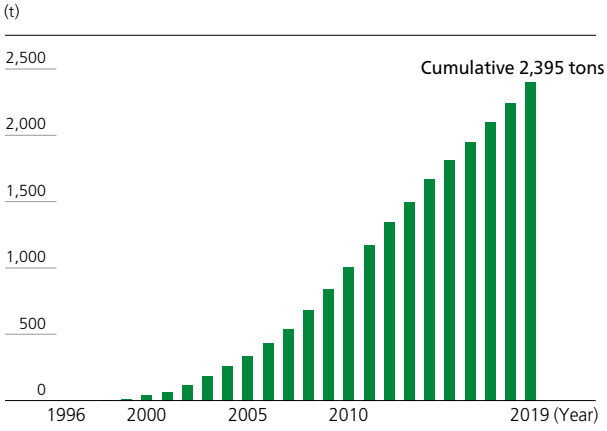
Canon has been collecting and recycling used ink cartridges since 1996. As of the end of 2019, Canon's collecting program was operational in 35 countries and regions worldwide, and the total volume of cartridges that had been collected up to the end of 2019 reached 2,395 tons.

In Japan, Canon is part of the Ink Cartridge Satogaeri (Homecoming) Project, a joint program by printer manufacturers to collect cartridges via boxes placed in post offices, libraries, and other local government facilities. Schools also collect cartridges through activities related to the Bellmark Campaign.

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

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

Used Ink Cartridge Collection Volume (Cumulative)



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

Action to Deal with Marine Plastics

There is growing public concern over the single-use plastics that are held to be a cause of marine pollution. In response, Canon uses its internal Environmental Exhibition (P45) to share in-house examples of best practice in product packaging with planning and development staff in all business divisions. In addition to product-related initiatives of this kind, we are addressing the issue of disposable plastics on other fronts, for instance in the straws, cups, and other utensils issued at staff canteens. In such areas we are seeking to switch to substitute materials or reduce the amounts used.

At overseas operating sites likewise, to reduce the use of disposable plastics, we have invited expert speakers from outside to give talks to educate and raise awareness. We have also discontinued the sale in the workplace of water in plastic bottles and supplied staff with re-usable bottles and cups. These are part of the Group's concerted initiatives to tackle social issues.

Initiatives to Reduce Waste at Operational Sites

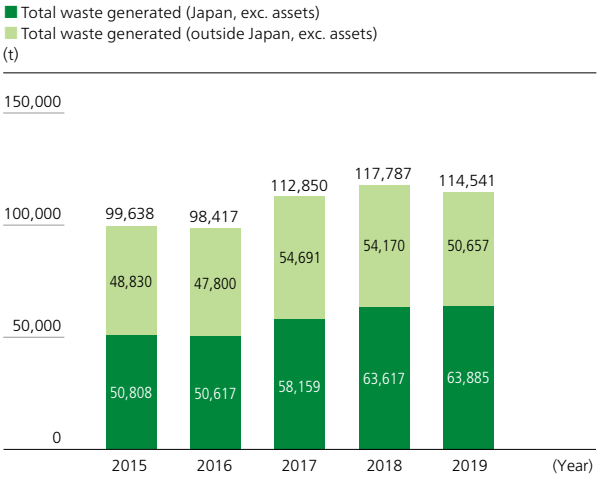
Reducing Waste

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

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

In 2019, we worked at all operational sites to reduce waste generation and promote internal recycling. As a result, total waste generation was reduced by 3,246 tons year on year to 114,541 tons.

Total Waste Generated



* Figures for 2017 onwards include data for Canon Medical.

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

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

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

Even in the case of waste that must be sent outside the company, we make sure it does not enter landfills*. Rather, we contract with companies that reprocess waste into materials. In 2019, contracted companies processed 110,955 tons of waste from Canon back into materials.

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

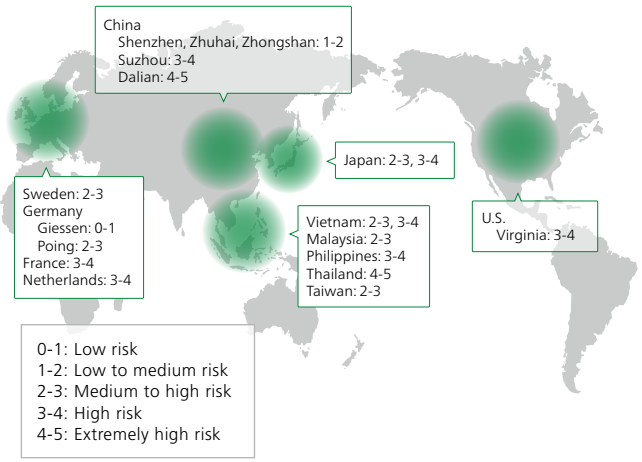
Aiming for Sustainable Water Resources

Water Risk in Regions Where Canon Production Sites Are Located

Canon assesses locations to confirm available water intake volume before establishing operational sites and facilities. We use the AQUEDUCT water-risk mapping tool provided by the World Resources Institute* for quantitative evaluation and reconfirmation of water risk in regions where production sites are located, and work to reduce water consumption in response to local conditions. Meanwhile, in some regions, an increase in abnormal weather patterns has increased the risk of flood damage. We have already begun implementing appropriate responses to climate change, for instance by building Plant No. 2 at our Thai production base on raised ground. Going forward, we will continue our progress with the formulation and updating of risk response plans.

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

Water Risk (Quantitative) in Regions Containing Major Production Sites



* Result of "physical risk quantity" assessment of production sites (as of end of 2019) using AQUEDUCT water risk mapping tool (Version 3, published August 2019)

Reducing Water Usage

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

Canon Hi-Tech (Thailand) Acquires Gold Level Certification in the Water Conservation Awards

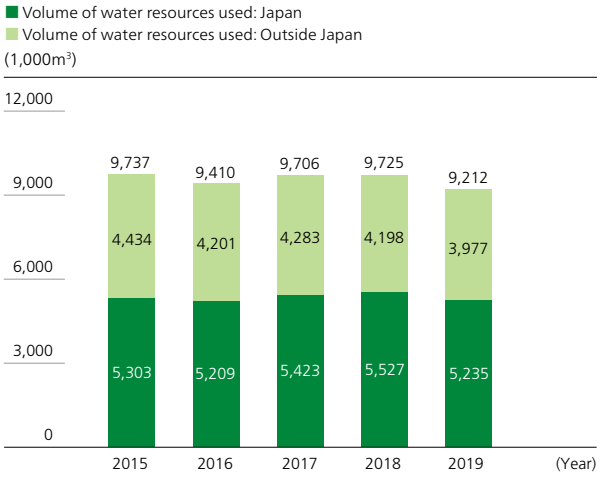
Canon Hi-Tech (Thailand)'s Nakhonratchasima Plant won recognition for its initiatives in areas such as reduction of water consumption and preservation of water quality, and acquired Gold Level certification in 2019 in the Water Conservation Awards sponsored by the Thai Ministry of Natural Resources and Environment.

Water Recycling at Production Sites

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

In 2019, we worked at all operational sites to reduce water consumption and promote recycling. As a result, total water consumption decreased by 513 TCM year on year to 9,212 TCM.

Use of Water Resources



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

Eliminating Hazardous Substances and Preventing Pollution

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

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

Eliminating hazardous substances and preventing pollution

• Managing chemicals contained in products, meeting international standards	Target 12.4	
• Managing chemical substances in production processes	Target 12.4	
• Reducing 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 their lifecycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil
Target 6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, and substantially increasing recycling and safe reuse globally

Canon's Approach to Managing Chemical Substances

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

Management of Chemical Substances in Products

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

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

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

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

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

Amid such circumstances, the Ministry of Economy, Trade and Industry (Japan) decided to sponsor chemSHERPA (chemical information SHaring and Exchange under Reporting PArtnership in supply chain) as a common platform for sharing information, facilitating the seamless transmission of information between companies to confirm compliance with regulations on chemical substances in products.

Applying the IEC62474* international standard, the chemSHERPA data scheme enables the management of compliance verifications for chemical substance regulations for each material and part. It is expected to enable more effective verifications as well, since revisions to regulations are updated in a timely manner.

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

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

* IEC62474: Material Declaration for Products of and for the Electrotechnical Industry. International standards issued by the IEC (International Electrotechnical Commission) in March 2012 aiming to streamline the material declarations on chemical substances and compositions contained in the products of the electro technical industry the global supply chain.

Managing Chemical Substances Used in Manufacturing Processes

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

Prohibited substances are defined as those prohibited under the Chemical Weapons Convention, the Stockholm Convention, the Montreal Protocol and the Convention concerning Safety in the Use of Asbestos, as well as specified greenhouse gases (PFC/HFC/SF_6), other soil and groundwater pollutants, and substances that significantly impact people's health.

Greenhouse gases other than PFC/HFC/SF_6, greenhouse gases identified by the IPCC as having global warming potential (GWP), volatile organic compounds (VOCs) and other substances specified by Canon are designated as emission reduction substances.

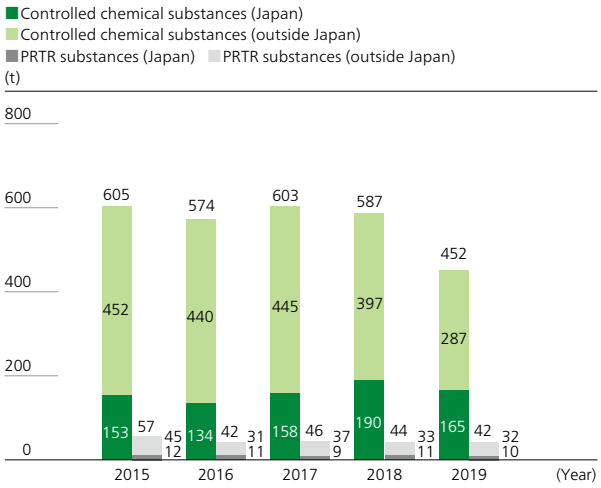
Regulated substances are chemical substances with defined compliance requirements, including compliance with reference values and the ascertainment of usage and storage quantities.

Reducing Use and Emissions of Controlled Chemical Substances

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

Total emissions of controlled chemical substances in 2019 amounted to 452 tons, a year-on-year decrease of 135 tons, which was achieved through activities to reduce chemical substances used in the production process and measures to promote re-use.

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



* PRTR System: Pollutant Release and Transfer Register System, a notification system for the transfer and release of chemical substances.
* Controlled chemical substances exclude regulated substances.
* Figures for 2017 onwards include data for Canon Medical.

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, which indicate an environmental impact in water areas. One example of this is Canon Components, the first member of the Group to introduce wastewater treatment based on the membrane separation activated sludge system. This method uses membrane filtration for solid-liquid separation in order to ensure reliable treatment of the various types of process effluent that result from the wide range of production items it handles. Compared to the previous method using pressure flotation, the system achieves lower and more stable BOD values in the wastewater.

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

To prevent air pollution, when installing or updating equipment that uses fuel, we opt for fuels that minimize generation of air pollutants (such as

sulfur oxide, nitrogen oxide and soot), and have banned the use of heavy oil in principle.

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

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

Soil and Groundwater 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 2019, 11 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 1,511 fluorescent ballasts in storage.

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

Status of Soil and Groundwater Clean-up Activities*

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

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

Activities in Partnership with Outside Stakeholders

Case Study 1: Contributing to Upgrading of Supply Chain Information Sharing at the International Electrotechnical Commission (IEC)

The International Electrotechnical Commission (IEC) is a body that carries out international standardization in all electrical, electronic and related technologies. As a member of the Technology Committee (TC111) that formulates its environment-related standards, Canon contributes in particular to the formulation of standards for information sharing on chemical substances contained in products. In this way, we work in partnership with specialists worldwide to upgrade the sharing of supply chain information.

Case Study 2: Reduction of Supply Chain Environmental Risk in Partnership with the Institute of Public & Environmental Affairs (IPE)

Based on supply chain information published by the Institute of Public & Environmental Affairs (IPE) — a Chinese environmental NGO—we help secondary and tertiary manufacturers and other Chinese businesses located in the upstream of the supply chain to reduce environmental risk by making recommendations and carrying out improvements. By sharing information regularly and communicating with the IPE on best practice, we contribute to reducing environmental risk throughout the supply chain.

Contributing to a Society in Harmony with Nature

Canon promotes activities worldwide based on the Biodiversity Policy.

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

Contributing to a Society in Harmony with Nature

• Biodiversity Policy, Basic Policy on the Procurement of Timber Products	Target 15.2	Target 15.5
• Canon Bird Branch Project	Target 15.5	
• Preservation of natural habitats and biodiversity	Target 15.5	
• Forest preservation, tree-planting initiatives	Target 15.2	

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

Canon's Biodiversity Policy

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

Biodiversity Policy

Basic Policy

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

Action Guidelines

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

Specific Actions

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

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

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

Basic Policy on the Procurement of Timber Products

1. **Use sustainable forest materials**
   In its procurement of timber products, the Canon Group uses materials supplied from forest resources managed exclusively for use as timber products.

2. **Trace the origin of forest resources used**
   We seek the cooperation of business partners to ensure the traceability of products throughout the manufacturing process, from the harvest of raw materials onward.

3. **Confirm evidence of traceability**
   Canon works with its business partners to ensure the traceability of materials used in Canon products (or OEM products) and their packaging that are subject to timber product regulations in each country.

Group Initiatives to Conserve Biodiversity

Canon Bird Branch Project

Biodiversity refers to the way living things interact as they coexist on earth. Within this sphere, birds occupy the top position in a local ecosystem pyramid of plants, insects, and small animals, symbolizing the cycle of life. Canon promotes the Bird Branch Project as a symbol of the activities it conducts based on its Biodiversity Policy. With the collaboration of local branches of the Wild Bird Society of Japan, we carry out regular on-site bird surveys at our operating sites in Japan, set up nesting boxes and bird baths, and take other measures to create a conducive habitat for wild birds. We also engage in active sharing of information, for instance by operating a relevant website and leading wild birdwatching tours open to employees and non-employees. Similarly at our overseas operating sites, we carry out surveys of wild bird breeding activity and set up nesting boxes and winter-time bird feeders as part of a varied program of wild bird protection activities. Through these activities, the whole Group will continue to engage in initiatives that not only help in preserving biodiversity but at the same time send out a message about its importance.

CANON BIRD BRANCH PROJECT
BIODIVERSITY INITIATIVES

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

Lunchtime wild birdwatching tour

Canon Canada Branch Out

Canon Canada's Branch Out Program gives employees at all levels the opportunity to help create green spaces and sustainable environments in their local communities. Branch Out began as a tree-planting program in 2014, but has evolved to include a wide range of sustainability activities, including cleaning up parks, rivers and shorelines, removing invasive plant species, restoring habitats and constructing turtle shelters. All employees from Canon Canada's 13 offices, from Toronto to Quebec City and Vancouver, are encouraged to participate, sparing a few hours from their work schedule to volunteer. Since the start of the program, employees have volunteered more than 9,700 hours in 68 locations across the country. Their achievements so far include planting more than 36,000 trees and shrubs, removing 7,000 m^3 of non-native vegetation and restoring shoreline. In 2019, Canon Canada was recognized as one of Canada's Greenest Employers by Canada's Top 100 Employers Project, a partnership with the Globe and Mail newspaper. Companies who receive this designation are recognized for leading the way in creating cultures of environmental awareness.

River cleaning activity

Activity to Protect the Natural Environment in Partnership with Local Communities (Vietnam)

Canon Vietnam carries out activities to protect the natural environment in various regions of Vietnam. In 2019, around 80 employees took part in a tree-planting initiative in the Cuc Phuong National Park in Ninh Binh Province near Hanoi. With the support of the national park's Turtle Conservation Center, they also built nests, cleaned up habitats, provided feed, and carried out other activities to help protect the rare turtles, which are threatened with extinction due to poaching, destruction of the natural environment, and other factors.

Employees who volunteered in activities to protect the natural environment

Human Rights and Labor

Management Approach

We respect the diversity of our employees, and aim to create workplaces in which they can express their individuality and work with a sense of worth and achievement.

Canon's Approach

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

With the global spread of economic activities, finding ways for individual employees of diverse backgrounds and values to utilize their individuality has become an important factor for sustainable development of corporations. In the international community, the United Nations "Guiding Principles on Business and Human Rights" and the International Labor Organization (ILO) "International Labor Standards" have been established, and the United Nations' Sustainable Development Goals (SDGs) are encouraging companies to respect human rights as well.

Amid this situation, Canon is taking steps to create a workplace environment in which each employee's rights are respected, and in which they feel highly motivated and are able to realize their full potential. We believe that having each employee utilize their unique strengths and viewpoints will enable the company to realize sustained growth.

Based on our corporate philosophy of *kyosei*, we have made concerted efforts to create a workplace environment that fosters mutual respect among our ethnically and culturally diverse workforce. In addition to working to ensure full compliance with laws and regulations in each country and region and to respect human rights as part of the development of global business activities, under Phase V of the Excellent Global Corporation Plan, Canon has set the cultivation of globally competent human resources that think and act with a global mindset as one of its key strategies. We provide varied types of training to assist employees with skills improvement, alongside stepping up efforts to develop human resources that can provide leadership on the international stage. We also ensure workplaces to support the health and safety of employees.

* For information about our activities on human rights within our supply chain, refer to Supply Chain Management (→P113-117).

Relationship with SDGs

Canon's efforts to address issues related to human rights and labor are contributing to the achievement of the following SDGs.

Respecting Human Rights

We respect the rights of every employee and work to ensure that our workplaces are free of all forms of discrimination and harassment.

Basic Policy

The Canon Group Code of Conduct (→P103) prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds. The Code of Conduct has been translated into many languages and given out to Group executives and employees worldwide.

In addition, in 2019 Canon joined the Responsible Business Alliance (RBA). Going forward, we will increase our efforts to create work environments that are free from unfair discrimination.

Preventing Harassment

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

In addition to sexual harassment and power harassment, Canon Inc.'s employment rules and Harassment Prevention Provisions prohibit other forms of harassment, including maternity harassment. These provisions have been disseminated throughout Canon Group companies in Japan, and many have instituted similar rules based on them. Furthermore, following a revision to the law in 2020, we will review the rules as necessary.

In a further effort to maintain a comfortable workplace environment, Canon Inc. and its many Group companies in Japan have established a Harassment Hotline, and conduct information sharing at liaison meetings of the consultation staff. Confidentiality is strictly maintained and a firm guarantee against detrimental treatment is provided to victims and informants. The number of harassment complaints has remained mostly unchanged in recent years.

Regular liaison meetings are held for persons responsible at Canon Inc. operational sites and Group companies in Japan, enabling the operational status of hotlines to be monitored and shared. Reviews of procedure manuals are conducted at such meetings, and guidance on how to respond to reports of harassment is also provided.

In addition, we periodically conduct employee awareness surveys that enable us to gather the opinions. Based on this information, we then act to improve the workplace environment by instituting corrective measures as necessary.

Educating Employees on Harassment Prevention

Canon conducts a variety of training programs and poster campaigns to raise awareness of harassment issues among employees.

Canon Inc. conducts harassment-prevention training for executives, managers and managerial candidates. The aim is to develop measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. In 2019, the number of participants in Japan totaled 299. Additionally, training was provided for 33 executives and managers returning from overseas postings.

The same training program will be held for staff in charge of Harassment Hotlines at Group companies, who will in turn assist with training employees at their respective companies.

Eliminating Child Labor and Forced Labor

All Canon Group companies manage human resources in compliance with the laws and regulations of each country and region in which they operate, as well as Canon's own regulations.

With regard to child labor and forced labor, we carry out investigations every year at our main overseas manufacturing companies*, primarily in Asia, to confirm their compliance with laws pertaining to minimum working age and health considerations.

To date, no Canon Group company has violated laws relating to child labor or forced labor.

* Investigations cover more than 88% of employees at all overseas manufacturing companies (as of 2019 end).

Respecting Basic Workers' Rights, Including Freedom of Association

Canon respects workers' basic rights, including freedom of association and collective bargaining. We also strive to address various issues by promoting dialogue between labor and management. For example, the labor agreement between Canon Inc. and the Canon Workers' Union commits both sides to work in good faith to peacefully resolve issues in a timely manner.

In addition, in the Canon Group CSR Basic Statement (→P111), we clarify our intent to promote sincere dialogue between management and employees in compliance with the laws and regulations of countries and regions where we operate.

Hiring and Treatment of Human Resources

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

Basic Policy

Canon believes that in order to become a truly excellent global corporation, each employee must be an "excellent person."

Based on this recognition, we are building a corporate culture that encourages an enterprising spirit by guaranteeing respect for the values of ambition, responsibility and mission, as well as fair and impartial assignments, evaluations, and treatment based on merit. At the same time, we are focused on developing our next generation of leaders.

Guiding Principle of the Three 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

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 2019, Canon Inc. and Group companies in Japan embarked on a vigorous recruitment program, resulting in the hiring of 1,325 employees in total. Canon has also established various programs and systems, such as a career matching system (→P73-74) and a work-life balance program for employees engaged in childcare or nursing 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. Moreover, we regularly conduct biennial in-house employee awareness surveys, and the results are used to improve employee satisfaction; for example, survey feedback is provided to each division, including management, so it can be used in policy formulation. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry in Japan. As part of maintaining high job satisfaction, regular employee awareness surveys are conducted by domestic Group companies, Canon U.S.A., Canon Europe and Canon Group sales companies based in Asia.

Promoting Globalization of Executive Management

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

Canon China actively promotes local employees to managerial positions as part of developing business operations. Local appointees occupied 75% of all managerial positions across the region in 2019, up from 38% in 2013.

Creating Local Employment Opportunities at Production Bases

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

For example, Canon Prachinburi (Thailand) has hired approximately 5,600 people locally, and Canon

Business Machines (Philippines) employs approximately 5,800 local residents (as of 2019 end).

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

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

Fair and Impartial Compensation System

Salary Linked to Duties and Performance

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

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

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

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

Employee Benefit Programs

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

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

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

Corporate Pension Plan

At Canon Inc., we offer employees the defined-benefit Canon Corporate Pension as a form of performance-based pay—a role- and grade-based retirement system—to supplement their public pension and contribute to a more comfortable retirement. A company-run pension fund manages pension assets so employees do not need to provide any additional funds. Canon Inc. also offers a defined-contribution pension plan with matching contributions, which, coupled with the defined-benefit pension plan, provides solid financial security.

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

Reducing Total Work Hours

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

For example, at Canon Inc., we encourage workplaces to ban overtime in principle and to review work practices. We have also taken measures such as encouraging employees to take paid leave. Annual hours worked per employee were 1,725 in 2019, a reduction of 74 hours compared with the equivalent figure in 2010 (1,799 hours) when we initiated efforts to reduce working hours.

Flexible Work Styles

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

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

Promoting Flexible Work Styles

Canon Inc. has a number of leave programs that enable employees to take time off flexibly to respond to their personal circumstances. These include a time-unit leave program in 30-minute increments that

is available for reasons such as childcare, nursing care, injury or illness, as well as an open vacation program in which employees can take five consecutive days of vacation once per year. Such programs are designed to promote flexible work styles. We are currently implementing the sixth phase of the action plan. This phase spans the three-year period to March 2021.

Supporting Working Parents/Care Givers

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

Furthermore, to support employees who are undertaking fertility treatment, we have put in place a fertility treatment subsidy program that subsidizes 50% of the treatment cost up to a maximum amount of ¥1 million, and a fertility treatment leave program that allows employees to take leave for the period required for treatment.

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

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

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

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

Action Plan Phase VI (from April 2018 to March 2021)

Action Plan	Measures	Results as of 2019 End
(1) Promote use of work-life balance programs with aim of raising participation rate.	• Regularly check the performance of employees using work-life balance programs, and have VIVID*1 and the Workstyle Innovation Committee work together to consider and implement specific measures before March 2021.	• 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) Promote workstyle reform further by encouraging workstyles that do not rely on overtime work, continuing efforts to promote use of paid leave, and maintaining an appropriate level of total work hours.	• Using total work hours as an indicator for work-life balance, bolster measures to encourage use of paid leave and maintain an appropriate level.	• Prohibited overtime work, in principle, throughout the year. • Implemented earlier work hours from July–September in a campaign to promote work-life balance, and continued efforts to promote workstyle reform. Provided employee benefits program for encouraging self-development during the earlier work hours. • Total work hours company-wide decreased by 74 hours compared to 2010*2.
(3) Continuing from Phase V, carry out community contribution activities open to participation by children—who are the future of our communities—through social contribution activities.	• Continue reaching out to local regions and communities and implement appropriate initiatives from April 2018 to March 2021.	• Continuously conducted the following community contribution activities for children throughout Japan: (1) Unique tutorial program for children, including lessons on lens-crafting and environmental education outreach programs (2) Photography classes (Junior Photographers) (3) Support for girls soccer (Canon Girls-eight, Canon Girls-Camp) (4) Tag rugby lessons and rugby lessons, etc.

*1 VIVID: Vital workforce and Value Innovation through Diversity, a company-wide horizontally integrated organization for promoting diversity (→P67-68).
*2 The year that activities to reduce total work hours commenced.

Supporting Employees' Volunteer Activities

In recognition of the growing interest in volunteer activities, Canon Inc. has in place a volunteer leave system.

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). The system was used by one employee in 2019.

Worker-Management Relations

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

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

Additionally, special committees have been established to consider wages, working hours, safety and health issues, and benefit programs. Based on these conferences, new systems are established and policies enacted. As of the end of 2019, combined employee membership in the Canon Workers' Union totaled 26,449, bringing the union membership rate to 80% for Canon Inc.'s workforce.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference (Canon Inc. representatives also attend). This conference brings together 19 Group workers' unions and executives from 23 Group companies. In 2019, reports on the current situation of both labor and management throughout the Group as a whole were presented. As of the end of 2019, there were 55,029 employees in unions that belonged to the Canon Group Workers' Union Conference, bringing the union membership rate to 84% for the workforce of 23 Group companies in Japan.

In accordance with the labor laws of each country and region where we operate, Canon continuously maintains proper labor relations based on thorough dialogue between labor and management at Group companies outside Japan. The union membership rate*2 for employees of the Canon Group overall was 90%.

*1 The Canon Workers' Union consists of employees from Canon Inc., Canon Marketing Japan, Fukushima Canon and Ueno Canon Materials.
*2 Union membership rate: Calculated for companies that have internal workers' unions

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

Diversity and Inclusion

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

Policy on Respecting Diversity

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

Canon Inc. has in place Vital workforce and Value Innovation through Diversity (VIVID), a companywide, horizontally integrated organization to promote diversity, headed by the Executive Vice President.

Furthermore, we hold the Presidents' Meeting for Diversity Promotion with participation from Canon Inc.'s Executive Vice President and presidents of Group companies in Japan. At the meeting, participants confirm action plans and results, and share key initiatives.

In addition, at Canon Inc., we held the Barrier-free Mindsets training in e-learning format in 2019. The training aims to help individual employees understand the difficulties and pain caused by barriers in society. Over 90% of employees including senior management took the training.

Policies

- Respecting diversity as an important issue, promote the introduction of new systems across the Canon Group, seeking to replace existing systems, and strive to change employees' thinking and awareness of diversity issues.
- Revise HR policies and workplace conditions to avoid any limitations or restrictions being placed on the career opportunities afforded to talented people with the ambition to succeed.
- Promote internal/external dissemination of information on diversity promotion activities to help identify/develop role models and encourage wider adoption of optimal workplace conditions.

Promoting the Active Participation of Women

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

Furthermore, we formulate action plans and disclose information as mandated by the Act on the Promotion of Female Participation and Career Advancement in the Workplace, while conducting initiatives that go beyond the minimum legal requirements.

For example, at Canon Inc., we organize leadership training for women as part of efforts to develop female candidates for managerial positions. Using the theme of developing a new business proposal, the training provides an opportunity to develop leadership skills. Since its launch in 2012, a total of 176 women have completed the training and are playing active roles in their workplaces, including at overseas locations. Partly as a result of these measures, the number of female managers had risen to 127 in 2019, compared with 58 in 2011.

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

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

Looking outside Japan, Canon U.S.A., for example, has launched a project called Women in Leadership Levels (WiLL) to support the participation of women through a variety of opportunities, including networking events, lectures and mentoring. At Canon Bretagne, a corporate agreement on gender equality aimed at creating a company where women can participate actively was concluded with the labor union in 2019. The company is aiming to achieve a ratio of 33% for women in management by 2022 with measures such as working hours adjustment for pregnant workers and improved conditions for women returning from maternity leave. Meanwhile, at Canon Vietnam, steps have been taken to alleviate the burden on pregnant workers by setting up production lines where people can work while seated.

Encouraging Men to Participate in Childcare

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

At Canon Inc. and Group companies in Japan, we organize round-table talks by, and publish interviews with men who have used childcare leave-related systems, and hold seminars to introduce the childcare-related systems to employees who have newly become fathers. Furthermore, at Canon Inc.,

we have implemented a system that allows male employees whose spouses have given birth to take two days of paternity leave. These initiatives have proven effective; the childcare-leave acquisition rate among men at Canon Inc. has risen from 1.9% in 2011 to 16.3% in 2019.

LGBTQ+ Inclusion

The Canon Group Code of Conduct emphasizes respect for the individual and prohibits discrimination based on race, religion, nationality, gender, age, sexual orientation or gender identity. Our initiatives also cover sexual minorities, including lesbian, gay, bisexual and trans (LGBT) persons. With the goal of eliminating all forms of discrimination from the workplace, training for managers includes education on preventing discrimination. In addition, we make use of various opportunities to educate employees, such as departmental staff meetings and compliance meetings.

With regard to provisions for employees who identify as a sexual minority, Canon provides such amenities as gender-neutral washrooms. We also have an internal hotline for employees wishing to speak with a specialist counselor.

Utilizing the Abilities of Veteran Employees

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

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment internally for re-employment posts. Further, we raised the age limit for re-employment to 65 in 2007. As of the end of December 2019, there were 1,400 rehired employees in total.

Proactive Support for the Participation of People with Disabilities in Society

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

For example, at Canon Inc., we have been proactive in employing persons with disabilities for many years. We are doing our utmost to make workplaces more comfortable and accessible for people with disabilities by improving our facilities, including providing greater barrier-free access. Additionally, we are working to expand the range and nature of jobs for people with disabilities, while also ensuring that they are settling into and becoming active members of their assigned workplaces. Canon has incorporated workplace experience and observation sessions into the selection process in some cases to ensure that new hires can contribute quickly after they are hired and assigned to a workplace. Canon Wind*2 primarily hires people with intellectual disabilities. In addition to maintaining a high employee retention rate, this employment helps us realize our corporate philosophy of *kyosei*.

Canon Inc. and Group companies in Japan have set up onsite hotlines after the 2016 amendment of the Promotion of Employment of Disabled Persons Law prohibiting discrimination and mandating reasonable consideration for people with disabilities. Canon's measures to prevent discrimination against people with disabilities and ensure reasonable consideration at each site include providing individual consultations and personalized assistance or instruction during evacuation training drills and disaster preparedness training. In 2019, Canon Inc. established a dedicated internal unit and took other measures to bolster support for helping employees with disabilities to settle into their workplaces.

Since 2004, Canon Inc. and Canon Group companies in Japan have organized training courses and created e-learning modules to ensure workplaces are attentive to the needs of the hearing impaired. The training includes providing knowledge of hearing disorders and introducing sign language to help promote smoother workflow. A total of 766 employees participated in this training up to and including 2019.

In addition, we hold Visual Impairment Experience Workshops led by employees who have visual impairments, with a total of 179 participants at four locations in 2019.

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

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

Support for Balancing Nursing Care and Work

Preventing the flow of people leaving their jobs to provide nursing care for family members has become an important social issue in Japan, which has a falling birthrate and an aging society. At Canon, we are taking steps to reduce the number of people leaving work for nursing care by promoting activities to support them in balancing both priorities. Canon Inc. and Group companies in Japan provide nursing care seminars, conduct interviews with employees engaged in nursing care, and offer information on steps to take when a relative begins to need care and on nursing care-related systems, both public and internal. In 2019, nursing care seminars were held in six locations with a total of about 400 participants.

Occupational Safety and Health Support

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

Policy and Structure

At Canon, the safety and health of employees form the foundation of our business activities. Adhering to the principle of "management without safety is not management," labor and management work hand in hand to support safety and health. In line with this principle, we have established detailed rules and regulations regarding occupational safety and health (OSH), which are also reflected in agreements with labor unions.

Canon has established the Central Safety and Health Committee as its highest body overseeing safety and health activities. Chaired by the Executive Vice President of Canon Inc., the committee establishes policies and plans for safety and health primarily 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.

Moreover, at Canon Inc. operational sites and Group companies in Japan, we are setting targets based on the situation at each site in line with these policies and taking action on them.

Overseas, at production bases in Asia, we are implementing unified initiatives with support from Canon Inc., while giving consideration to specific circumstances in each region and at each company.

Occupational Safety

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

Priority Targets

1. Eliminate accidents caused by machinery requiring time off work
2. Eliminate serious accidents caused by hazardous substances

Initiatives

1. Promote use of the Canon Group Occupational Safety and Health Management System
2. Promote risk assessments based on new management standards
3. Improve health and safety awareness by enhancing education and training

In 2019, there were no serious occupational accidents classified as accidents requiring time off work for any of these priority targets.

Promoting Use of the Canon Group Occupational Safety and Health Management System

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

We are also promoting adoption of the occupational safety and health management system overseas, and three companies—Canon Zhuhai, Inc., Canon Hi-Tech (Thailand) Ltd., and Canon Opto (Malaysia) Sdn. Bhd.—have acquired certification under the international standard OHSAS* 18001. Moreover, the system is also being revised to comply with international standard ISO 45001, and in 2019 Canon Inc.'s Toride Plant and Canon Prachinburi (Thailand) Ltd. acquired certification under the standard.

* OHSAS: Occupational Health and Safety Assessment Series

Promoting Risk Assessment under New Management Standard

Canon conducts wide-ranging risk assessments to identify all operations that have a high risk of injury, illness or accident. We take appropriate measures to mitigate risks and manage residual risks.

In 2019, we formulated a new risk assessment and management standard for all companies in the Canon Group. By conducting risk reviews at least once a year based on the standard, we will ensure that all companies thoroughly implement uniform risk management. To ensure that the new standard is implemented properly, workplace managers and people in charge of operations undergo training to learn about and enhance their understanding of risk assessment methods.

Fostering Health and Safety Awareness by Improving Education and Training

Whenever an occupational accident occurs at Canon, we immediately distribute information about it to all operational sites in Japan and overseas production sites, as well as publish the causes and countermeasures on our internal intranet in an effort to prevent similar accidents from occurring.

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

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

Health and Safety Initiatives for Onsite Contract Workers

Canon is taking steps to construct healthy and safe work environments for all workers, including those of contractors. At Canon Inc. and Group companies in Japan, we hold health and safety conferences with contractors and cooperate together to maintain and improve health and safety on site.

Health Support

Health Management Based on the "Health First" Principle

Canon believes that initiatives based on the "health first" principle of its Guiding Principles can help individual members of the workforce reach their full potential. We therefore consider such initiatives a driving force for generating positive results, and we are promoting proactive health and productivity management.

Canon Inc. and Group companies in Japan have declared their commitment to addressing the following priority targets and initiatives through the Central Safety and Health Committee.

Priority Targets

1. Reduce the number of lost work days
2. Reduce presenteeism
3. Reduce the number of people in high risk situations
4. Establish the practice of taking cancer screening tests

Items to be Implemented under the Medium-Term Plan (2019-2021)

1. Mental health-related measures
2. Measures against lifestyle diseases
3. Awareness activities for all employees

Mental Health-Related Measures

To promote comprehensive mental health measures, Canon conducts a variety of programs in Japan. These incorporate four care guidelines: self-care, care from workplace supervisors, care from occupational health staff, and care from organizations outside Canon. The programs also promote three prevention guidelines: primary prevention, (preventing illness and improving health), secondary prevention (early detection and appropriate treatment), and tertiary prevention (support for return to work, prevention of recurrence).

Canon Inc. has established manuals and programs on supporting the return to work of employees who have been on long-term or frequent leave due to mental health issues, in a bid to create a standard response for Group companies in Japan. At the same time, they have conducted training to improve the skills of the human resource division managers and people assigned to handle this issue. As a result, return-to-work support programs have been used in 100% of cases at all sites, and the rate of returnees going back on leave in 2018 was down 7.3 percentage points from 2016.

The participation rate for stress checks across Canon Inc. and all Canon Group companies in Japan was 94.0%, maintaining a high level compared with the national average. Highly stressed individuals receive an interview with a physician and a health consultation. Test results will undergo group analysis for use in management training and organization support activities.

Employees on overseas assignments are given the same stress checks and follow-up procedures as in Japan, and their mental health cared for in coordination with local human resource managers.

Measures Against Lifestyle Diseases

Canon Inc. and Group companies in Japan have established a unified standard for post examination measures for health checks and take every measure to prevent health issues from becoming serious. For high-risk employees who require treatment and consultation, we ensure that they receive treatment as well as consideration of their workload. We also provide specific health guidance in coordination with the Health Insurance Union.

We also use analysis results of employee health check data to prioritize issues and determine key issues to address. For example, the analysis results of 10 years' worth of data revealed that items such as short sleep duration and smoking that have an impact on the emergence of metabolic syndrome, and we use these in health guidance and in training and education for all employees. Support for sleep is provided through awareness-raising activities and individual guidance using sleep meters. This has proved effective in increasing sleep quality and improving the issue of presenteeism. We have been also promoting initiatives to help people quit smoking since 2004, and a ban on smoking at any Canon Group property since 2016 has also been effective. Overall, the rate of smoking has decreased by 16 percentage points in 15 years.

In its countermeasures against cancer, Canon works together with the Canon Health Insurance Union. In fiscal 2019, we reviewed the cancer diagnostic fee subsidy program, and changed it to reflect risks according to age and gender. We also actively support people who are dealing with illnesses such as cancer in balancing their treatment with their work.

Awareness Activities for All Employees

In addition to support for high-risk individuals, Canon Inc. provides ongoing training and education to help all employees manage their own health. Specifically, we provide training at various times for different age groups and ranks, as well as campaigns on the themes of sleep, nutrition and exercise, and monthly bulletins to deliver information via the company intranet. We also gather information on the intranet to make it available for use any time.

In 2019, we focused our efforts on campaign activities, undertaking collaborative projects with the Health Insurance Union, Labor Union, and in-house stores, among others, and reflecting in-house medical opinions in our cafeterias and in-house stores to create a health-conscious environment. In addition, we hold walking events using ICT tools twice a year.

Canon conducts various health management programs at its Group companies outside Japan as part of its health promotion initiatives for employees. Each Group company also conducts its own initiatives suited to its characteristics and needs. At Canon Vietnam, which has a high number of female employees, we conduct pregnancy and childbirth education as well as education around maternal health issues. In addition, we provide health information for all employees using internal noticeboards and monitors at our operational sites, and run health consultations and lectures with physicians. In addition, at Canon Business Machines (Philippines), we conduct awareness-raising campaigns to promote such themes as dental health and quitting smoking.

Health Training for Contract Workers

With increasing rates of heat stroke occurring in both indoor and outdoor worksites throughout Japan, we provide ongoing training to prevent heat stroke to contract workers. We also take preventative measures in the workplace environment while cooperating and sharing information with relevant divisions.

Human Resource Development and Personal Growth

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

Human Resource Development System

One of the key strategies in Phase V of the Excellent Global Corporation Plan is to cultivate globally competent human resources that think and act with a global mindset. Under this key strategy, Canon is developing human resources that can contribute to its global operations in various fields, such as management, technology development, and manufacturing.

Developing Globally Minded Personnel

With 370 operational sites* worldwide as of the end of 2019, the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop human resources with leadership abilities that can be utilized on the international stage.

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

Enhancing Senior Leadership at Group Companies Outside Japan

Canon offers Global Leadership Training to senior management of Group companies outside Japan in order to share the company's management philosophy and develop leaders that can spur innovation in a global environment.

Vitalizing Human Resources Through International Assignments

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

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

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

As of the end of 2019, a total of 1,031 employees were deployed on international assignments under these programs.

Global Training for Young Employees

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

For example, the Asia Trainee Program enables employees who are 30 years old or younger to engage in practical study at local companies in Asia. The program started in 1995, and by the end of 2019, a total of 118 employees had taken part. The program sends trainees to countries and regions where languages other than English are used on a regular basis in professional settings. After roughly six months of language training at a local university trainees spend about one year gaining practical experience at Asian affiliates. Meanwhile, the Europe–US Trainee Program dispatches young employees to Europe and the United States. Started in 2012, the program had thus far provided training to a total of 68 employees, up to the end of 2019. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program.

The Overseas Study Program for Technicians is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire skills that they can use to contribute to Canon's core businesses in the future. This program began in 1984, and up to the end of 2019, a total of 127 employees had participated in the program, studying at universities abroad. In line with our strategy to improve our R&D system in the United States and Europe, we plan to select several employees each year for overseas study.

Fostering Experts in Various Fields

Development of Human Resources in Engineering

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

For example, Canon Inc. has training systems in place for each of its specializations, including machinery, electronics, optics, materials, and software, to support the development of next-generation human resources in engineering. A committee for the development of engineering human resources has been set up for each of the five core specializations noted above. These committees develop rank-based training programs, from new hires to junior engineers and all the way up to veteran leaders, as well as conduct courses and carry out other initiatives. We also offer training in specialized areas not represented by these committees, such as analytical technology. In 2019, a total of 197 programs were held in these specializations, with 6,266 engineers from Group companies in Japan taking part.

Furthermore, in 2018 Canon Inc. established the Canon Institute of Software Technology (CIST) to cultivate software engineers. The institute works to undertake systematic and continuous human resource development, from increasing the skills of the engineers in charge of developing software for our products to providing foundational training for new employees and those seeking to work in a new field. In other initiatives for developing software engineers, we sent 8 personnel to attend the National Institute of Informatics' top SE course for developing super architects.

Development of Global Human Resources in Manufacturing

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

In 2019, a total of 576 employees working at 11 overseas production bases took part in 72 training programs organized by the Monozukuri Advancement Center.

In order to promote training at overseas sites, Canon also focuses on instructor-development training that seeks to develop instructors for technological and technical skills training as well as workplace management training. In 2019, instructor-development training was held on 15 occasions, with a total of 64 employees participating.

A technical skills testing program, following the same standards as in Japan, has also been established at overseas sites. In 2019, testing was carried out for seven types of work skills, including injection molding, board mounting, and pressing, at a total of eight sites in Thailand, Vietnam, China, and Malaysia, with 442 employees participating.

Canon's Human Resource Development System

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

Rank-based training enhances knowledge and skills required for carrying out the duties of each job grade, and fosters awareness of required actions defined by our guiding principles. Furthermore, as a supplement to rank-based training, elective training that includes e-learning programs and other programs to support self-development is available. These training programs also cover such issues as harassment prevention and compliance.

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

On average, Canon Inc. employees spent about 20 hours in training in 2019. Related training costs per employee amounted to ¥181,000 at Canon Inc., and about ¥98,000 at Canon Group companies in Japan and overseas sales companies.

Canon Inc.'s Career Development Support Programs

■ Regular Performance and Career Reviews

Since we evaluate the conduct and performance of employees under our position-based pay system, supervisors have meetings with their team members individually three times a year, at the start, interim, and end, to confirm duties and targets, monitor progress, and discuss career development.

When discussing the evaluation, supervisors offer advice and guidance on improving results and the employee's conduct. This enables employees to objectively understand their own strengths and weaknesses, which aids them in achieving further growth. Supervisors also use this information in future development plans for the employee.

■ Career Matching System

Canon Inc. has also established an internal career matching system to support its employees in pursuing satisfying careers. The system matches the right

people to the right jobs, promotes internal mobility of human resources, and brings greater vitality to the company. In 2019, 163 employees were transferred through this system.

We also provide a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and take up a position based on their skill level.

■ Other Career Development Support

To support career development of self-motivated employees, Canon Inc. provides a full complement of training, events, and e-learning programs that can be accessed by mobile device in an effort to diversify learning opportunities. Some were held on weekends and others were held after work during the campaign period to promote work-life balance*. In 2019, participants in these programs exceeded 5,000.

* Campaign period to promote work-life balance: As part of a drive to reform work styles, from July to September, we set our work hours forward to enable workers to finish earlier.

■ Post-Retirement Career and Life-Plan Training

Canon holds Creative Life Seminars for employees when they reach the ages of 50 and 54 in order to help them plan for their retirement years. By providing employees with an opportunity to think about their life plan and career plan at an early stage, we help them to systematically plan and prepare for life after the age of 60.

■ Supporting Organizational Invigoration

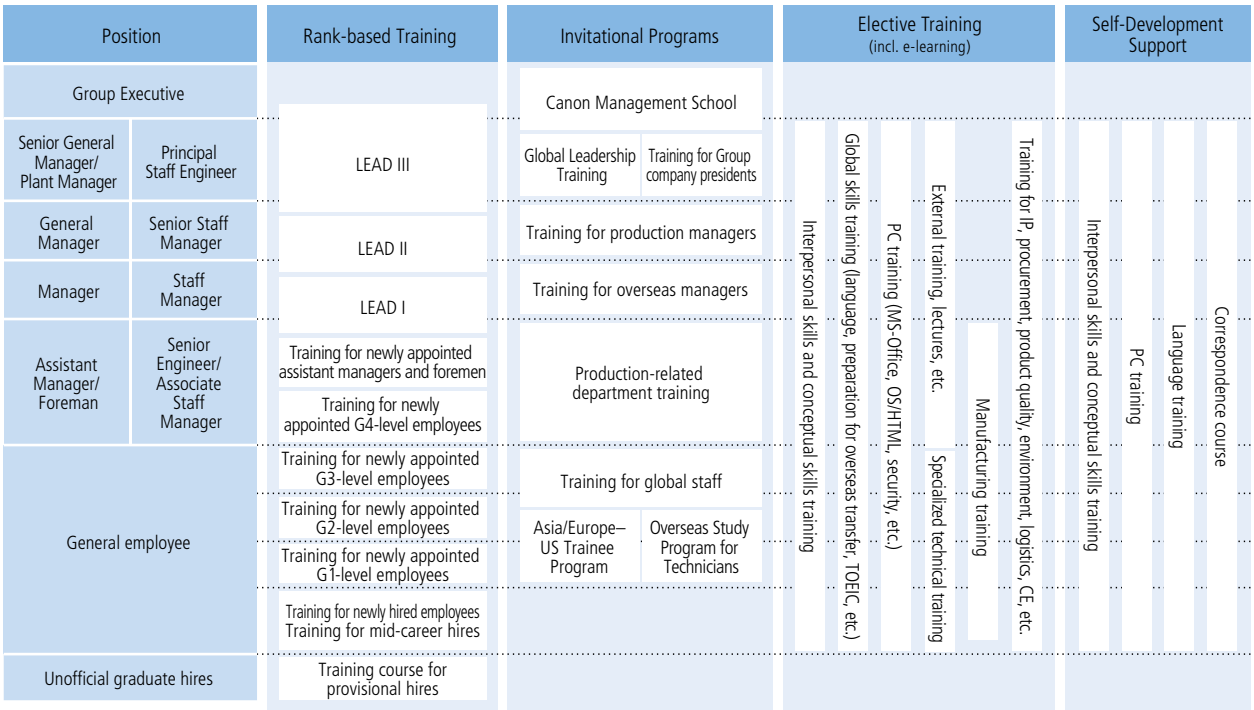
Canon aims to realize individual and organizational growth at the same time as achieving success in business. To this end, we have established a dedicated division for organizational development, which supports organizational invigoration through consulting on increasingly diverse organizational challenges, post-activity support, and rank-specific training. As of 2019, the division has provided support to 457 divisions and 16,000 people, including Group companies worldwide.

Various Certification and Award Programs

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

At the Canon Summit Awards, Canon honors Group companies, divisions, teams and individual employees who have made a major contribution to the development of the company in terms of activities or products. Canon recognizes employees with numerous other accolades: the Invention Award, the Quality Award, and the Production Innovation Award for outstanding activities; the Canon Meister Certification/Commendation for contributions to advancements in manufacturing using a wide range of skills; the Canon Master Craftsman certification for outstanding skills that Canon should pass down; the Environment Award for excellent environmental practices; and the Procurement Innovation Award for activities that greatly contribute to enhancing procurement functions.

Canon Inc.'s Human Resource Development System



Product Responsibility

Management Approach

At Canon, we do our utmost to ensure product safety and improve usability while at the same time working to add greater value to our products and build customer trust.

Canon's Approach

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Increasing recognition of the UN Sustainable Development Goals (SDGs) is bringing greater awareness of safety. Expectations are also growing for technological innovation that will increase the performance of safety-conscious products.

Amid this situation, quality issues that affect customer safety can have a significant impact on management, such as worsening financial results by damaging the brand and eroding customer trust.

Conversely, supplying products of high quality and high added value that are easy to use and meet customer needs while also developing innovative technologies to meet the needs of the times can lead to immense growth.

Canon's basic mission when it comes to quality is to ensure that customers have "no complaints, no trouble," and we work hard to ensure "Canon Quality" throughout the entire Group. In line with this creed, we created a quality management system that follows the requirements of international standards, and we strive to improve quality across the entire product lifecycle, from planning and development to production and after-sales service. In the area of safety in particular, along with establishing in-house product safety technical standards that are stricter than regulatory requirements in each country, we created a system for gathering comments and requests from Canon users worldwide, which we share with relevant divisions, as means to improve our products and ensure safety. As part of the goal of Canon's medium- to long-term business plan to "reinforce/expand new businesses while creating future businesses," we also aim to leverage our superior technical expertise to develop and produce new products that give consideration to safety and the environment.

Additionally, we are working to promote the development of Canon products with an emphasis on usability by ensuring customers worldwide can use them easily and with confidence. These initiatives include designing product manuals to make them easier to understand and adopting Universal Design principles in product development.

Relationship with SDGs

Canon's various activities relating to product responsibility contribute to the achievement of SDG 12: "Ensure sustainable consumption and production patterns."

Quality Management

We strive to improve quality across the entire product lifecycle in order to provide customers with satisfying products.

Approach to Quality

Canon's basic mission when it comes to quality is to ensure that customers have "no claims, no trouble." To achieve this, we promote our motto of "Canon Quality" both inside and outside the company, as part of our dedication to realizing customer safety, peace of mind, and satisfaction.

To realize this basic mission, we work to implement quality checks across the entire Group at every stage, from product planning to design and development, production, sales, and after-sales service. We also ensure that continual improvements in quality are achieved through Group-wide activities, sharing quality information and customer feedback obtained from the market with divisions in charge of product planning, design, and development.

Quality Assurance System

In order to fully realize "Canon Quality," Canon has established a quality management system* that combines the requirements of ISO 9001, an international quality management standard, with work mechanisms unique to Canon.

Using our in-house quality management system as a base, the various Headquarters divisions at Canon Inc. work in cooperation with the Global Quality Management Center and Group companies worldwide to implement optimal QA systems for the characteristics of each business in compliance with the legal and regulatory standards of each country and region.

Supplementing the vertically integrated activities of each business division to solve division-specific quality issues, in 2017 Canon Inc. established a committee to focus on improving quality at the product development stage. Chaired by the president and including members from top management of each business division, this body has conducted activities across the company. By developing the best activities of each business division across the company, we are increasing quality at each stage of development, which has led to significant reductions in waste and costs arising in development.

* The in-house regulations governing Canon's quality management system are recognized by the International Register of Certificated Auditors (IRCA) as an alternative standard to ISO 9001.

Training and Educational Activities

Making a Total Commitment to Canon Quality

In order to maintain outstanding quality, each employee belonging to product-related divisions must always be mindful of quality in every aspect of their work.

At Canon, we strive to educate and foster greater awareness of quality among all employees by continually sharing our basic philosophy and motto on quality and by conducting Group-wide quality education and surveys on quality awareness. Canon Inc. has designated November as Quality Month, and each year in November holds the Quality Fair and Quality Awards to recognize exceptional activities that have improved quality, and share them throughout the Group.

Continuing and Expanding Quality Education

Canon provides the Canon Quality Course for employees through a Group-based tiered training curriculum, highlighting the importance of quality on an ongoing basis. We customized a training program for each division, taking into account specific situations and issues needing to be addressed, and also actively conduct on-site training. Furthermore, since it is important that employees have a clear understanding of the Canon way of thinking at all companies within the Group, including overseas offices, we created multilingual versions of the Canon Quality Introductory Guide, which contains our philosophy on quality. We also developed an online version of the Canon Quality Guidebook, which is used to foster understanding of our quality activities.

We focus particular attention on product safety training. In addition to training that broadly covers product safety, such as product safety regulations, product liability laws, and substantial safety technology, we also conduct a condensed product safety-training course for new employees covering topics from these courses. In 2019, these training courses were held a total of 10 times. In addition, we offer year-round e-learning courses, enabling Group employees to access four types of training on product safety regulations and chemical safety regulations at any time.

Canon Inc. conducts e-learning activities to promote thorough understanding of the Voluntary Action Plan for Product Safety on an ongoing basis. In addition, we continually provide safety information, such as safety cautions when making repairs or exchanging parts, to Group companies involved with product sales, repair, and service.

Ensuring Product Safety

We have set strict standards for managing quality that go beyond legal and regulatory requirements to ensure customers can use our products with complete peace of mind.

Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon believes one of its most important missions as a manufacturer is to provide safe products that offer peace of mind and satisfaction. With this in mind, we formulated a Basic Policy on Product Safety that Group companies in Japan strictly adhere to.

Based on this policy, Canon Inc. and Group companies in Japan formulate and follow individual Voluntary Action Plans for Product Safety suited to their business format, working to ensure product safety while remaining customer-focused.

Moreover, we comply fully with government laws and notices, and have developed a system for immediate reporting, for example, in the unlikely event of an accident involving one of our products.

2019 Activities Scorecard for Canon Inc.

- Management review by the president based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Revised three in-house standards documents, including standards for product and chemical safety and warning labels
- Continued efforts to raise awareness among customers about smoke emission from counterfeit batteries and the safe handling of electric cords and plugs, etc.
- Continued implementation of product safety training and emphasis on the importance of product safety during basic training on quality
- Continued implementation of updated e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety

Establishment of In-house Product Safety Technical Standards

Canon regards the provision of safe products as one of the most fundamental and important missions of a manufacturer. We therefore require that all Canon products comply with our own safety standards (for substantial safety*), which take into account customer perspectives on product use, together with legally stipulated product safety standards.

For example, we employ plastics that are more flame resistant than the law requires, and we implement double-protection schemes for important safety-related components. We regularly revise these standards in light of technological advances as well as changes in how customers use our products, and changes in requests regarding safety and quality.

Based on these technical standards, we strictly enforce quality management in terms of safety at the design, evaluation, and production stages. We withhold from the market any products not meeting these exacting standards and ensure that all of our products are safe for use.

* Substantial safety: This means safety not only in terms of what is required by laws and statutes, but any safety issue that can reasonably be expected to arise during customer use.

Main Approaches to Safety Technology

- Conduct safety assessments that address human factors (physical function, abilities, thinking and behavior), taking into account the variety of possible operations a user may perform
- Engage in joint development with manufacturers of essential safety-related components, such as non-combustible parts and non-fail protective components
- Conduct safety-confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed in regions around the world where Canon products are sold
- Hypothesize abnormalities, such as failure, and conduct stricter safety-evaluation testing than is required by the laws of each country or region

Quality Assessment During Development

Creation of Assessment Environment for the Delivery of Safe Products

Canon Inc. has set up testing facilities compliant with public standards and relevant laws to accurately and thoroughly assess the safety of products in terms of electromagnetic interference (EMI), noise, flame resistance ratings, volatile organic compounds (VOCs), genotoxicity, and electrical safety.

Canon has also obtained certification in public standards such as ISO*1/IEC*2, enabling certified testing to be carried out in-house according to highly precise measurements. Specifically, Canon is equipped with the industry's leading testing technology, including semi-anechoic chambers for EMI testing that are among the largest and best in Japan, shielded rooms, and semi-anechoic chambers for acoustic noise testing. In addition to EMC testing*3, Canon is able to conduct in-house testing necessary for applying for Blue Angel*4 and other certifications.

*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 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.
*4 Blue Angel: Launched in Germany as the world's first environmental labeling (ecolabeling) system.

Safety Assessment Initiatives

Safety Assessments of Chemical Substances Released from Products

Canon assesses the chemical emissions from its printers, multifunctional devices (MFDs), projectors, and other products. Our assessments include measurements of data necessary for acquisition of Germany's Blue Angel environmental label.

We also measure volatile organic compounds (VOCs) for which exposure limits have been set both within Japan and internationally. We verify that emission levels meet our in-house standards, which match or even exceed those set worldwide.

The in-house laboratory conducting these assessments has received accreditation from Germany's Federal Institute for Materials Research and Testing (BAM) and is therefore capable of conducting the assessments required for applications for Blue Angel certification. It has also received ISO/IEC 17025 and 28360 accreditation to conduct measurements in a fair and neutral manner.

Since 2017, large equipment that had been excluded from the UFP-related standards for receiving the Blue Angel mark must meet those standards. Canon will continue to respond in a timely manner to other regulatory developments, such as the introduction of the stricter ECMA-328* standard.

* ECMA-328: Ecma International is the organization that sets standards for the information and communications systems sector globally. -328 is a category that governs chemical emission rates from electronic equipment.

Safety Assessments of Ink, Toner, and Other Consumables

Canon assesses the safety of its ink, toner, and other consumables, enabling customers to use its printers and MFDs with confidence.

For example, with regard to the materials for ink and toner, we carry out assessments related to genotoxicity, thought to be closely linked to carcinogenicity, using bacterial reverse mutation tests and in vitro mammalian cell micronucleus tests. Regarding the latter, starting in August 2014, Canon has been able to conduct in-house assessments of the water-insoluble materials used in many Canon products.

Canon's testing laboratories are highly reliable and have been certified by Japan's Ministry of Health, Labour and Welfare as in compliance with Good Laboratory Practice (GLP)* standards in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law). Canon's laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD). Furthermore, Canon became the first in Japan to have its in vitro mammalian cell micronucleus test certified as in compliance with the GLP standards in the Chemical Substances Control Law.

* Good Laboratory Practice (GLP): The standard for the management, testing and reporting of facilities and organizations that operate as testing agencies conducting chemical substance safety assessments. Testing according to GLP standards ensures reproducibility and data reliability. GLP standards set by the OECD were enacted in 1981, and since then, member countries have developed domestic laws and regulations based on these standards. Facilities certified as compliant under Japan's GLP standards in the Chemical Substances Control Law must have their certification renewed every three years, which involves receiving a new conformity screening prior to the expiration of the certification's validity period.

Assessing the Safety of Chemicals and Medical Equipment Through Animal Testing

In some cases, animal testing is an effective means of verifying the impact a chemical may have on human health or the environment. Certain laws and regulations in Japan and other countries require the submission of animal test data as part of statutory safety assessments of chemicals and medical devices.

In light of this, Canon conducts animal testing through a third-party specialist institution, but only in cases where it cannot obtain existing data externally with regard to the chemicals used in its toners and inks, and no alternative is available. This approach is stipulated in our in-house rules on the safety of chemical products and in the Three Rs* for animal testing. Furthermore, for certain components and materials used in medical equipment, we commission external specialist organizations to conduct animal testing if necessary to comply with standards.

Canon will continue to gather information and conduct analysis on novel approaches and evaluation methods that do not require animal testing so that alternative forms of evaluation can be conducted.

* The Three Rs: An internationally accepted set of guiding principles for the use of animals in testing proposed in 1959.
Reduction: Reduce the number of animals used in testing.
Refinement: Minimize the suffering of animals.
Replacement: Use alternative methods to animal testing.

Qualification System for Electric Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component, including semiconductors such as LSIs and various electric parts, to ensure products are safe and reliable. We have developed our own in-house quality certification system for electric 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 electric parts that meet these standards of quality. In the past few years there have been significant changes in the market environment, including mergers and dissolutions of electric component manufacturers and transfers of plant management. We maintain a reliable level of quality by thoroughly implementing quality certification systems with reinforced change management systems.

Moreover, to make structural evaluations at the selection stage and scan for defects, we utilize high-precision nondestructive evaluation technologies, such as X-ray CT scans and thermal analysis, as well as detailed processing, observation, and measurement.

Software Security and Response to Vulnerabilities

More and more of Canon's products, including multifunctional devices and cameras, are being connected to other products via networks, greatly enhancing convenience. At the same time, cybersecurity risks, such as leaks of personal or confidential information from a network-connected device, have increased.

In response to such risks, Canon installs security functions for network-compatible products during software development and conducts various types of vulnerability testing. We have also worked to raise awareness about security, vulnerabilities, and risks, and to standardize company-wide approaches to testing methods.

Canon Inc. implements a Secure Development Process designed to allow accurate risk assessments about security risks in product development. We have also introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement prior to starting production, and we are developing vulnerability verification processes based on the check-sheet.

Moreover, recognizing the importance of minimizing the impact on customers when a vulnerability is found after products have been shipped, we strive to grasp and publish necessary information about any such issues in a timely manner. Accordingly, we have established a system to investigate market trends on vulnerability, including the products of other companies, and to quickly share information internally to prevent similar problems from occurring in our own products.

After-Sales Support

Online Support Services

In order to facilitate the resolution of issues, Canon provides customer-support services globally through its websites.

On these websites, customers can access support information, including FAQs, product specifications, and user manuals, and can download the latest software and drivers. Support information and software based on common content for worldwide use, as well as local content that has been added by marketing subsidiaries, are made available on our company websites in their respective languages.

Customer usage is continuously monitored and survey Call Information Collection and Analysis System information analyzed, with feedback going to the divisions that created the relevant content. We continuously update the content based on frequently searched keywords, making it easier for customers to find what they are looking for.

In connection with the spread of mobile devices such as smartphones in recent years, Canon is making efforts to optimize display screens, making online support services easier to use.

Enhancing After-Sales Service Worldwide

After-sales service is critical for customers to enjoy long-term use of Canon products. We are therefore expanding our after-sales service network on a global scale in order to offer the same level of prompt, reliable support in every market worldwide.

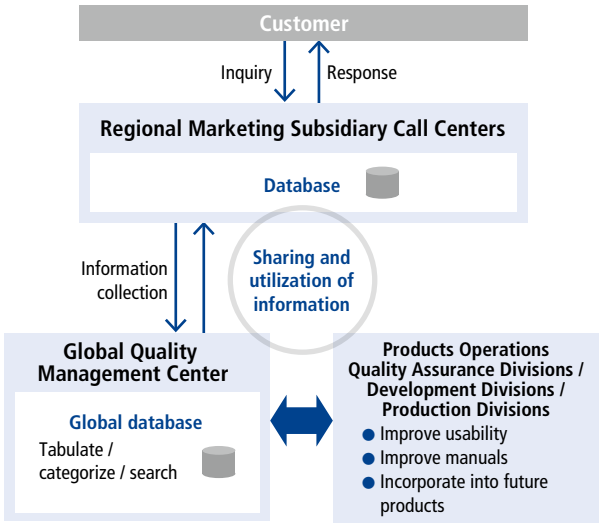
Utilizing Feedback from Market Data Analysis in Product Improvements

In order to achieve the highest level of customer satisfaction, Canon incorporates user feedback in addition to conducting product evaluations from the customer's perspective at the development stage.

One way we do this is through the Call Information Collection and Analysis System, updated in 2015. This is a system to collect customer feedback and requests received by call centers at our marketing subsidiaries worldwide. The development and production divisions and marketing subsidiaries can view this information at any time, helping them improve quality, revise user manuals, and develop better products. The results of call analyses are fed back to development teams who then use that information to improve customer convenience by, for example, improving displays on product control panels or simplifying methods for connecting to wireless LANs.

The system currently covers 47 countries and regions in Japan, the Americas, Europe, Asia, and Oceania.

Call Information Collection and Analysis System



Responding to Product Safety and Quality Issues

Although Canon strives to prevent product safety and quality issues, in the event that one does arise, it has in place a framework that ensures a prompt and appropriate response, including causal investigation, free repair, and information disclosure.

We keep our customers informed about product safety as well as quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

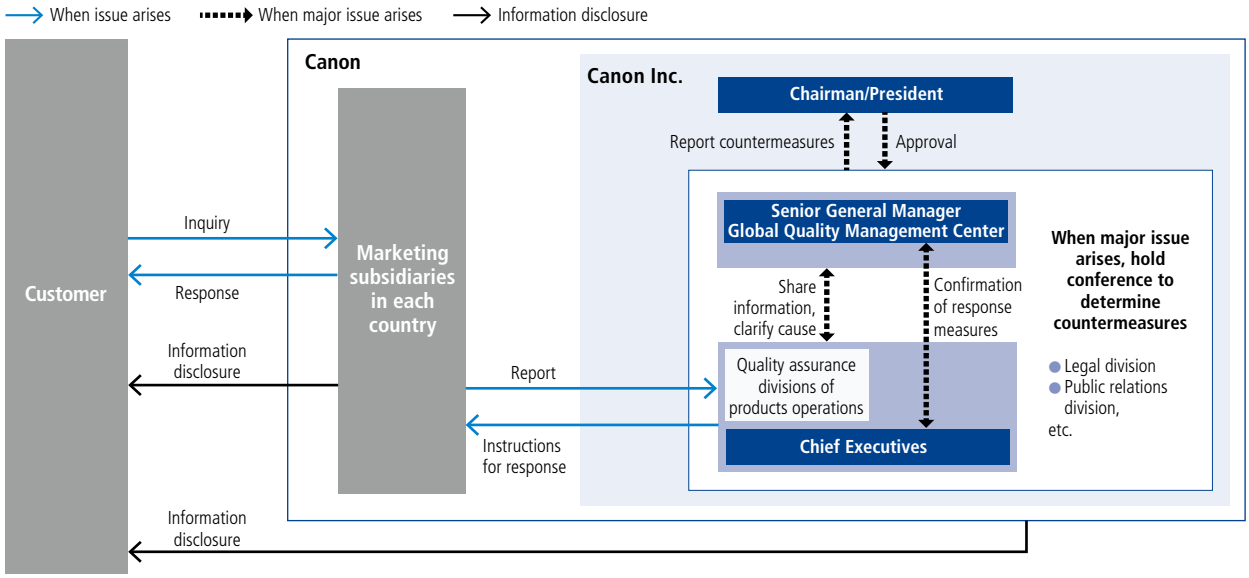
In 2019, no product advisory statements or quality notices were placed on our website.

Process for Responding to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as contact points for customers, file reports with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then investigates the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, the Global Quality Management Center, legal division, and public relations division are consulted concerning response measures, and the matter is reported to the chairman/president.

When notification is made to customers via a company notice or Canon websites, we provide instructions to each marketing subsidiary in regions where the relevant product is sold, and, as a general rule, simultaneously release the information worldwide.

Flowchart of Countermeasures to Quality Issues



Improving Product Usability

We strive to develop products that different customers can use easily and with confidence.

Providing Information on the Appropriate Use of Products

Pursuing Usability for Canon Products

With the aim of making products easy to operate, Canon conducts user tests through an in-house employee-based product tester system in the product development stage. We also ask in-house specialists to give us their assessment.

We objectively test human factors, including physical characteristics, perception, judgment, and operational skills, to develop products that customers can use comfortably and with ease. In a dedicated test room, we have installed equipment that allows clear, detailed observation and recording of the behavior and actions of testers as they operate devices.

Promoting Universal Design

Canon strives to create people-friendly products by pursuing functionality, operability, and convenience from the customer's perspective in actual usage situations. As part of this effort, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability. At Canon, we approach product design and development from the perspective of making the customer "look like a natural."

For example, we evaluate and test usability, accessibility, and comfort from various perspectives, regarding aspects such as text sizes that are easy to read and color designs that are easy to recognize for people with various visual sensitivities. Information obtained from these activities is valuable in the development of more user-friendly products.

Moreover, aiming to encourage efforts in universal design, we prepared a booklet that addresses the physical characteristics of users and various issues that arise during product use, and distributed it to all development divisions. We also created pamphlets and set up a website to inform customers about the UDP initiatives underway at Canon. Through such means, we are sharing information on universal design both inside and outside the company.

Principles of Universal Design

- Ensuring Inherent Usability
  After obtaining a thorough understanding of the customer's usage circumstances, we give every consideration to the inherent usability of the design in keeping with the product's purpose and usage environment.
- Creating Products and Services People Enjoy Using
  We continually pursue innovative idea creation that goes beyond simple problem-solving in order to create products and services that customers want to use.
- Applying Cutting-Edge Technologies
  We apply Canon's leading technologies to products to improve customer convenience and to create richer, more comfortable lives.

Reference: Canon's Universal Design
https://global.canon/en/design/ud/

Product Accessibility

Canon is working to increase the accessibility of its products in order to make them easy to use for the elderly and persons with disabilities.

Section 508 of the United States Rehabilitation Act requires that agencies of the federal government only purchase products that meet stipulated accessibility standards. The results of Section 508 accessibility evaluations of Canon products have been collected into a VPAT* and made available on the Canon U.S.A. website.

Meanwhile, in Europe, the European Accessibility Act, an EU Directive, was promulgated in 2019. Moreover, European Standard EN 301 549, which is consistent with Section 508 standards, is beginning to be adopted for government procurement not only in Europe, but globally.

Canon is committed to regularly gathering the latest information, and to developing products that are compliant with the accessibility requirements of each country and region.

* VPAT: Voluntary Product Accessibility Template, a document that evaluates how accessible a particular product is according to Section 508 standards.

Social Contribution

Management Approach

Under our corporate philosophy of *kyosei* and through community relationships, we seek to find solutions to issues faced by communities around the globe.

Canon's Approach

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Our world today is rife with complex social issues that include climate change, frequent natural disasters, poverty, and inequality. As expressed in the Sustainable Development Goals (SDGs), companies have an increasingly important role to play in addressing these issues.

The spirit of contributing to society has been a part of Canon's corporate culture since its founding. By contributing to resolving issues in each of the different communities where we operate, in line with the philosophy of *kyosei*, we believe that we can not only increase the level of trust enjoyed by our company but also contribute to the sustainable development of society.

Based on this approach, and in line with the Canon Group CSR Activity Policy (→P112), we seek to return to local communities the profit secured through our business activities and to meet social expectations by engaging in activities tailored to the characteristics and issues of different regions worldwide. This involves drawing on Group resources in our areas of strength, such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources.

Relationship with SDGs

Canon pursues social contribution activities in cooperation with the UN, NGOs, universities, and others, helping to achieve the following SDGs.

Social Contribution Activities

We contribute to the sustainable development of local communities using technology and knowledge gained in business.

Young People Programme Harnesses the Power of Positive Visual Storytelling

As part of helping to realize a sustainable society, Canon Europe is developing the Young People Programme (YPP) to provide workshops that equip young people with the skills and tools to harness the power of positive visual storytelling, focusing on themes related to SDGs. In 2019, the YPP was held in 14 countries, including the UK, Belgium, South Africa, Germany and Lebanon. Since the programme was launched in 2015, it has supported more than 4,250 young people. The images created by the participants have been exhibited at the Visa pour l'Image International Festival of Photojournalism in France and the UN-sponsored Global Festival of Action in Germany.

One YPP participant, Neville Kgaugelo Ngomane of South Africa, was named Young Environmental Photographer of the Year in an international environmental photography competition organized by CIWEM*. His photographs have been featured in many media outlets.

* CIWEM: The Chartered Institution of Water and Environmental Management

Neville Kgaugelo Ngomane holding the award-winning work
©Wild Shot Outreach

Miraisha Programme Aims to Increase Employment Opportunities and Technical Skills in Africa

Canon Europe has been promoting its *Miraisha* Programme, a social investment initiative in Africa, since December 2014. *Miraisha* is a portmanteau of the Japanese word mirai, meaning future, and the Swahili word maisha, meaning life. Through the program, Canon aims to improve the technical skills of and increase employment opportunities for local young people in Africa's growing photography, video and print industries. Workshops in photography, film-making and professional printing have been conducted in several African countries, including Kenya, Ghana, Nigeria, Ethiopia, Uganda, Cameroon and Ivory Coast. Through partnerships with local organizations, educational institutions and event organizers, and with the assistance of Canon Ambassadors, the *Miraisha* Programme has so far provided training to more than 5,800 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the *Miraisha* Programme. In 2019, a total of 17 people were accredited as Canon Certified *Miraisha* trainers.

The 4E's Project in India

Canon India carries out the 4E's Project in cooperation with local NGO Humana People to People India. The project provides various forms of assistance in the fields of eye care, education, environment, and empowerment to impoverished villages in the vicinity of the Canon India office.

As a manufacturer of ophthalmic equipment, Canon is dedicated to making advancements in the field of eye care to assist people with vision impairment. In India, where cataracts are a major cause of visual impairment, it is thought that 80% of such cases are preventable or treatable. Canon India opens vision centers in selected villages to give eye examinations and provide treatment using equipment manufactured by Canon. A total of 2,978 people visited these centers in 2019, with 374 receiving free eyeglasses. A further 165 patients were referred for treatment in hospital, with 20 receiving cataract surgery.

Meanwhile, in the fields of education and support for self-reliance, Canon India employees used printed booklets and role play to teach children about health and hygiene based on knowledge the employees had acquired in lectures organized by the United Nations World Food Programme.

These activities won an award in the CSR Excellence category of the Mahatma Award, which recognizes individuals and organizations who have created an

outstanding legacy in various areas of social contribution.

Examination at a vision center

Support for Education in Asia

Canon is helping to support the education of the next generation across Asia.

Targeting schools in regions with lagging infrastructure development, the Canon Group in Vietnam is involved in constructing classrooms and donating items such as desks, chairs and books. Employees regularly visit recipient schools to assist in the renovation of toilets, hand washing stations and other facilities, and to present donations of school supplies. Canon also collaborates with local universities to organize technology competitions and engages in other activities that contribute to improving Vietnam's technology infrastructure.

Meanwhile, the Canon Group in Thailand continues with its program of using photography as a tool for voluntary activities at elementary schools. For 2019, more than 70 employees visited elementary schools to organize a wide range of activities, including classes in printing and photography, making photographic identity cards for students and school employees, and talks on nutritional science and recycling.

Elsewhere, Canon employees can make donations under a matching gift program. For example, since 1997 Canon Inc. has organized a Charity Book Fair to allow employees of the Canon Group in Japan to donate unwanted books, CDs and DVDs for sale at an in-house bazaar. The company matches the proceeds generated by the sale, and these funds are donated to organizations supporting education and medical services in Asia. Approximately ¥1.30 million was donated to four NGOs /NPOs in 2019.

Supporting Disaster Recovery Efforts

Fukushima Canon has concluded a 3-year agreement* with Fukushima Prefecture to participate in restoring the protective barrier of trees along the coast in the Kashima district of Minamisoma City (Fukushima Prefecture), which suffered damage in the Great East Japan Earthquake. In 2019, around 70 Fukushima Canon employees and family members planted 1,000 black pine seedlings and carried out weeding in the surrounding area. It is hoped that this activity will serve to remind future generations of the day the area was hit by a tsunami of unimagined proportions, and at the same time encourage the community to value and preserve the protective tree barrier as a symbol of recovery.

* September 28, 2018 to March 31, 2021

Light & Color Laboratory Educational Program

Canon Inc. hosts a children's educational program, Light & Color Laboratory, in partnership with the Japan Science Foundation. The program aims to spark children's interest in science and technology by providing a place where they can enjoy learning. It explains the science behind the optics and color technologies in Canon products via an entertaining show format featuring various experiments. In 2019, a total of 7,688 children participated in the program.

Preserving Japanese Cultural Assets for the Future Through the Tsuzuri Project

Canon and the Kyoto Culture Association (NPO) launched the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in 2007.

The initiative seeks to make facsimiles of Japanese cultural assets such as folding screens and *fusuma* (Japanese sliding doors) by first photographing them with a digital camera, then processing the image with precise color-correction technology using a proprietary system, and printing the image on a large-format inkjet printer. Finally, with the application of traditional craft techniques from Kyoto, such as applying gold leaf and mounting, the facsimile, which is as close to the original as possible, is complete. These facsimiles are presented to former owners, related temples, museums, and local governments. Through the combination of conserving important Japanese cultural assets and using high-resolution facsimiles, the project contributes to preserving and communicating Japanese culture.

In 2019, the project donated 13 high-resolution facsimiles of works by Katsushika Hokusai to Tokyo's Sumida Ward, where Hokusai spent much of his life, thus realizing a kind of homecoming. The originals are owned by the Smithsonian Institution Freer Gallery of Art in the United States, which has a policy that forbids any of the works in the collection from leaving the premises. The resulting exhibition held at the Sumida Hokusai Museum was entitled "The Tsuzuri Project: The Art of Hokusai, reproduced from the collection of the Freer Gallery of Art, Smithsonian Institution."

By undertaking joint research with the National Center for the Promotion of Cultural Properties (NCPCP) to support the creation of high-resolution facsimiles, and by organizing artwork displays and educational programs with the Tokyo National Museum, Canon hopes to afford many people the opportunity to see such cultural assets

and experience a deeper understanding of Japanese culture. These initiatives were recognized with a special prize—the Award Granted by the Commissioner for Cultural Affairs—in the Japan Mécénat Awards* 2019.

* Mécénat Awards: Established in 1991 by the Association for Corporate Support of the Arts with the aim of stimulating corporate patronage (mécénat) of the arts and culture, the awards are presented every year to outstanding examples of such activity.

Reference: The Tsuzuri Project
https://global.canon/en/tsuzuri/

The Tsuzuri Project (Cultural Heritage Inheritance Project) has been certified as a "Tokyo 2020 Official Programme (Cultural Olympiad)" by the Tokyo 2020 Organising Committee.

High-resolution facsimile of "Six Tama Rivers" by Katsushika Hokusai (Sumida Hokusai Museum)

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

The Canon Foundation was established in 2008 with the aim of contributing to the development of science and technology. Operating completely independently of Canon's business activities, it provides wide-ranging assistance to science and technology research.

Over the past 11 years, the foundation has disbursed a total of 162 research grants totaling ¥2.9 billion. The foundation enjoys recognition from universities and public research institutions across Japan as a distinctive research grant foundation providing relatively high-value research funds—with an average project grant of around ¥18 million—to fledgling research projects and young researchers who have yet to establish a track record.

Grant recipient researchers at the 10th Research Grant Presentation Ceremony

In its funding decisions since 2019, the foundation's aim has been to create new value for society by adopting an approach of supporting research that addresses cutting-edge fields of science and technology. Based on this concept, the foundation has taken a first step toward the new decade with two completely new programs: Science and Technology that Achieve a Good Future and Science and Technology that Create New Industries.

Reference: Canon Foundation website
https://www.canon-foundation.jp/eng/index.html

Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Humankind

The Canon Institute for Global Studies (CIGS) is a non-profit private-sector think tank established in 2008 as a general incorporated foundation in commemoration of Canon Inc.'s 70th anniversary.

In this age of globalization, CIGS analyzes current conditions and positively proposes strategies from the perspective of Japan's position within the global economy as well as what roles and responsibilities Japan should take for global economic development. 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; foreign affairs and national security—the institute disseminates information and policy proposals based on scientifically valuable research. It also provides a wide range of information to public through events as below.

CIGS Lecture by Kunihiko Miyake (CIGS Research Director)

Public events held in 2019

Event	Theme
CIGS seminar by Kenji Kushida (CIGS International Research Fellow)	The essence of the AI revolution extends beyond AI: the history of technological innovation and "added value" from the viewpoint of Silicon Valley
CIGS Lecture by Kazuhito Yamashita (CIGS Research Director)	Trade issues that are shaking the world
CIGS Lecture by Kunihiko Miyake (CIGS Research Director)	2020: Thoughts on Japanese foreign and security policy
CIGS International Symposium	Geoengineering and CCUS: Their Role in Managing Climate Change Risks
CIGS Symposium on healthcare/welfare system reform	New World Trends: Population Health and New Technology for the Greatest Good
CIGS Special Symposium	Artificial Intelligence, Big Data and the Future of Public Policy

Reference: The Canon Institute for Global Studies
https://www.canon-igs.org/en/index.html

Business Strategy

Office Business Unit

We aim to realize more comfortable office working environments for customers by supplying products and services that help to boost office productivity.

Business Environment

Businesses have gradually gone paperless in recent years with the adoption of mobile devices and digital work flows, and the number of printing opportunities using multifunction devices (MFDs), laser printers and other printing equipment is in decline. At the same time, there is growing interest in solutions to improve office productivity as many companies review how work is done. There is also increasing demand for information security measures due to the growing risk of data security breaches with the spread of IoT.

Yet, while the market for office printing equipment is projected to shrink, demand for printing on paper will not disappear completely. In fact, we see greater opportunities for print-capable MFDs that are integrated with cloud-based digital technologies.

Mission-critical Initiatives

Responding to increased demand for more efficient office processes, Canon is supplying products and services that help realize smoother and faster business communications by utilizing cloud-based solutions and other upgraded network functions. To help save time and expense for customers, we are also reducing the frequency of maintenance through online support for off-site machine evaluation and the adoption of more durable replacement parts. In addition, with environmental concerns increasing worldwide, we are accelerating efforts to create energy-efficient designs and make products even lighter and more compact so Canon products continue to have low environmental impact.

Results (FY2019)

Unit MFD sales were boosted by strong sales of the imageRUNNER ADVANCE Gen3 3rd Edition series, which offers stronger security and enhanced convenience through compatibility with external cloud services. In other developments, the launch of the imagePRESS C165 enabled us to access a previously untapped segment of the production printing market. Capable of producing professional-quality prints, this compact model is designed for in-house corporate printing needs.

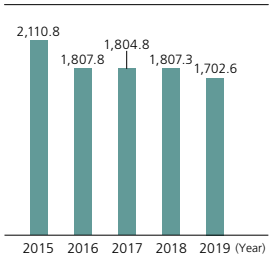
Sales of laser printers declined, reflecting the impact of the economic slowdown in Europe and China. Sales of medium- and high-speed models held up under challenging conditions due to our introduction of more advanced energy-efficient models employing a newly developed toner that enables lower temperature fixing.

In the commercial printing sector, we launched new models for the fast-growing segment of graphic arts applications such as posters and catalogs. These printers enjoyed strong sales, earning praise for their ability to

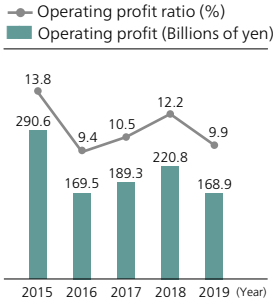
handle a wide range of paper types and deliver professional image quality.

As a result, total sales for the business unit fell 5.8% year on year to ¥1,702.6 billion, while operating profit declined 23.5% year on year to ¥168.9 billion.

Net Sales



Operating Profit / Operating Profit Ratio



* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standards. 2017 figures have been restated to conform with the current presentation.
* From 2018, a portion of results previously included in the Office Business Unit have been reclassified under the Industry and Others Business Unit. 2017 figures have been restated to conform with the current presentation.

Future Strategy

We expect the MFD market to remain firm in 2020, supported by the growing demand for models with advanced efficiency-enhancing features, and by the ongoing shift to color models, notably in emerging markets. In 2020, we plan to accelerate our sales of solutions-integrated hardware by launching a series of new models designed to meet users' changing needs. In addition, we will work to boost profitability through expanded sales of such products as color MFDs and production equipment.

The forecast for the laser printer market is one of gradual contraction over the medium term. In 2020, we expect an economic slowdown in emerging markets to exacerbate this trend. Amid tough market conditions, we are focusing on securing sales of medium- and high-speed models that can create steady demand for consumables due to high print volumes. To this end, we are working to further reduce development lead-times while continuously introducing high-performance models that enhance convenience for users.

Imaging System Business Unit

With the aim of enriching lives, Canon develops and applies a wealth of imaging technology to support people-to-people communication by capturing and conveying the experience and emotion of unforgettable moments.

Business Environment

The digital camera market continues to contract, particularly within the entry-level segment, as the camera features of smartphones improve. Even under these circumstances, cameras offering advanced functionality, with technology such as full-frame image sensors and interchangeable lenses for rich expressiveness, are being sought by professional photographers and advanced amateur users.

In the inkjet printer market, demand for home printing is declining in advanced countries due to greater use of mobile devices. However, in emerging markets, with continued economic development, we expect growth in demand for refillable ink tank models from those users with high-volume printing needs.

Mission-critical Initiatives

Leveraging its strengths in optical and image-processing technologies cultivated over many years since its founding, Canon is working to further raise camera functionality, while seeking to expand applications in new fields.

In interchangeable-lens digital cameras, we are focusing on developing models that work well across varied conditions, including capturing fast-moving objects or shooting in low light. By allowing sports photographers to capture emotive moments, or advanced amateurs to exude expressiveness and creativity through faithful color reproduction, Canon's high-performance cameras are contributing to the development of culture, sports and the arts.

We are also developing new-concept cameras that are unconventional by design. With highly specialized functions or shooting capabilities to differentiate them from smartphones, these are cameras aimed at satisfying new needs. We are also seeking to expand in business-to-business fields by applying camera technologies to the development of data-entry devices for use in the automotive and industrial sectors. These products could help realize innovations such as smart mobility or smart factories.

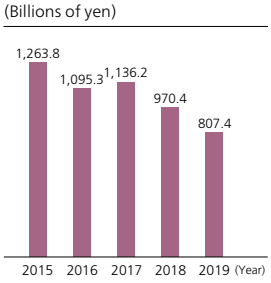
Results (FY2019)

Reflecting ongoing market contraction, unit sales of interchangeable-lens digital cameras declined further. However, the continuing development of our mirrorless camera range in 2019 with the launch of three new models boosted sales. In digital compact cameras, amid a continued decline in unit sales, we focused on sales of high-value-added models such as the PowerShot G-series to improve profitability.

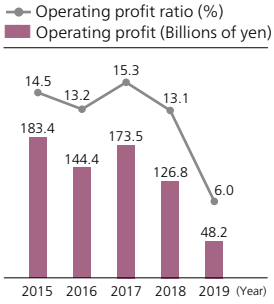
Sales revenue from inkjet printers declined, reflecting ongoing contraction in the market for home-use printers in developed countries and the impact of slower economic growth in emerging markets, regions that have supported the market to date.

As a result, overall sales for the business unit fell 16.8% year on year to ¥807.4 billion, while operating profit declined 62.0% year on year to ¥48.2 billion.

Net Sales



Operating Profit/ Operating Profit Ratio



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* From 2019, a portion of results previously included in the Imaging System Business Unit have been reclassified under the Industry and Others Business Unit. 2018 figures have been restated to conform with the current presentation.

Future Strategy

In interchangeable-lens digital cameras, we will continue to expand the lineup of full-frame mirrorless camera bodies. In addition to the "EOS R" and "EOS RP," currently existing models, we plan to launch a high-performance model while further expanding our lineup of lenses to cater to the needs of professional and advanced amateur photographers.

In 2019, we launched the new IVY REC concept camera (iNSPiC REC in Japan), an ultra-compact carabiner-clip camera that is ideal for taking pictures outdoors. Going forward, we will aim to continue bringing the joy of shooting images to more people with new value-added cameras based on a less conventional approach.

In inkjet printers, we will work to capture demand in emerging markets, where medium-term growth is expected, promoting the enhancement of our lineup of large-capacity refillable ink tank models.

Medical System Business Unit

Canon supplies products and services, including diagnostic imaging systems, healthcare IT solutions and in vitro diagnostics systems, to help create a society in which everyone around the world can enjoy high-quality healthcare and live a healthy life.

Business Environment

Demand for the prevention, early diagnosis and treatment of disease is growing due to aging populations, primarily in developed countries, and increasing affluence in emerging markets. Steady growth over the medium term is projected for the market for diagnostic imaging equipment, this Business Unit's core operations. Demand is also increasing for healthcare IT solutions to ease the burden on healthcare professionals and enhance diagnostic support through effective use of vast quantities of imaging data. The growing demand also provides an opportunity to expand Canon's business operations by leveraging its strengths in diagnostic imaging equipment, AI and imaging analytics.

At the same time, greater competition is expected to emerge within the sector from medical equipment providers based in emerging markets amid heavy investment in healthcare infrastructure. Companies in other sectors are also looking to enter the field of healthcare IT.

Mission-critical Initiatives

Utilizing technical strengths in diagnostic imaging, Canon aims to contribute to a society where people can lead healthy lives.

With diagnostic imaging equipment, we are using image reconstruction based on deep learning AI technology to provide high-resolution images. This technology also provides other benefits such as making procedures less invasive for patients based on less exposure to radiation and shorter scan times, as well as quieter machine operation.

In addition, we are upgrading our lineup of in vitro diagnostics systems to provide fast, accurate and simple tests for infectious diseases and other conditions. These efforts promise to help more people access early stage diagnosis.

We are developing healthcare IT solutions that can provide highly accurate disease auto-detection capabilities by applying AI-based imaging analytics to huge quantities of diagnostic imagery. As patient numbers rise due to aging and medicine becomes more advanced, we hope to relieve the burden on medical providers while improving diagnostic accuracy.

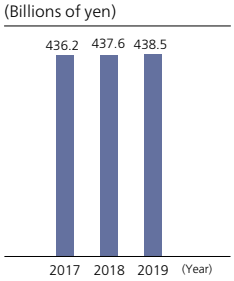
Results (FY2019)

The focus in the past few years has been on revamping our lineup of diagnostic imaging systems, the core business in this segment. The introduction of a series of new products helped to increase sales in 2019.

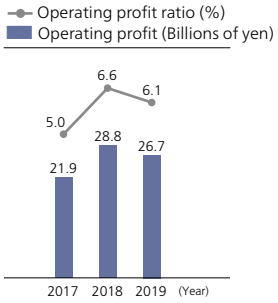
In CT scanners, we made the image noise-reduction technology from top-end models a standard feature across the range and launched entry models offering high cost performance in emerging markets. The expanded lineup addresses various customer needs in terms of price and functionality, and is helping us to expand our customer base.

As a result, overall sales for the business unit increased 0.2% year on year to ¥438.5 billion, while operating profit fell 7.3% year on year to ¥26.7 billion.

Net Sales



Operating Profit / Operating Profit Ratio



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Future Strategy

First, in the core diagnostic imaging equipment business, our focus is on further upgrading the product lineup while expanding sales by reinforcing our marketing capabilities, especially outside Japan. In the United States, the world's largest and most advanced healthcare market, we plan to expand our workforce significantly to capture market share by generating more sales leads. This approach should also create a positive ripple effect in other regions. In emerging markets, we aim to make a positive contribution to the government-led development of medical infrastructure through cooperation with local manufacturers so that more patients can enjoy access to high-quality healthcare.

We entered the gene analysis services business when ACTmed joined the Canon Group in 2018. In 2019, we initiated joint research with Kyoto University's Center for iPS Cell Research and Application (CiRA) aimed at realizing high-quality autologous iPS cells. Going forward, we will seek to expand further into bioscience and other business fields with enhanced growth potential.

Industry and Others Business Unit

Industrial Equipment

Canon is helping to stimulate progress in industrial innovation by applying proprietary optical and image-processing technologies to applications in industrial equipment.

Business Environment

Technological innovation in such fields as IoT, big data, AI and robotics is leading to diversification of semiconductor devices and expectations that the semiconductor lithography equipment market will continue to grow. We also expect growth in investment in the equipment needed to manufacture FPDs and OLED panels, reflecting solid investment in high-resolution display panels for use in increasingly larger and foldable smartphones and high-definition TV sets for 4K/8K broadcasting. Although equipment demand in these sectors tends to be cyclical depending on variations in levels of capital investment by customers, steady growth is expected over the medium- to long-term.

Mission-critical Initiatives

In industrial equipment, Canon aims to contribute to the manufacturing of semiconductor devices and displays that will drive the IoT era.

We are helping customers to boost productivity by strengthening and expanding our lithography equipment lineup and via the timely supply of various upgrades in features and performance. Besides lithographic approaches, we are also promoting practical use of next-generation equipment through development of a new technology "nanoimprint," which achieves circuit pattern miniaturization at lower cost.

Building on its technological advantages in OLED panel manufacturing equipment, Canon Tokki is making progress towards developing equipment for manufacturing large-sized panels.

Results (FY2019)

Unit sales of semiconductor lithography equipment declined in year-on-year terms, despite strong levels of investment in sensors linked to advancement in IoT, and due to constrained customer investment linked to the erosion of memory chip prices. The continued restraint shown by manufacturers of small- and medium-sized panels due to sluggish smartphone sales also impacted the market for FPD lithography equipment.

Sales of OLED panel manufacturing equipment declined as well amid a correction in investment in smartphone displays. However, we made progress in improving profitability by aggressively cutting costs and promoting the standardization of specifications from the design phase.

Future Strategy

Buoyant demand is expected in the semiconductor lithography equipment market in 2020, reflecting a recovery in memory chip prices and higher demand for sensors and other non-memory semiconductor devices. We plan to boost unit sales by maintaining our competitive edge based on responding flexibly to the diverse requirements of semiconductor manufacturers.

In FPD lithography equipment, we expect demand to stay firm for high-resolution panels used in large TV sets. Leveraging Canon's proprietary one-shot exposure lithography technology, we aim to gain further market share by capturing demand from panel manufacturers.

In OLED panel manufacturing equipment, we expect a surge in panel investment due to high replacement demand for 5G phones with OLED displays. Going forward, we will work to maintain a dominant position in this market by honing our proprietary ultra-high-definition technology.

Network Cameras

Based on technical advancements in network cameras and video content analytic software, Canon aims to expand its presence in network visual solutions to contribute not only to the creation of a safe and secure society, but also to such fields as marketing and manufacturing.

Business Environment

Homes and businesses worldwide face an increasingly diverse range of safety and security threats such as crime and natural disasters. To mitigate these threats, there is a need for infrastructure development and maintenance in various fields which ensure a safer and more secure life.

Mission-critical Initiatives

Canon is contributing to the realization of a safer and more secure society with high-performance, high-quality network cameras, along with video content analytic software for high-speed data processing. With leading camera, video management and video content analytic software companies Axis, Milestone and BriefCam all part of the Canon Group, we aim to strengthen our product lineup and enhance solutions. Going forward, with demand expected to grow not only for security applications, but also for uses in such sectors as marketing, manufacturing and sports, we will focus on developing new and improved solutions that will meet each sector's needs.

Results (FY2019)

Net sales rose in 2019 as the result of securing large orders from public-sector institutions and major corporations, who value the superior sensitivity and image resolution of our products in security applications. Additional contributions to revenue growth came from products equipped with a new image processing chip that enables reduction in data transmission costs by compressing captured video data, and sharper images of moving subjects in low light conditions.

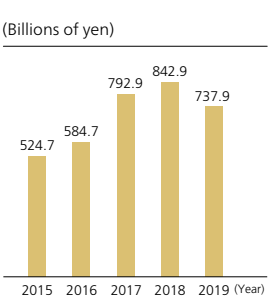
Future Strategy

Besides upgrading the functionality of our camera hardware, we plan to respond to the growing demand for video analytics as well. Achievements to date include the development of software for real-time crowd counts of thousands of people. Going forward, we plan to further expand our lineup of video analytics solutions. We are also aiming to expand business by building on the strong global network developed by Axis spanning some 90,000 business partners.

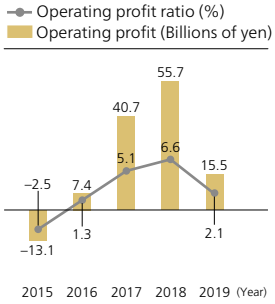
Results of Industry and Others Business Unit (FY2019)

Overall sales for the Industry and Others Business Unit fell 12.5% year on year to ¥737.9 billion, while operating profit declined 72.2% year on year to ¥15.5 billion.

Net Sales



Operating Profit/ Operating Profit Ratio



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* From 2019, a portion of results previously included in the Imaging System Business Unit have been reclassified under the Industry and Others Business Unit. 2018 figures have been restated to conform with the current presentation.

Directors, Audit & Supervisory Board Members, and Executive Officers

Board of Directors (As of April 1, 2020)

Directors * Outside

Chairman & CEO
Fujio Mitarai

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

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

President & COO
Masaya Maeda

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

Executive Vice President & CFO
Toshizo Tanaka
Group Executive, Finance & Accounting Headquarters Group Executive, Public Affairs Headquarters Group Executive, Facilities Management Headquarters

Apr. 1964: Entered the Company
Mar. 1995: Director
Mar. 1997: Managing Director
Mar. 2001: Senior Managing Director
Mar. 2007: Executive Vice President & Director
Mar. 2008: Executive Vice President & CFO (present)
Apr. 2011: Group Executive of Finance & Accounting Headquarters
Mar. 2014: Group Executive of Human Resources Management & Organization Headquarters
Apr. 2017: Group Executive of Facilities Management Headquarters (present)
Mar. 2018: Group Executive of Public Affairs Headquarters (present)
Apr. 2018: Group Executive of Finance & Accounting Headquarters (present)

Executive Vice President & CTO & In charge of Printing Business
Toshio Homma
Chief Executive, Digital Printing Business Operations

Apr. 1972: Entered the Company
Jan. 1995: Senior General Manager of Copying Machine Development Center
Mar. 2003: Director
Apr. 2003: Group Executive of Business Promotion Headquarters
Jan. 2007: Chief Executive of L Printer Products Operations
Mar. 2008: Managing Director
Mar. 2012: Senior Managing Director Group Executive of Procurement Headquarters
Mar. 2016: Executive Vice President
Apr. 2016: Chief Executive of Office Imaging Products Operations
Mar. 2017: Executive Vice President & In charge of Office Business
Mar. 2019: Executive Vice President & CTO & In charge of Office Business
Apr. 2020: Executive Vice President & CTO & In charge of Printing Business (present)
Chief Executive of Digital Printing Business Operations (present)

Director*
Kunitaro Saida

Apr. 1969: Appointed as Public Prosecutor
Feb. 2003: Superintending Prosecutor of Takamatsu High Public Prosecutors Office
Jun. 2004: Superintending Prosecutor of Hiroshima High Public Prosecutors Office
Aug. 2005: Superintending Prosecutor of Osaka High Public Prosecutors Office
May 2006: Retired from Superintending Prosecutor of Osaka High Public Prosecutors Office
Registered as an attorney (present)
Jun. 2007: Audit & Supervisory Board Member of NICHIREI CORPORATION
Jun. 2008: Director of Sumitomo Osaka Cement Co., Ltd. (present)
Jun. 2010: Director of HEIWA REAL ESTATE CO., LTD. (present)
Mar. 2014: Director (present)

[Important concurrent posts]
- Attorney
- Director of Sumitomo Osaka Cement Co., Ltd.
- Director of HEIWA REAL ESTATE CO., LTD.

Director*
Haruhiko Kato

Apr. 1975: Entered Ministry of Finance
Jul. 2007: Director-General of Tax Bureau, Ministry of Finance
Jul. 2009: Commissioner of National Tax Agency
Jul. 2010: Retired from Commissioner of National Tax Agency
Jan. 2011: Senior Managing Director of Japan Securities Depository Center, Incorporated
Jun. 2011: President and Chief Executive Officer (*daihyō torishimariyaku shachō*) of Japan Securities Depository Center, Incorporated
Jun. 2013: Director of Toyota Motor Corporation
Mar. 2014: Director (present)
Jul. 2015: President and Chief Executive Officer (*daihyō shikkō yaku shachō*) of Japan Securities Depository Center, Incorporated
Jun. 2019: Audit & Supervisory Board Member of Toyota Motor Corporation (present)

[Important concurrent posts]
- Audit & Supervisory Board Member of Toyota Motor Corporation

Audit & Supervisory Board Members *Outside

Audit & Supervisory Board Members

Ryuichi Ebinuma

Apr. 1983: Entered the Company
Jul. 2002: Senior General Manager of Research Laboratory of Printing Technologies, Core Technology Development Headquarters
Jan. 2009: Group Executive of Core Technology Development Group, Corporate R&D
Apr. 2011: Executive Officer
Jan. 2013: Deputy Group Executive of Corporate R&D
Apr. 2016: Managing Executive Officer
Apr. 2018: Group Executive, Corporate Planning Headquarters
Mar. 2020: Audit & Supervisory Board Member (present)

Hiroaki Sato

Apr. 1982: Entered the Company
Feb. 2004: Senior General Manager of MR Systems Laboratory
Jul. 2014: Deputy Group Executive of Advanced Information & Real-world Technology Development Group, Digital System Technology Development Headquarters
Jul. 2015: Deputy Group Executive of Digital System Technology Development Headquarters
Apr. 2018: Principal Staff Engineer of Digital Business Platform Development Headquarters
Mar. 2019: Audit & Supervisory Board Member (present)

Audit & Supervisory Board Members*

Yutaka Tanaka

Apr. 1975: Assistant Judge of the Tokyo District Court
Apr. 1986: Judge of the Tokyo District Court
Apr. 1987: Instructor of the Legal Training & Research Institute, the Supreme Court of Japan
Apr. 1992: Judicial Research Official, the Supreme Court of Japan
Apr. 1996: Resignation as a Judge
Registered as an attorney (present)
Oct. 2014: Guest Professor of Keio University Law School
Mar. 2019: Audit & Supervisory Board Member (present)

[Important concurrent posts]
- Attorney
- Director of Laws & Ordinances Compliance Investigation Office, Financial Services Agency of Japan

Hiroshi Yoshida

Oct. 1980: Joined Tohmatsu Awoki & Co.
Apr. 1984: Registered as Certified Public Accountant (present)
Jul. 1993: Partner of Tohmatsu & Co.
Jun. 2000: Representative Partner of Tohmatsu & Co.
May 2007: Managing Partner, Finance & Administration of Deloitte Touche Tohmatsu
The Board Member of Deloitte Touche Tohmatsu
Nov. 2011: CFO of Deloitte Touche Tohmatsu LLC
Mar. 2017: Audit & Supervisory Board Member (present)

Koichi Kashimoto

Apr. 1984: Entered The Dai-ichi Mutual Life Insurance Company
Apr. 1997: Manager of Government Relations Dept. of The Dai-ichi Mutual Life Insurance Company
Apr. 2005: General Manager of Corporate Administration Center of The Dai-ichi Mutual Life Insurance Company
Apr. 2009: Managing Director of Dai-ichi Life International (Europe) Limited
Apr. 2012: General Manager of Secretarial Dept. of The Dai-ichi Life Insurance Company, Limited
Apr. 2016: Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.), and Senior General Manager of Group General Affairs Unit of The Dai-ichi Life Insurance Company, Limited
Oct. 2016: Senior General Manager of Secretarial Dept. (in charge of Secretarial Dept. and General Affairs Dept.) of The Dai-ichi Life Insurance Company, Limited and Senior General Manager and Chief of General Affairs Unit of Dai-ichi Life Holdings, Inc.
Mar. 2018: Audit & Supervisory Board Member (present)

Executive Officers

Executive Vice Presidents

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

Senior Managing Executive Officers

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

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

Managing Executive Officers

Kenichi Nagasawa
Group Executive,
Corporate Intellectual Property and Legal Headquarters

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

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

Eiji Osanai
Group Executive,
Production Engineering Headquarters

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

Kazuto Ogawa
President & CEO,
Canon U.S.A., Inc.

Shunsuke Inoue
Group Executive,
R&D Headquarters

Takayuki Miyamoto
Chief Executive,
Peripheral Products Operations
Chief, Canon EXPO Project
Chief, Frontier Business Promotion Project

Katsumi Iijima
Group Executive,
Digital Business Platform Development Headquarters

Hiroaki Takeishi
Chief Executive,
Optical Products Operations

Soichi Hiramatsu
Group Executive,
Procurement Headquarters

Takashi Takeya
Senior General Manager,
Global Logistics Management Center

Go Tokura
Chief Executive,
Image Communication Business Operations

Hisahiro Minokawa
Group Executive,
Human Resources Management & Organization Headquarters

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

Minoru Asada
President & CEO,
Canon Production Printing Holding B.V.

Kazuhiko Nagashima
Deputy Group Executive,
Finance & Accounting Headquarters

Executive Officers

Nobutoshi Mizusawa
Deputy Chief Executive,
Medical Systems and Components Operations

Yoichi Iwabuchi
Group Executive,
Information & Communication Systems Headquarters

Nobuyuki Tainaka
Senior General Manager,
Global Legal Administration Center

Takanobu Nakamasu
Executive Vice President,
Canon Europe Ltd.

Toshihiko Kusumoto
Deputy Chief Executive,
Digital Printing Business Operations

Akiko Tanaka
Deputy Group Executive,
R&D Headquarters

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

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

Tamaki Hashimoto
Group Executive,
Digital Printing Business Group 3

Hideto Kohtani
Deputy Group Executive, Image Solutions Business Group 1

Katsuhiko Shinjo
Deputy Group Executive,
R&D Headquarters

Katsuyoshi Soma
President,
Fukushima Canon Inc.

Masaki Omori
Deputy Group Executive,
Production Engineering Headquarters

Saijiro Endo
Senior General Manager,
Digital Printing Development Planning & Management Center 1

Toshiyuki Matsuda
Group Executive, Peripherals Marketing Group

Takeshi Ichikawa
Group Executive, Device Technology Development Headquarters

Hiroto Okawara
Deputy Group Executive, Image Solutions Business Group 2
Chief, Smart Mobility Business Promotion Project

Yoshiyuki Koshimizu
Senior General Manager, Digital Printing Development Center 1

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.

Reference: An Overview of Corporate Governance at Canon Inc.
https://global.canon/en/ir/strategies/governance.html

Governance Structure

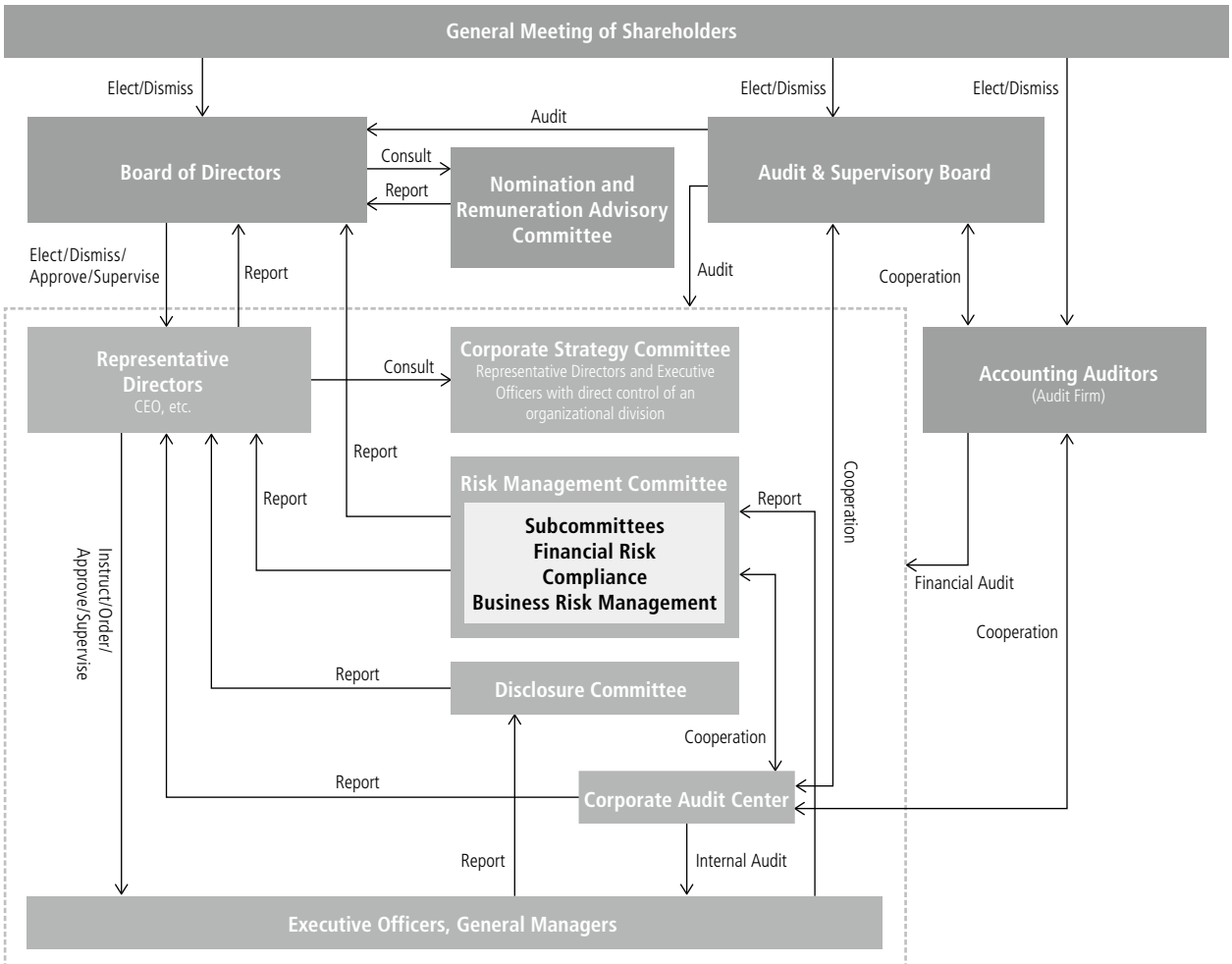
Fundamental Policy

Canon is globally expanding its businesses in various business fields, including office equipment, consumer products, medical equipment, and industrial equipment, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the entire Canon Group or on matters that straddle several business fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, the Company judges the corporate governance structure below to be effective.

History of the Governance Structure

2008	• Introduced the Executive Officer system
2009	• Appointed non-Japanese Executive Officer
2010	• Reduced the number of Directors (from 25 to 17)
2014	• Appointed Outside Directors (two)
2015	• Appointed female Executive Officer • Conducted an effectiveness evaluation of the Board of Directors
2016	• Reduced the number of Directors (from 17 to 6) • Established Nomination and Remuneration Advisory Committee • Established the Independence Standards for Independent Directors/Audit and Supervisory Board Members

Corporate Governance Structure (As of April 1, 2020)



Board of Directors

While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive Directors that oversee multiple business fields or headquarters functions, in order to secure sound management, an adequate number of at least two or more Independent Outside Directors are appointed. The Board of Directors, in accordance with laws and regulations, makes important decisions and supervises the execution of duties by officers.

Except for the above, the CEO and other Representative Directors are active in decision making and execution, and under the command and supervision of the Representative Directors, Executive Officers that are elected through resolution of the Board of Directors make decisions and execute operations of each business field or function.

The Board of Directors consists of six members, four Representative Directors from inside the Company and two Outside Directors that qualify as Independent Directors. Additionally, there are 38 Executive Officers, including two females and one non-Japanese.

Audit & Supervisory Board

As a body which is in charge of the audit of operations, under the principles of autonomy, which is independent from the Board of Directors, Canon Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.'s businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance and accounting, and internal control. The Audit & Supervisory Board, which is composed of these individuals, cooperates with Canon Inc.'s accounting auditors and internal audit division, oversees the status of duty execution of operations and corporate assets to secure the soundness of management.

The Audit & Supervisory Board consists of five individuals, three of which are Outside Audit & Supervisory Board Members, including two designated as Independent Directors and Audit & Supervisory Board Members. In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings and other important gatherings such as Corporate Strategy Committee meetings. They are also able to listen to reports from directors and employees, review documents related to important decisions, and conduct audits by investigating etc. the situation of businesses and property of Canon Inc. and its subsidiaries. Additionally, the Office of Audit & Supervisory Board Members is independent, and it has a dedicated staff. The Audit & Supervisory Board Members can order headquarter management and other operations to conduct investigations in cases of necessity. In this way, the Audit & Supervisory Board plays a role in monitoring management, conducting strict audits of directors' execution of duty, including the status of development of the internal control system. Furthermore, the Audit & Supervisory Board Members cooperate closely with the accounting auditors and the company's internal auditing arm, and such cooperation services to improve each monitoring function.

Corporate Strategy Committee, Risk Management Committee, and Disclosure Committee

Canon Inc. established the Corporate Strategy Committee, consisting of Representative Directors and some Executive Officers. Among items to be decided by the CEO, the Committee undertakes prior deliberations on important matters pertaining to Canon Group strategies. Outside Directors and Audit & Supervisory Board members attend Corporate Strategy Committee meetings and are able to express their own opinions.

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

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

Internal Audit Division

The Corporate Audit Center, the company's internal auditing arm, 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, audits of particular themes such as quality and the environment are conducted by the Corporate Audit Center in cooperation with each division in charge. Additionally, based on top management policy, for all work processes, audits must be conducted from specialized viewpoints and there are plans to increase the number of members from the current 80 to strengthen auditing functions.

Board Policies and Procedures in the Appointment of Senior Management and the Nomination of Director and Audit & Supervisory Board Member Candidates

Director and Audit & Supervisory Board Member candidates and Executive Officers are people that have the ability to fairly and effectively execute duties and, in principle, are selected from people that have met the following requirements, regardless of personal attributes such as gender, nationality, age etc.

Requirements of Director and Audit & Supervisory Board Member Candidates and Executive Officers

Representative Directors and Executive Directors	Have a true understanding of the corporate philosophy and code of conduct of the Company. At the same time, have broad familiarity with the Company's businesses and operations, gained through, for example, Executive Officer experience. Have the ability to make effective decisions that overlook multiple businesses and functions. In addition to this, the CEO shall be a person with the ability to lead the Canon Group, having, in particular, a wealth of knowledge and skill related to management and a clear vision and a strong sense of responsibility.
Independent Outside Directors	In addition to meeting the independence standard that is separately determined by the Board of Directors, have an abundance of experience and superior insight into fields such as business management, risk management, law, and economics.
Audit & Supervisory Board Members	Be familiar with the Company's businesses or its management structure, or have an abundance of experience and superior insight into professional fields such as law, finance, accounting, and internal control. As for Outside Audit & Supervisory Board Members, additionally meet the independence standards that are separately determined by the Board of Directors.
Executive Officers	Have been highly evaluated in terms of character and ability in managerial assessment and managerial talent training programs, and also have sufficient knowledge, experience and judgment, to shoulder the responsibility of execution in specific fields, and truly understand the corporate philosophy and code of conduct of the Company.

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

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

Analyzing and Evaluating the Effectiveness of the Board of Directors

Once a year, a questionnaire survey of Directors and Audit & Supervisory Board Members on the items below is conducted. Based on the result of the questionnaire survey, analysis and evaluations regarding the effectiveness of the entire Board of Directors are carried out at the Board of Directors' meeting.

- As for the operation of Board of Directors (including the appropriateness of when documents are distributed, how often meetings are held, and the time spend deliberating)
- As for the decision making and supervisory function of the Board of Directors (including the appropriateness of agenda items and agenda criteria of the Board of Directors as well as appropriateness etc. of content that is reported.)
- As for the roles of Outside Directors and Audit & Supervisory Board Members (including the necessity of training etc. regarding the understanding of company affairs and corporate structure)

As for fiscal year 2019, at the Board of Directors meeting held in February 2020, it was determined that there was no problem with the effectiveness of Board of Directors meetings due to ongoing measures to enhance deliberation at these meetings. These measures include, providing Outside Directors and the Audit & Supervisory Board with prior explanations of the meeting agendas, sharing management information by having Outside Directors attend meetings of the Corporate Strategy Committee, etc., and the periodical exchanging of opinions between Outside Directors and the Audit & Supervisory Board based on the findings of Audit & Supervisory Board Members. In the future, yearly analysis and evaluations will be continued and an overview of the results will be disclosed. At the same time, when necessary, efforts will be made to improve the running etc. of Board of Directors meetings.

Training Policy for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members, when assuming their positions, training is carried out with the aim of thoroughly understanding their roles and responsibilities and securing necessary or useful knowledge for them to properly fulfill their duties. Also incumbent Directors and Audit & Supervisory Board Members can, at the Company's expense, attend training courses held inside and outside the Company.

Furthermore, Outside Directors and Outside Audit & Supervisory Board Members, to familiarize them with the Company's business, are given opportunities, including attending important meetings such as meetings of the Corporate Strategy Committee, holding meetings with the person in charge of business divisions, and visiting operation sites as necessary.

Function, Role, Independence, and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Canon Inc. established the "Independence Standards for Independent Directors/Audit and Supervisory Board Members," resolved by the Board of Directors with the consent of all Audit and Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors /Audit and Supervisory Board Members of Canon Inc., taking into consideration Japan's Corporate Governance Code (Principle 4.9) and the independence criteria set by securities exchanges in Japan. The standards are posted on Canon's website. All of Canon's Outside Directors and two of the three 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, they are registered as Independent Directors/ Audit & Supervisory Board Members with the stock exchanges of Tokyo, Nagoya, Fukuoka and Sapporo in accordance with the requirements of the relevant stock exchange.

Reference: Independence Standards for Independent Directors/Audit and Supervisory Board Members
https://global.canon/en/ir/strategies/governance.html

Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for Appointing
Outside Directors	Kunitaro Saida	Kunitaro Saida was elected as an Outside Director so that Canon Inc.'s management may utilize his high-level expertise and wealth of experience gained from his distinguished career as Superintending Prosecutor of High Public Prosecutors Offices (in Takamatsu, Hiroshima and Osaka) and later as an attorney in corporate legal affairs, as well as serving as an Outside Director and an Outside Audit & Supervisory Board Member for other companies.
	Haruhiko Kato	Haruhiko Kato has, over many years, had a distinguished career in fiscal operations of the national government as Director-General of the Tax Bureau in the Ministry of Finance, and Commissioner of National Tax Agency. He was elected as an Outside Director so that Canon's management may utilize his high-level expertise and wealth of experience gained from his managerial experience as President of Japan Securities Depository Center, Incorporated.
Outside Audit & Supervisory Board Members	Yutaka Tanaka	Yutaka Tanaka had for many years served as a judge in charge of civil cases, and subsequently has been engaging in corporate legal affairs as an attorney and as a law school professor. Canon Inc. elected him as a candidate for Outside Audit & Supervisory Board Member as it desires to leverage his considerable experience and high level of expert knowledge about legal affairs to further enhance Canon Inc.'s auditing system.
	Hiroshi Yoshida	Hiroshi Yoshida has been engaged for many years in corporate accounting as a certified public accountant. Canon Inc. elected him as an Outside Audit & Supervisory Board Member as it desires to leverage his considerable experience and high level of expert knowledge about corporate accounting to further enhance Canon Inc.'s auditing system.
	Koichi Kashimoto	Koichi Kashimoto has, over many years, been involved in business management of a major life insurance company, has served as a supervisor of general affairs including legal affairs, and furthermore has extensive international experience. Canon Inc. elected him as an Outside Audit & Supervisory Board Member given expectations that he will utilize such knowledge and experience in performing audits encompassing the entire Group, including its overseas operations.

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 outlines of their internal audit plan before conducting each audit as well as reports about important auditing items. After the internal audit is conducted, the Audit & Supervisory Board Members and the Audit & Supervisory Board hear reports on all audit results and evaluations. Furthermore, close cooperation between the Audit & Supervisory Board Members and Internal Auditing is worked for through, for example, monthly meetings between full-time 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, before the start of an audit, receive from the accounting auditors an outline of their audit plan and report about important auditing items on which the Audit & Supervisory Board Members and the Audit & Supervisory Board provide confirmation with respect to validity.

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive reports on the results of the internal control system audit, the accounting audits, and the quarterly reviews from the Accounting Auditors and also conduct timely exchanges of opinion with the accounting auditors on such subjects as the results of audits and reviews, the accounting auditors' understanding of the company's internal control systems, including how they are being implemented and maintained, and risk evaluations. Furthermore, in addition to observing the Accounting Auditors' fieldwork and its wrap-up meeting as necessary, the Audit & Supervisory Board Members and the Audit & Supervisory Board work to grasp the situation of audits, holding meetings with Accounting Auditors in charge of auditing group companies in and outside Japan.

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. As for external audits, with the aim of monitoring the independence of accounting firms, Canon introduced an Audit & Supervisory Board pre-approval system, targeting details of the auditing contact and amount of 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 position and the degree to which they contribute in their role; a bonus that is linked to the Company's business performance in each business year; and, a stock-type compensation stock option plan to provide an incentive to improve medium- to long-term performance and raise corporate value.

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

The Company established the "Nomination and Remuneration Advisory Committee," a non-statutory committee, which consists of the CEO, two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. The Committee, after examining the rationale of the remuneration system, including calculation standards of the basic remuneration and the bonus, and the granting standards of stock-type compensation stock option plan, gives reports to the Board of Directors to the effect that the system is reasonable.

The basic remuneration and bonus amount for each Director and Executive Officer 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 and stock-type compensation stock option plan 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 approved by the general meeting of shareholders.

2019 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Category of Position	Number of Directors and Audit & Supervisory Board Members	Remuneration and Other Amounts by Classification (millions of yen)			Remuneration and Other Amounts (millions of yen)
		Basic Remuneration	Bonus	Stock-Type Compensation Stock Option	
Directors (excl. Outside Directors)	5	716	54	115	885
Outside Directors	2	48	–	–	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	3	47	–	–	47
Outside Audit & Supervisory Board Members	4	58	–	–	58

* The above number of Directors (excl. Outside Directors) includes one Director who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 118th Business Term held on March 28, 2019.
* The above number of Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members) includes one Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 118th Business Term held on March 28, 2019.
* The above number of Outside Audit & Supervisory Board Members includes one Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 118th Business Term held on March 28, 2019.
* "Bonus" represents the accrued directors' bonuses.
* The figure for stock-type compensation stock option indicates expenses recorded in the relevant fiscal year.

Policy for Constructive Dialogue with Shareholders

Policy

For sustainable growth and to help improve corporate value over a medium- to long-term perspective, Canon Inc. has constructive dialogue with shareholders through an ordinary general meeting of shareholders, corporate strategy conferences, financial results conferences, and interviews with major institutional investors.

Structure to Promote Dialogue

Finance & accounting (Investor Relations (IR)), legal affairs, corporate communications are responsible for working together and promoting dialogue. The Executive Vice President & CFO oversees the entire structure to promote dialogue.

For analysts and institutional investors, the CEO hosts a corporate strategy conference at the beginning of the year. Other than this, the CFO hosts quarterly financial results conferences. For individual investors, conferences are held when appropriate and on Canon's website, specific pages containing information about corporate strategy, financial results, and financial data etc. have been set up using descriptions that are easy to understand.

Additionally, Canon Inc. works for dialogue with domestic and overseas analysts and institutional investors, arranging interview opportunities appropriately. For detail, see "An Overview of Corporate Governance at Canon Inc."

As for the opinions or demands that are obtained through dialogue with shareholders, accordingly, the department in charge reports to the CFO and the CFO will report important ones to the CEO or the Board of Directors.

Reference: Investor Relations
https://global.canon/en/ir/

Controlling Insider Information

Canon Inc. has set the "Rules on Prevention of Insider Trading," which makes thorough control of undisclosed material information and provides the procedure of information disclosure.

Risk Management

Canon's Approach

Canon Inc. recognizes that to ensure the proper operation of the Canon Group and to continually improve corporate value, implementation and maintenance of a risk management system to deal with serious risks that the Group may face in business operations is vital.

Risk Management System

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

The Risk Management Committee develops various measures to promote the 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 Group may face in the course of business.

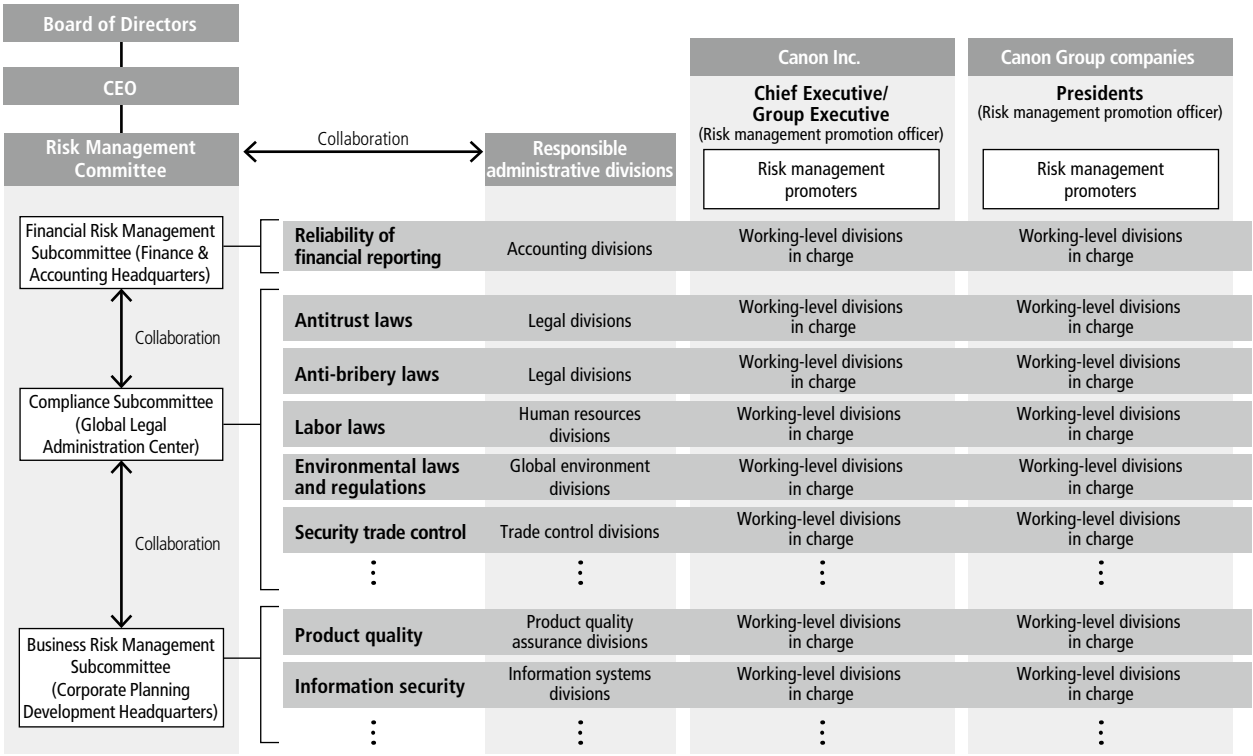
The Committee also creates an annual basic policy for risk management activities and, after obtaining the approval of the Board of Directors, carries out risk management activities within Canon Inc. divisions and Group companies. The Committee evaluates the improvement and implementation of the risk management system for each division and Group company, and reports the results of such evaluations to the CEO and Board of Directors. Results of evaluations conducted in 2019 showed no material flaws in the system.

In line with the basic policy prepared by the Committee and in their capacity as risk management promotion officer, the heads of Canon Inc. divisions and presidents of Group companies each formulate an annual risk management plan for their own division or Group company, and assume responsibility for

Processes for Implementation and Maintenance of Risk Management System

P	D	C	A
Risk Management Committee and Board of Directors ● Identify significant risks ● Formulate basic policy **Divisions and Group companies** ● Formulate annual 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 implementation and maintenance **Risk Management Committee, CEO and Board of Directors** ● Confirm evaluation of implementation and maintenance	**Risk Management Committee and Board of Directors** ● Discuss Group's basic policy for the next fiscal year

Risk Management Promotion System



promoting related risk management activities. Risk management promoters appointed within each division and Group company assist risk management promotion officers in coordinating risk management practices.

Additionally, Canon Inc. administrative divisions responsible for various risks associated with business activities, including the Legal Division, Human Resources Division, Security Trade Control Division, and Quality Assurance Division, control and support the risk management activities of each division and Group company.

Group-wide Risk Management Communication

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

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

In addition, an intranet website provides employees of Canon Inc. and Group companies with timely information, including the 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 2019.

Promoting Compliance

The Compliance Subcommittee works to promote corporate ethics across the Group in accordance with the Canon Group Code of Conduct, and to improve the Group's legal risk management system. As a result of these initiatives, Canon had another year free from material fines or other sanctions in 2019.

Sections of the Canon Group Code of Conduct (Extract)

Management Stance

1. **Contribution to Society**
   - Provision of excellent products • Protection of consumers
   - Preservation of the environment
   - Social and cultural contributions • Communication
2. **Fair Business Activities**
   - Practice of fair competition
   - Observance of corporate ethics
   - Appropriate disclosure of information

Code of Conduct for Executives and Employees

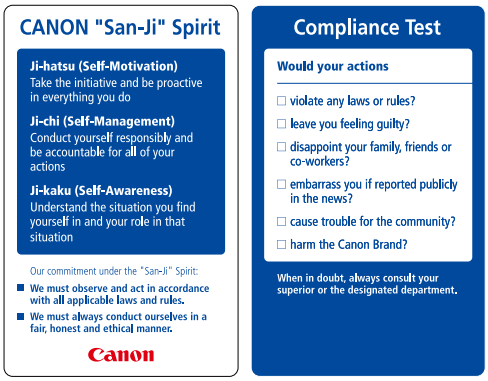
1. **Compliance with Corporate Ethics and Laws**
   - Fairness and sincerity
   - Legal compliance in performance of duties
   - Appropriate interpretation of applicable laws, regulations and company rules
2. **Management of Corporate Assets and Property**
   - Strict management of assets and property
   - Prohibition against improper use of company assets and property
   - Protection of the company's intellectual property rights
3. **Management of Information**
   - Management in compliance with rules
   - Prohibition against personal use of confidential and proprietary information
   - Prohibition against insider trading
   - Prohibition against the unlawful acquisition of confidential or proprietary information pertaining to other companies
   - Appropriate use of confidential and proprietary information pertaining to other companies
4. **Conflicts of Interests / Separation of Personal and Company Matters**
   - Avoidance of conflicts of interests
   - Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits
   - Prohibition against acquisition of pre-IPO shares
5. **Maintenance and Improvement of Working Environment**
   - Respect for the individual and prohibition against discrimination
   - Prohibition against sexual harassment
   - Prohibition against bringing weapons or drugs to the company workplace

Promoting Corporate Ethics

■ Canon Group Code of Conduct and Compliance Card

Canon established the Canon Code of Conduct in 1992, and later updated it as the Canon Group Code of Conduct in 2001. It clarifies the Group's management stance and standards that Group executives and employees must comply with in their duties. In addition to Japanese, the Code of Conduct has been translated into more than 20 languages, including English, French and Chinese, and adopted by a resolution of the Board of Directors of each Group company, which also strives to ensure that it is known and practiced by all.

In addition, a portable Compliance Card has been created in Japanese and more than 20 other languages, including English, French and Chinese, and given out to Group executives and employees worldwide. Written on one side of the card is the *San-ji* (Three 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 conduct a daily self-evaluation.



Compliance Card

■ Corporate Ethics and Compliance Training

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

For example, Canon Inc. conducts relevant training as part of rank-based training for newly appointed general managers and managers as well as new employees.

Additionally, Canon Inc. and its subsidiaries in Japan have since 2004 designated a Compliance Week twice a year—once in the first half of the year and the other in the second half—in order to foster discussions in the workplace about compliance issues. Through these efforts, we strive to develop and improve operational processes to ensure that employees are aware of compliance and abide by the law.

■ Compliance Hotline System

Canon Inc. has established a Compliance Hotline system to receive information related to compliance issues. The confidentiality of reporters is strictly maintained, and they are guaranteed not to suffer any unfair treatment for using the system. We continually work to encourage appropriate use of the system by expounding the purpose of the system through such means as the intranet compliance website and compliance training, etc.

The system also has been established at nearly all Group companies worldwide. Canon Inc. receives biannual reports from Group companies on the operational status of their respective Compliance Hotline systems. Over the past few years, the total number of cases filed using the system at Group companies overall has been around 300-400 per year. These biannual reports from each company include not only the number of cases filed, but also a summary of each case, the results of investigation and response, and measures to prevent recurrences. Each Group company takes the necessary corrective measures and recurrence prevention measures based on the investigation results.

Legal Risk Management System

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

■ Strict Compliance with Export Control Regulations

Canon Inc. implements a security trade control framework headed by the president. The framework ensures that we comply with regulations on the export of goods and technologies that could be diverted for use in weapons of mass destruction or conventional weaponry. Specifically, we strictly check such issues as whether export goods and technologies are controlled by regulations, or whether counterparties are engaged in the development of weapons of mass destruction. Furthermore, in the field of security trade controls, we have also established and implemented the Canon Security Trade Control Guidelines to provide a unified control policy and standard for the Group. At the same time, we hold regular briefings, training sessions and e-learning courses for persons responsible for security trade controls at Canon Inc. and Group companies worldwide.

Security trade controls are insufficient if undertaken by a single country. It is important to have international cooperation based on UN and international export control regime agreements. Recently, there has been a growing movement of using trade control regulations to restrict the transactions of particular countries or corporations. Canon has also seen an increase in business transactions that require careful attention as it acquires various new businesses. We will pay close attention to the latest trends in trade controls in our activities.

■ Compliance with Antitrust Laws

Canon recognizes that compliance with antitrust laws, which apply to all of its business activities, from product development to production, sales and after-sales service, is absolutely vital.

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

■ Prevention of Bribery

The Canon Group Code of Conduct (→P103) clearly stipulates that Group executives and employees are prohibited from receiving benefits from business partners and corporate customers in the form of gifts or entertainment, etc., that exceed the social norm, or provide similar benefits to government agencies, business partners and corporate customers. In addition, the Canon Group CSR Basic Statement (→P111) includes "9. Prevent corruption in all its forms including bribery," making clear to all stakeholders Canon's management stance.

Under the above policy, Canon's Risk Management Committee has identified the risk of violations of anti-bribery laws as a significant risk. The Committee has established a bribery prevention system in accordance with the risk for each Group company calculated based on the countries and regions where it does business and its business activities. In doing so, we have followed laws and guidelines on bribery prevention in major countries, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act. Specifically, a responsible division has been established at each Group company, and our management stance on bribery prevention has been clarified along with points to be observed through the formulation of a basic policy on bribery prevention and company rules. Moreover, we conduct due diligence on business partners and include anti-bribery clauses in our contracts with them. We also conduct annual training for employees engaged in high-risk duties to deepen their understanding of anti-bribery laws in major countries and Canon's Code of Conduct.

In addition, in response to the above-mentioned Basic Statement, we have issued to suppliers the Canon Supplier CSR Guidelines (→P114), which requires Canon suppliers to prevent corruption in all its forms, including bribery. Moreover, in our annual surveys (→P115) conducted to suppliers as part of our supply chain management, we check whether measures are in place to prevent the acceptance of bribes or inappropriate benefits.

■ Protecting Personal Information

Canon strives to ensure proper handling of personal information (including personally identifiable information, or PII).

At Canon Inc., we have created rules to safeguard personal information, including a Personal Information Protection Policy and Personal Information Protection Rules, and conduct training and audits regularly as part of our system to prevent leaks of information.

Starting in 2015, we expanded the scope of these activities to include all Group companies, creating a centralized management system covering the entire Group. As a result, in 2019 the Group had another year free of serious incidents involving the loss or leakage of personal information, and did not receive any privacy infringement complaints from customers.

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

Promoting Business Risk Management

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

Action policies and plans for each identified serious risk are decided in cooperation with the responsible divisions across the Group, and system implementation and risk mitigation activities are promoted through each Canon Inc. business division and the responsible division at each Group company.

Ensuring Complete Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Group, in accordance with the fundamental principles of information security regulations. The steps that we take under this system include measures to prevent leaks of confidential information, handle external cyber-attacks, bolster information security at production facilities, and provide information security training to raise employee awareness.

Moreover, Canon has maintained ISO27001 certification for its information security management systems since 2005.

■ Information Security Management System Operations

The Group Executive in charge of the Information & Communication Systems Headquarters is the senior executive in charge of information security at Canon Inc. and has decision-making responsibility for information security measures. The executive oversees the Information & Communication Systems Headquarters, which is the organization responsible for managing information security across the Canon Group.

If an information security incident occurs, the matter must be reported to the Information & Communication Systems Headquarters. It may also be reported to the Risk Management Committee (→P102), depending on circumstances.

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

In 2019, information security checks were again carried out at 24 Group companies in Japan and 24 Group companies overseas.

CSIRT*, a dedicated team for dealing with information security incidents, was created within Canon Inc.'s Information & Communication Systems Headquarters in 2015. At that time, Canon joined the Nippon CSIRT Association (NCA) to strengthen collaboration with CSIRTs in other companies.

* CSIRT: Computer Security Incident Response Team. This is a dedicated, organized group that deals with incidents involving computer security.

■ Information System Security Measures

Canon implements measures to safeguard the three elements of information security: confidentiality, integrity, and availability*1.

As part of measures to prevent the leakage of confidential data, we ensure that critical information is stored using a dedicated, access-controlled system with reinforced security and auto-recorded user activity. In addition, we have established an environment in which employees can safely access the company's information assets while away on a business trip, and we have also placed restrictions on email attachments and taking company computers and storage media offsite.

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

In addition, we have strengthened countermeasures in anticipation of cyber-attacks on our global sites in conjunction with the Olympic and Paralympic Games Tokyo 2020. We have also participated each year since 2017 in cyber-attack response training (NISC*3/NCA affiliated cross-field companywide training), in order to strengthen our system for countering obstructions.

*1 Confidentiality: Enable only authorized personnel to access information.
Integrity: Ensure data and processing methods are accurate and cannot be modified without authorization.
Availability: Make data accessible to authorized personnel when needed.
*2 Malware: malicious software (including computer viruses and ransomware) created with the deliberate intention of performing unauthorized or harmful operations.
*3 NISC: National center of Incident readiness and Strategy for Cybersecurity

■ Security Measures for Production Facilities

Canon implements security measures for its production facilities to ensure malware, cyber-attacks or other information security issues do not reduce productive capacity or otherwise disrupt production plans.

In the past, corporate mainframes or online information systems were the major targets for cyber-attacks. Today, the growing use of off-the-shelf OS software and IoT means that production facilities attract the same level of information security risk. A separate approach is needed for production systems because production lead-times are longer than the customer support periods for off-the-shelf OS software. To ensure that Canon Inc. and Group production companies worldwide do not have to suspend operations due to a virus infection or similar attack, we also monitor the networks linked to important facilities and production lines for any unauthorized activity.

We also conduct security audits of production facilities to maintain a safe production environment.

■ Information Security Training to Raise Employee Awareness

In order to maintain and improve information security, Canon is focusing on raising awareness among employees who use information systems.

Both regular and mid-career hires are thoroughly trained on Canon's information security measures and rules through group training. In addition, all employees undergo annual information security training using our e-learning system.

In 2019, roughly 25,000 employees—equivalent to Canon Inc.'s total workforce—received information

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

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

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 updated all Group company facilities in Japan, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training. We also have systems that use data from Canon surveillance cameras installed at each Group site so that any damage caused by natural disasters or other emergencies can be evaluated swiftly. Furthermore, we have prepared a leader's manual in order to safeguard human life immediately following a natural disaster or fire, prevent secondary disasters, and protect company assets. Using this manual as a model, Group companies are also creating localized manuals based on the unique risks in the areas where they operate to facilitate the smooth restoration of services in the event of a disaster. Last year, 40 operational sites conducted emergency drills based on these manuals.

*1 Business Continuity Plan (BCP): an action plan that includes measures to provide for the continuation of a minimal level of business in the event of disaster, accident, or other such event, and to restore operations promptly.
*2 Disaster Recovery Center: a facility prepared for data backup in the event of a system breakdown due to a disaster.

Proper Payment of Taxes

Canon believes that, as a multinational corporation with operations spanning the globe, the proper payment of taxes in the countries and regions where it operates is one of its most fundamental and important social responsibilities. Accordingly, Canon abides by the following principles on tax matters. In 2019, Canon did not receive any negative tax-related judgments or assessments, nor was it subject to any major punitive measures, such as fines.

1. Pay taxes properly in accordance with tax-related laws and ordinances.
2. Ensure that tax accounting and other related processes are carried out 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 Organization for Economic Co-operation and Development and the United Nations), and ensure that actions are in compliance with the tax laws of each country.

Corporate Income Taxes

	2015	2016	2017	2018	2019
Taxes on income before income taxes (hundred million yen)	1,161	827	980	962	562
Effective tax rate on income before income taxes (%)	33.4	33.8	27.7	26.5	28.7

Measures to Prevent Infection with Novel Coronavirus

We have established a team to take countermeasures against infection with the novel coronavirus (COVID-19) that was declared a pandemic by the World Health Organization (WHO) in March 2020. To ensure the safety of all Group employees, we are calling on everyone to take thorough measures to prevent infection, as well as cancelling large events in and outside the company, staggering working hours, and implementing remote working in an effort to prevent the spread of infection. We are also working to shut the virus down as quickly as possible by developing a genetic testing system for novel coronavirus and providing x-ray and CT diagnostic equipments.

Intellectual Property Management

Canon's Policy on Intellectual Property

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

This history underpins our belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is clearly defined as being to support business development. We aim to make a practical contribution to realizing technologies of benefit to society through the creation and utilization of IP assets. These include basic patents required for core next-generation technologies; the standard-essential patents for technologies vital to an IoT society; and patents related to technologies addressing innovative societal needs in areas such as AI, fintech, security, healthcare, and environmental conservation.

Basic Policy of Canon IP Activities

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

Respecting Intellectual Property Rights

Canon takes a strict, consistent approach against counterfeit goods and intellectual property infringements. At the same time, we respect the intellectual property rights of other companies. We have established clear rules to ensure that our products do not infringe on rights held by others.

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

Moreover, by conducting thorough searches of third-party patents, Canon smoothly and appropriately creates partnerships with other companies and external research institutions for cross-licensing or joint research projects. This allows Canon to achieve better results than would be possible using only in-house patents or technologies.

Canon Group Intellectual Property Management System

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

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

Liaising with IP divisions across the Canon Group, the Corporate Intellectual Property and Legal Headquarters at Canon Inc. also collects the latest information on national IP systems as well as business intelligence on emerging markets with growth potential. It is then used to manage IP activities in line with market and technical trends.

In addition, in liaison with other central departments, the Group Executive of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. (a Managing Executive Officer role) makes decisions on IP usage from a management perspective.

Management to Strengthen Group Companies

Internal rules governing IP activities specify the respective roles and responsibilities of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. and the Group company IP divisions in relation to the handling of IP and related processes for policy formulation.

We are also actively working to strengthen global IP activities across the Canon Group through the sharing of information between Canon Inc. and Group companies, and via assignments and exchanges of personnel.

In-house Intellectual Property Education

The steady resolution of technical issues is an essential element in providing superior products and services. Understanding problem-solving approaches in detail—often the result of considerable effort—and the importance of finding solutions is valuable for researchers and developers as well as the world's engineers. At Canon, we strive to obtain patents with greater practical utility by having R&D personnel write proposals for inventions to the level of detail required for a patent filing.

To maintain internal IP systems, new Canon Inc. employees receive training on the Basic Policy of Canon IP Activities, and technical staff are all given training on how to perceive invention and write proposals. In addition, managers promoted to oversee sections or departments undergo compulsory training based on IP trends, and we offer a range of optional IP-related training courses.

Top 10 Ranking for AI-related Patent Filings

Canon ranks in the Top 10 firms worldwide for AI-related patent filings, according to *WIPO Technology Trends 2019: Artificial Intelligence*, the first report into AI-related IP published by the World Intellectual Property Organization (WIPO).

Canon continues to develop products that use AI technology. One example is people-counting software that applies deep learning to video analysis to give instant estimates of crowds of up to 6,000 people, even in congested or complex situations. The application of AI to Canon technologies developed over many years is enabling us to push the envelope further.

Applying for Patents around the Globe

Canon places importance on applying for patents on a global basis, and as of January 2020, held approximately 87,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess countries/regions where patents are required. We have focused on filing patent applications in the United States due to its large market scale and preponderance of high-tech companies. Canon has ranked in the top five for US patent registrations every year for the past 34 years. In 2019, we ranked third overall and were the patent leader among Japanese companies for the 15th consecutive year.

Top Five Companies Acquiring U.S. Patents in 2019

Rank	Company	Number of patents
1	IBM	9,261
2	Samsung Electronics	6,492
3	Canon	3,555
4	Microsoft Technology Licensing LLC	3,088
5	Intel	3,022

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

WIPO GREEN Activities at Canon Inc.

Canon is involved in the WIPO GREEN initiative. WIPO GREEN is a global online platform that aims to support innovation by promoting the adoption of environmental technologies. Member companies register environmental protection technologies on the platform. People wanting to utilize such technologies are matched with the firms that supply them through the platform.

Canon Inc. has registered bioplastics-related technologies on the platform, including one for making highly impact-resistant plastics from plant-derived raw materials and one for retaining strength and flame resistance during plastics recycling. We plan to make more environmental protection technologies publicly available in the future so they can be utilized by those needing them.

Canon Inc. hopes to contribute to achieving the SDGs by tackling environmental issues in partnership with institutions and companies from around the world.

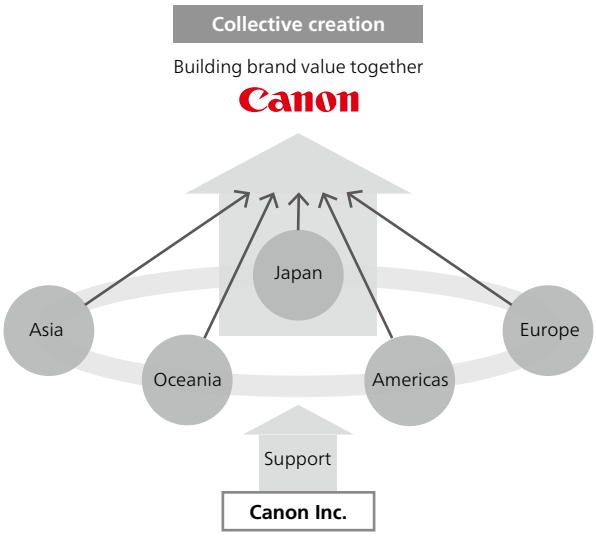
Brand Management

Canon's Approach to Brand Management

Canon implements brand management to ensure that customers and society are not adversely affected by improper handling of the Canon logo within the Group or its misuse by third parties.

Brand management activities across the Group are based on the concept that building the brand is a collective pursuit in which every Group company is involved in adding value to the brand.

Concept Behind Brand Management Activities



Brand Management System and Rules

Canon has set up the Brand Management Committee as a deliberative body for enhancing the value of the Canon brand. The Brand Management Division was established to serve as the secretariat for the Committee and is comprised of persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

Information on brand-related issues across the Group is collected by divisions responsible for branding within the regional sales headquarters, which are responsible for overseeing local operations.

The Brand Management Committee provides advice and support regarding the appropriateness of trade names and product names from a brand perspective as well as use of trademark Canon. Canon has formulated a set of brand management rules to ensure that its employees use the Canon brand in compliance with regulations and enhance the value of the Canon brand through the trust of customers and society. Moreover, to disseminate this information across the entire Group, we send notifications or publicize the changes on our company intranet, and brief the brand management divisions of each regional marketing headquarters.

Promoting Awareness of the Canon Brand

Canon carries out brand education programs at all Group companies in the regions where it operates to ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that Each and every employee embodies the Canon brand." For example, at Canon Inc., we incorporate brand education into the rank-based training curriculum and are also using the company's intranet system to raise awareness.

In 2019, we made a sweeping review of the relevant guidelines of basic brand management rules among all employees. In addition, as part of an awareness campaign aimed at enhancing our branding capabilities, we conducted seven training sessions for all employees assigned outside Japan, with 168 participants.

Measures to Tackle Counterfeiting

Counterfeit products cannot be overlooked by any means as they not only damage the brand but may also lead to economic losses arising from malfunctions and inferior quality, and in the worst case, cause injury to or endanger the lives of customers who purchased a product trusting the Canon brand.

We are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while working with customs authorities to stop their importation. We have strengthened cooperation with customs authorities on various initiatives worldwide, including dispatching employees to serve as lecturers for verification seminars for customs officers and for anti-counterfeit training programs hosted by customs authorities. In 2019, we conducted a total of around 80 training events for the benefit of customs officers and other officials in many countries worldwide. Moreover, following the great increase of counterfeit products sold online, we are also focusing heavily on creating an environment to prevent the circulation of counterfeit products on the Internet in collaboration with e-commerce sites. This includes reinforced efforts to monitor and remove counterfeits sold online.

CSR Management

Basic Approach

The responsibilities placed on companies by society are wide-ranging. In line with the times, they are expanding from product quality and safety, and measures to address environmental issues, to compliance, information security, employee rights and labor management, and even to supply chain management. In business operations as well, the demand from customers and business partners to deal with companies that meet certain criteria in terms of consideration paid to the environment and society is increasing.

Against this backdrop, to provide stakeholders with an easy-to-understand explanation of the Group's stance toward fundamental and universal elements of corporate social responsibility, the Chairman & CEO approved the drafting of the Canon Group CSR Basic Statement (below), which we disseminate widely both internally and externally.

We have additionally formulated the Canon Group CSR Activity Policy to express the Group's commitment to social contribution as a corporate citizen. We strive to utilize Canon's strengths effectively at each Group company to conduct CSR activities based on the needs of the countries and regions where we operate.

As part of management operations, Canon also operates a system of Consolidated Performance Evaluation of individual product operations, production companies and sales companies, whereby the relevant organization's performance in terms of the environment and social contribution is measured alongside its business performance. The evaluation results are announced twice a year at company-wide executive meetings and other occasions, promoting Group-wide raising of standards.

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

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

Canon Group CSR Basic Statement

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

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

1. Provide safe and secure products and services
2. Comply with the laws and regulations of each country and region, and conduct fair and honest business activities
3. Practice fair and free competition, and ensure transparency in business transactions
4. Contribute to realizing a society that promotes both enriched lifestyles and the global environment
5. Minimize environmental burden through initiatives aimed at conserving energy, conserving resources, eliminating hazardous substances, and preserving biodiversity
6. Ensure thoroughness in managing information, prevent information leaks, and protect personal information
7. Prevent infringements of the intellectual property rights of others
8. Ensure thoroughness in security trade control
9. Prevent corruption in all its forms including bribery
10. Avoid complicity in armed insurgencies and anti-social forces
11. Disclose relevant and accurate corporate information
12. Respect fundamental human rights and prohibit discrimination based on such factors as race, nationality, gender, religion and creed
13. Promote diversity
14. Prohibit child labor and forced labor (including human trafficking)
15. Promote sincere dialogue between employees and management in accordance with the laws and regulations of each region
16. Pay employees wages equal to or greater than legally mandated wages
17. Prevent excessive overtime work and grant appropriate holidays
18. Ensure occupational health and safety, and prevent occupational injuries
19. Request that business partners take steps to address basic social responsibility for such issues as the environment, human rights, labor and compliance within the supply chain, and confirm the implementation of said steps

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

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

End of document

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

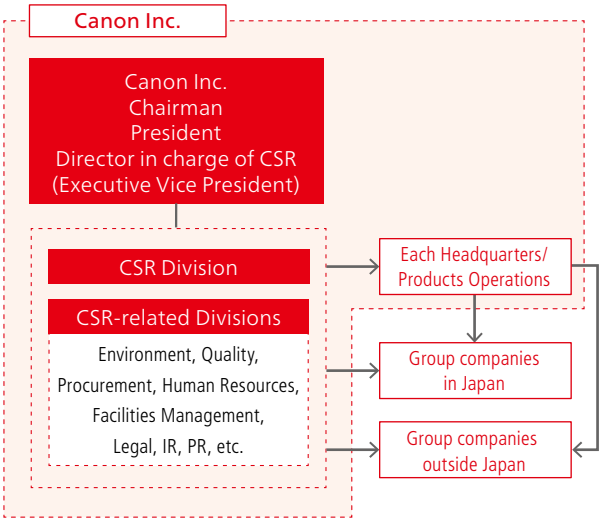
- Contribute to cultural improvement; support the arts, science, sports, etc.
- Provide humanitarian support to people and regions facing harsh conditions due to disasters, etc.
- Contribute to the promotion of both enriched lifestyles and the global environment
- Contribute to society through business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

CSR Promotion System

At Canon, the CSR Division coordinates CSR-related activities across the Group, working together with other relevant divisions to address any CSR-related issues that require inter-departmental cooperation, such as environmental, quality, procurement, human resource, facilities management, legal, IR or PR issues. In fields with high societal expectations, such as environmental protection, compliance, or quality management, our response is led by the division in charge of the relevant area.

The CSR Division reports on CSR-related matters to the director in charge of CSR as needed and receives relevant instructions.

CSR Promotion System



Educational and Awareness-Raising Activities

To instill CSR awareness across the entire Group, management executives from Canon's headquarters and product operations divisions and Group companies in Japan and overseas are given briefings annually on CSR-related matters, including the basic approach, specific CSR initiatives, the UN-adopted SDGs, and ESG investment. For specialized topics, such as quality assurance, environmental protection, information management, or compliance, the respective division provides employee training as required. In addition, the CSR managers from Group companies around the world meet regularly to share information, while the company intranet and in-house magazine are used to share with employees information on Group CSR activities, action on the SDGs, and related topics as a way of promoting dynamic CSR initiatives across the Group.

Stakeholder Dialogue

Comments and requests received through the inquiries contact of Canon's CSR activity website or from other sources are shared with relevant departments and provided with a prompt response. Meanwhile, by engaging in appropriate exchange of opinions with corporate evaluation agencies, investors, and CSR specialists, as well as a full range of NGOs and NPOs, we work to further develop our CSR activities.

In the preparation of this report, we hold interview sessions with investors, shareholders, and CSR specialists as a way of improving the quality of our information disclosure.

Reference: Inquiries about CSR Activities
https://global.canon/en/contact/csr/csr-form-e.html

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.

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

In keeping with its corporate philosophy of *kyosei*, Canon carries out procurement activities that give due consideration to society while also continually taking steps to further evolve its ecofriendly green procurement*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 (→P43).

Procurement Policy

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

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

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

Fair and Transparent Dealings

Reinforcing Compliance in Procurement

Canon not only complies with laws and regulations on procurement globally, but also ensures complete fairness and transparency in dealings with its suppliers. Specifically, the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement stipulates appropriate actions that persons in charge of procurement as well as executives and employees responsible for placing orders should keep closely in mind in order to maintain high standards when it comes to legal compliance and corporate ethics. Also, Canon's business processes are uniform across its global network based on a common set of detailed rules on procurement practices in place for Group companies worldwide.

To ensure companywide consistency and uniformity, sections charged with internal control have been set up within procurement divisions to maintain the rules, monitor compliance, and provide training for employees.

Promoting Open Procurement to Companies Worldwide

In line with our Procurement Policy, which outlines our intent to open our doors equally to suppliers worldwide and conduct business in a fair and impartial manner, we promote open procurement and invite proposals from suppliers not already in our network.

Canon operates the Suppliers Proposal Site within its main company website with the purpose of collecting information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

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

Canon Supplier CSR Guidelines

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

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

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

II. Sound and fair business activities

(1) Comply with the laws, regulations and social norms of each country and region where business activities are conducted
(2) Do not perform acts that obstruct fair, transparent and free competition
(3) Manage and protect confidential information and personal information
(4) Endeavor to prevent infringements of the intellectual property rights of others
(5) Ensure thoroughness in security trade control in accordance with the laws and regulations of the country/region of location
(6) Do not engage in corruption in all its forms including bribery
(7) Endeavor to avoid complicity in armed insurgencies or anti-social forces
(8) Endeavor to disclosure relevant and accurate corporate information

III. Environmental preservation

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

IV. Guarantee of continuance of corporate and business activities

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

V. Request to your suppliers for their cooperation

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

Socially Responsible Procurement

Our efforts to ensure socially responsible procurement are based on the Canon Supplier CSR Guidelines, which direct our interaction with suppliers to ensure that our procurement activities throughout the global supply chain take account of human rights, labor, health and safety, compliance, the environment and other relevant issues. Formulated with reference to the standards of the International Labour Organization (ILO) and the guidance of the Responsible Business Alliance (RBA), the guidelines require our suppliers to check that appropriate consideration is given to such issues as child labor, forced labor including human trafficking, discrimination, minimum wage standards, working hours, and employee communication. Canon also requires that its suppliers ask the same of their upstream suppliers (second-tier suppliers for Canon). Canon publishes the guidelines on its corporate website to make them widely available for the information of stakeholders and also makes them known to suppliers at the time of its annual survey.

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

Reference: We welcome your comments on our CSR Activities
https://global.canon/en/contact/csr/csr-form-e.html
Reference: Canon Supplier CSR Guidelines
https://global.canon/en/procurement/social.html

Supplier Evaluations and Ongoing Surveys Incorporating Environmental and Social Perspectives

As part of its relations with suppliers, Canon undertakes a review, based on the Canon Supplier CSR Guidelines and other reference standards, of whether the supplier meets standards in such areas as corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, health and safety, intellectual property rights protection, etc.), environmental conservation, finance, and production structure (quality, cost, delivery, manufacturing capacity, and management).

With regard to the topics of human rights and labor, especially, survey items are set with reference to ILO standards and the guidance of the RBA. We confirm whether appropriate consideration is given to such issues as child labor, forced labor that includes trafficking of persons, discrimination, minimum wage, working hours, and employee communication.

In addition, in the environment field, we are pursuing green procurement of parts and materials

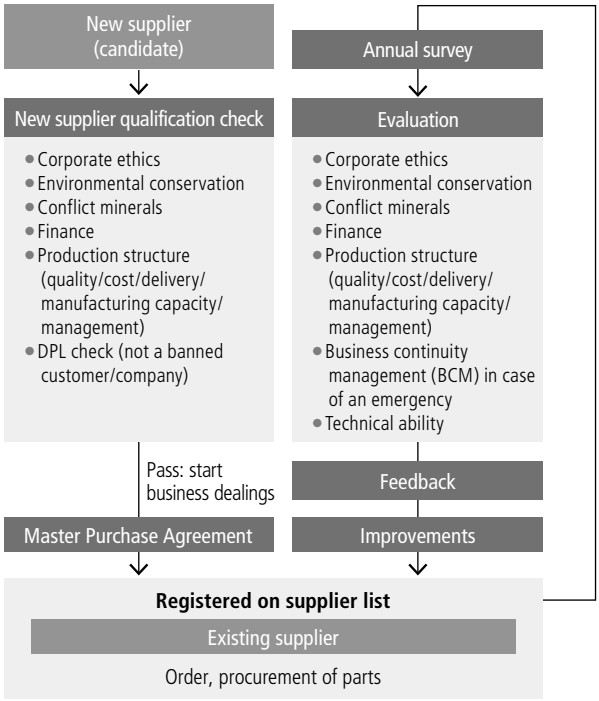
for products from suppliers on the condition that they fulfill the Canon Green Procurement Standards.

When considering new suppliers, only those who meet the above standards are added to the list of existing registered suppliers, from which procurement partners are selected.

We also conduct an annual survey of all companies registered on our supplier list. The survey results, along with performance as a supplier, form part of an overall evaluation of the business partner, which is recorded in the supplier list, allowing us to give preference to high-scoring suppliers. We also provide guidance and education to low-scoring suppliers to aid improvement.

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

Supplier Evaluation System



Cooperation with Suppliers

Canon holds business briefings for suppliers at each Canon Inc. operational site and each Group production site, asking for their understanding of procurement policies and cooperation with business plans. Additionally, to directly communicate Canon's procurement policy to our major suppliers and report on related activities, each year since 2018, we have held an annual Procurement Policy Explanation Seminar, at which the Group Executive in charge of Procurement Headquarters explains company policy, including strengthening of links with suppliers.

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

Addressing the Issue of Conflict Minerals

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

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

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

Reference: Basic Approach of the Canon Group Regarding Conflict Minerals
https://global.canon/en/csr/conflict/policy.html
Reference: Conflict Minerals Report
https://global.canon/en/ir/library/form_sd.html

Due Diligence

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

Canon identifies any products that could contain any of four minerals and surveys its suppliers to trace the origin of the minerals back to its upstream supply chain regarding the parts and materials of the identified products. Then, Canon exercises due diligence to identify any risk of funding armed groups relating to conflict minerals. The surveys utilize the Conflict Minerals Reporting Template (CMRT), an industry standard published by the Responsible Minerals Initiative (RMI)*.

In 2019, Canon sent CMRT-based surveys to roughly 3,200 suppliers with a response rate of about 94%.

Within the scope of the responses, there was nothing to clearly suggest that the Group's purchasing of parts and materials contributed to funding armed groups. However, recognizing the innate difficulties involved in identifying smelters being utilized and mineral country of origin, or lack of clarity in many responses due to its complicated supply chain, Canon is making efforts to improve the accuracy and efficiency of the surveys. Smelters identified in the survey are disclosed through a Conflict Minerals Report submitted to the U.S. Securities and Exchange Commission (SEC) annually.

* Responsible Minerals Initiative (RMI): An international program that plays a leading role in the response to conflict minerals.

Cooperation with Industry Groups

Since April 2015, Canon has supported the activities of the RMI, an international program focused on addressing the issue of conflict minerals.

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

Independent Assurance Report

Canon undergoes audits by independent private sector experts to gain independent assurance on whether the Group's initiatives on conflict minerals sourcing conform to international standards in the form of the OECD Guidance. An independent assurance report is attached to the Conflict Minerals Report filed with the SEC.

Initiatives to Reduce Risk

To identify places of origin of conflict minerals and smelters using them, it is vital to have cooperation from suppliers. Canon held a briefing for its major first-tier suppliers in November 2019, and requested their understanding of Canon's initiatives.

Furthermore, Canon established a page entitled "Procedure for the Submission of Concerns Regarding Conflict Mineral Risk" on its official website in 2015, following OECD Guidance to provide a grievance mechanism as an early-warning risk-awareness system for conflict minerals. Parties with specific concerns and/or information regarding circumstances of extraction, trade, handling and export of minerals (tantalum, tin, gold and tungsten) in conflict-affected and high-risk areas as they pertain to Canon product supply chains (such as facts indicating that those minerals are the source of funds for armed groups in conflict-affected areas) can contact Canon through this page.

Reference: Procedure for the Submission of Concerns Regarding Conflict Mineral Risk
https://global.canon/en/contact/conflict/conflict-form-e.html

Compliance with UK Modern Slavery Act

The Modern Slavery Act 2015 enacted in the United Kingdom in 2015 mandates that enterprises of a certain scale operating in UK publish annual statements detailing the risk of forced labor, human trafficking and child labor within their own operations and supply chain. Annual statements are published by Europe-based Canon Group companies that fall within the scope of the law, based on the information on human rights risk assessments conducted by Canon Group production sites and suppliers.

Annual statements are also published by Canon Medical Systems (CMSC) and Axis Communications in compliance with this legislation.

Reference: Canon Europe Ltd., Canon Europa N.V., and Canon (UK) Ltd. Modern Slavery Act Statement
https://canon.ssl.cdn.sdlmedia.com/636976598529590876TU.pdf
Reference: CMSC Slavery and Human Trafficking Statement
https://global.medical.canon/about/corporate/Slavery_and_Human_Trafficking_Statement
Reference: Axis Modern Slavery Act Transparency Statement 2019
https://www.axis.com/files/manuals/gd_axis_modern_slavery_act_en_2003_hi.pdf

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

In recent years, the environment, human rights and labor issues have been topics of increasing attention, giving rise to questions from various stakeholders about Canon's social responsibility initiatives throughout its supply chain.

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

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

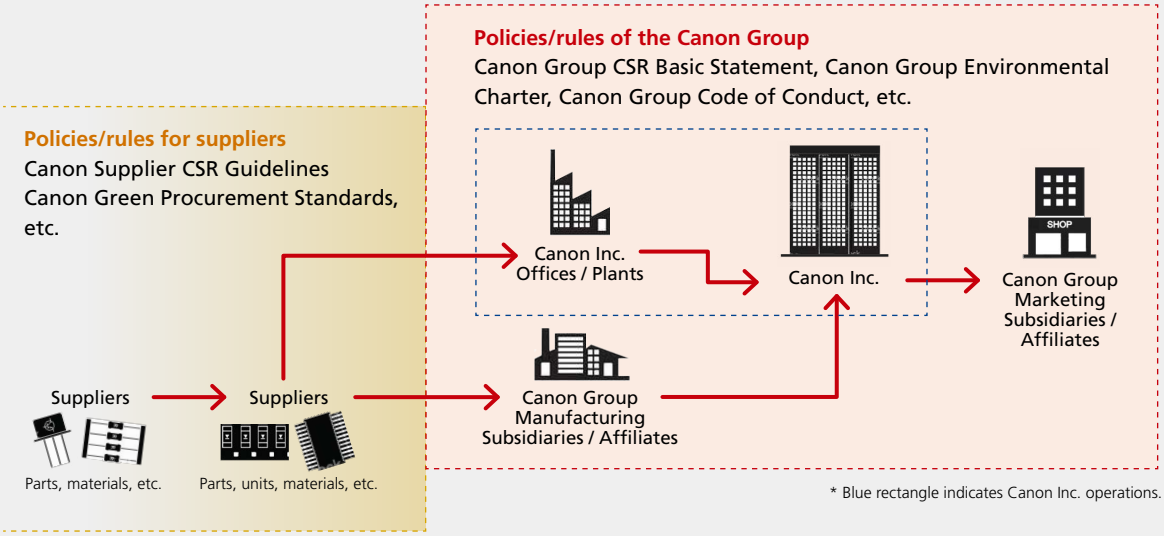
Group manufacturing companies conduct business while adhering to Group policies regarding such matters as human rights, labor, the environment, legal compliance, procurement and security, including the Canon Group CSR Basic Statement, the Canon Group Code of Conduct and the Canon Group Environmental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

Canon offices and plants as well as Group manufacturing companies have partnerships with thousands of suppliers unaffiliated with the Canon Group, from whom they purchase considerable numbers of components, such as electronic parts, mechanical parts, units and materials. Procurement divisions at Canon Inc. headquarters and Group manufacturing companies periodically review and evaluate the social responsibility of these suppliers. In particular, Canon may choose to terminate business with suppliers if they fail to abide by laws and ordinances covering such areas as human rights and labor. In 2018, Canon established the Canon Supplier CSR Guidelines*2 to clarify the social responsibility standards suppliers must adhere to. Canon also requires that these companies confirm the cooperation of their upstream suppliers.

Among aspects of social responsibility, child labor and forced labor in particular are areas of growing concern. Within the scope of our 2019 survey of Canon Group companies and suppliers, no problems were found with respect to child labor or forced labor. However, with a view to further CSR improvement, we have joined the Responsible Business Alliance (RBA), which promotes social responsibility in the global supply chain.

*1 Manufacturing Subsidiaries and Affiliates in the Canon Group
https://global.canon/en/corporate/information/group/gr01.html
*2 Canon Supplier CSR Guidelines
https://global.canon/en/procurement/social.html

Canon's Supply Chain



* Blue rectangle indicates Canon Inc. operations.

Data Summary

Protecting and Conserving the Environment

Data on CO_2

Total GHG Emissions by Scope

(t-CO_2)

	2015	2016	2017	2018	2019
Scope 1	169,974	164,769	174,342	160,520	151,504
Scope 2	992,380	955,338	962,229	930,471	889,982

* Figures for 2018/2019 obtain third party verification.

Data on Energy

Energy Consumption by Region in 2019

(TJ)

	Electricity	Gas	Oil	Other (steam, wide area heating and air conditioning)
Japan	4,490	1,314	254	34
Americas	392	155	6	0
Europe	314	169	394	63
Asia and Oceania (except Japan)	1,796	76	27	68
Total	6,992	1,714	680	165

* Electricity includes the amount generated by renewable energy sources.
* Figures obtain third party verification.

Use of Renewable Energy by Region in 2019

(MWh) (TJ)

	Electric power	Geothermal power
Japan	416	0
Americas	6,227	0
Europe	69,709	15
Asia and Oceania (except Japan)	192	0
Total	76,544	15

Data on Waste

Recovery Volume by Type of Waste in 2019

(t)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by office equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	23,006
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	22,779
Metals	Raw materials for metals, roadbed materials, etc.	31,631
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	10,738
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	7,826
Wood	Construction boards, bedding for plants, pulp materials, fuels, fertilizers, etc.	6,693
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	403
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	7,880
Total		110,955

Landfill Amount of General Waste Generated by Business Activities

(t)

	2015	2016	2017	2018	2019
General landfill waste generated by business activities	2,188	2,343	2,105	2,166	2,195

Atmospheric Emissions

SOx and NOx Emissions

(t)

	2015	2016	2017	2018	2019
SOx	0.7	0.6	1.2	1.1	1.0
NOx	65.6	62.1	61.7	56.1	52.9

Data on Water Resources

Total Wastewater Discharge

(1,000m³)

	2015	2016	2017	2018	2019
Japan	4,122	4,108	4,491	4,377	4,221
Outside Japan	3,744	3,433	3,306	3,086	3,116

Wastewater Amount by Discharge Route in 2019

(1,000m³)

	Rivers	Sewerage System	Total
Japan	907	3,314	4,221
Outside Japan	532	2,585	3,116
Total	1,439	5,898	7,337

2019 Water Quality Data

(t)

	2019
SS	162
BOD	248

Water Consumption in 2019 by Type

(1,000m³)

	Public Water	Industrial Water	Groundwater	Total
Japan	1,573	2,442	1,220	5,235
Outside Japan	2,988	717	272	3,977
Total	4,561	3,158	1,493	9,212

Use of Recycled Water and Recycling Rate in 2019

	Recycled Water (1,000m³)	Recycling Rate (%)
Japan	1,439	27.5
Outside Japan	51	1.3
Total	1,490	16.2

* Figures obtain third party verification.

Data on Chemical Substances

Substances Canon No Longer Uses

Substance Eliminated		Date Eliminated
Ozone-Depleting Substances	Chlorofluorocarbons (CFCs), 15 types	December 1992
	1,1,1-Trichloroethane	October 1993
	Hydrochlorofluorocarbons (HCFCs), 34 types	October 1995
Greenhouse Gases*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 2019

(t)

	Amount
Japan	7,650
Outside Japan	869
Total	8,519

VOC Emissions in 2019

(t)

	VOC Emissions
Japan	135
Outside Japan	175
Total	311

2019 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	25,557
20	2-aminoethanol	181	19	2	18,529	13,598
31	Antimony and its compounds	1	0	0	0	141
53	Ethylbenzene	499	3	0	2,936	12,834
71	Ferric chloride	0	0	0	0	154,708
80	Xylene	8,524	4	0	6,025	153,731
125	Monochlorobenzene	482	0	0	268	23,621
128	Methyl chloride	5	0	0	0	0
150	1,4-dioxane	367	0	0	0	540
202	Diphenylamine	0	0	0	0	52
232	N,N-dimethylformamide	243	0	0	0	315
240	Styrene	200	0	0	0	98,264
259	Tetraethylthiuram disulfide	0	0	0	0	2
296	1,2,4-trimethylbenzene	207	0	0	10	11,312
298	Tolylene diisocyanate	0	0	0	0	240
299	Toluidin	3	0	0	0	0
300	Toluene	6,587	14	0	1,227	45,391
306	Hexamethylene diacrylate	0	0	0	0	27
308	Nickel	1	0	0	2	1,396
309	Nickel compounds	0	0	0	15	1,550
343	Pyrocatechol	19	0	0	0	4,106
349	Phenol	82	0	0	1	368
374	Hydrogen fluoride and its water-soluble salts	4	50	1,438	0	656
395	Water-soluble salts of peroxodisulfuric acid	0	0	753	0	4,365
408	Poly (oxyethylene) octylphenyl ether	0	0	0	0	652
412	Manganese and its compounds	0	0	0	0	1,117
438	Methylnaphthalene	70	0	0	0	398
448	Methylenebis (4,1-phenylene) diisocyanate	1	0	0	0	13,009

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	2019	
			Investment	Cost
(1) Business Area Cost			3.45	8.31
Details	1. Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	1.53	4.04
	2. Global Environmental Conservation Cost	Prevention of global warming, energy conservation, efficient logistics, etc.	1.82	1.87
	3. Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.10	2.40
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling*1, etc.	0.07	7.10
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.05	3.59
(4) R&D Cost*2		R&D for reducing environmental impact	0.0	0.15
(5) Social Activity Cost		Contributions to organizations, sponsorships, memberships, etc.	0.03	0.13
(6) Environmental Remediation Cost		Soil remediation	0.15	0.09
(7) Other		Other environmental protection-related costs	0.0	0.03
Total			3.76	19.41

*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)	50,304
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	110,955
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (1,000 t-CO_2)*3	2,944
		Recovery of used products (t)*4	68,593

*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 recovery)

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2019
Revenue	Sales revenue from waste recycling	2.30
Cost Reduction	Reduction in energy costs from energy conservation	2.11
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling	1.77
Total		6.18

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2019
Lower energy costs from reduced product energy consumption*5	78.87
Profit from used product recycling	5.83

*5 Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2019 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Product Standards Compliance

2019 Standards Compliance for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / Multifunction Devices (MFDs)	26/26 (100%)	26/26 (100%)	26/26 (100%)
Laser Printers	14/14 (100%)	14/14 (100%)	14/14 (100%)
Inkjet Printers	11/11 (100%)	11/11 (100%)	11/11 (100%)

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

2019 Standards Compliance for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner Cartridges	9/9 (100%)	9/9 (100%)
Ink Cartridges	34/34 (100%)	34/34 (100%)

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

Operational Sites Covered in the Environmental Section

Name	Location
Canon Inc. (1 company, 15 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
Oita Plant	Oita
Tsukuba Parts Center	Ibaraki
Marketing Headquarters in Japan (1 company)	
Canon Marketing Japan Inc.	Tokyo
Manufacturing Subsidiaries in Japan (23 companies)	
Canon Electronics Inc.	Saitama
Canon Finetech Nisca Inc.	Saitama
Fukui Canon Materials Inc.	Fukui
Top Business Machines Co., Ltd.	Shiga
Canon Precision Inc.	Aomori
Canon Chemicals Inc.	Ibaraki
Oita Canon Inc.	Oita
Miyazaki Canon Inc.	Miyazaki
Canon Optron, Inc.	Ibaraki
Canon Components, Inc.	Saitama
Nagahama Canon Inc.	Shiga
Oita Canon Materials Inc.	Oita
Canon Semiconductor Equipment Inc.	Ibaraki
Canon Ecology Industry Inc.	Ibaraki
Ueno Canon Materials Inc.	Mie
Fukushima Canon Inc.	Fukushima
Canon Mold Co., Ltd.	Ibaraki
Canon ANELVA Corporation	Kanagawa
Canon Machinery Inc.	Shiga
Canon Tokki Corporation	Niigata
Nagasaki Canon Inc.	Nagasaki
Canon Medical Systems Corporation	Tochigi
Canon Electron Tubes & Devices Co., Ltd.	Tochigi

Name	Location
Manufacturing Subsidiaries Outside Japan (20 companies)	
Canon Virginia, Inc.	U.S.A.
Canon Giessen GmbH	Germany
Canon Bretagne S.A.S.	France
Canon Inc., Taiwan	Taiwan
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia
Canon Hi-Tech (Thailand) Ltd.	Thailand
Canon Dalian Business Machines, Inc.	PRC
Canon Zhuhai, Inc.	PRC
Canon Vietnam Co., Ltd.	Vietnam
Canon Zhongshan Business Machines Co., Ltd.	PRC
Canon (Suzhou) Inc.	PRC
Canon Finetech Nisca (Shenzhen) Inc.	PRC
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia
Canon Prachinburi (Thailand) Ltd.	Thailand
Canon Business Machines (Philippines), Inc.	Philippines
Canon Production Printing Netherlands B.V.	The Netherlands
Canon Production Printing Germany G.m.b.H. & Co. KG	Germany
Axis Communications AB	Sweden
Canon Electronics Vietnam Co., Ltd.	Vietnam
Marketing Headquarters Outside Japan (5 companies)	
Canon U.S.A., Inc.	U.S.A.
Canon Europe Ltd.	United Kingdom
Canon Europa N.V.	The Netherlands
Canon (China) Co., Ltd.	PRC
Canon Australia Pty Ltd.	Australia

Other Companies Subject to Reporting (78 companies)
In Japan (20)
Outside Japan (58)

* The scope of third-party verification of GHG includes the 127 companies covered in Canon's consolidated ISO certification and one other company not included in consolidated certification, all listed above.
* Figures for 2017 onwards include data for Canon Medical Systems.
* Some sites are excluded from the data in Environment Accounting section such as sites having low impact on total values.

Responding to People and Society as a Good Corporate Citizen

Number of Canon Group Employees

	2015	2016	2017	2018	2019
Japan	68,325	72,913	73,665	73,460	72,979
Europe	24,826	25,511	25,623	25,281	23,126
Americas	17,635	19,160	18,448	18,361	18,207
Asia and Oceania	78,785	80,089	80,040	77,954	72,729
Total	189,571	197,673	197,776	195,056	187,041

Breakdown of Employees (Canon Inc.)

		2015	2016	2017	2018	2019
Total Number of Employees		26,360	26,246	26,075	25,891	25,740
By Gender	Male	22,370	22,261	22,027	21,794	21,631
	Female	3,990	3,985	4,048	4,097	4,109
By Age Group	Under 30	3,193	2,922	2,853	2,938	2,997
	30s	7,508	7,253	6,924	6,462	5,906
	40s	7,843	7,772	7,419	7,218	7,225
	50s	6,919	7,280	7,747	7,991	8,119
	60 and over	897	1,019	1,132	1,282	1,493
By Classification or Contract Type	Regular Employees	26,335	26,227	26,002	25,779	25,664
	Non-regular Employees*	25	19	73	112	76

* Non-regular employees: Contract workers and part-time workers

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

		2015	2016	2017	2018	2019
Newly Hired Employees	Male	368	316	472	520	540
	Female	81	70	106	142	142
	Total	449	386	578	662	682
Employees Leaving the Company/Turnover Rate	Employees Leaving the Company	291	281	369	442	518
	Turnover Rate (%)	1.1	1.1	1.5	1.8	2.1

Breakdown of Executives (Canon Inc.)

		2015	2016	2017	2018	2019
By Gender	Male	43	46	48	46	49
	Female	1	2	2	2	2

Composition of Executives by Age (Canon Inc.)

		50s	60s	70s	80s
By Gender	Male	19	23	6	1
	Female	2	0	0	0

Percentage of Employee Membership in the Canon Workers' Union*1

(%)

	2015	2016	2017	2018	2019
Canon Inc.	81	81	80	81	80
Key Group Companies in Japan*2	87	91	87	85	84

*1 Figures for Canon Inc. are as of the end of the year. Figures for the key Group companies in Japan are as of the end of August.
*2 Key Group Companies in Japan: Member unions of the Canon Group Workers' Union Conference (19 companies).

Ratio of Internationalization in Canon Group Companies Outside Japan

(%)

	Americas	Europe	Asia (excluding Japan)
Presidents	27	93	23
Managers	92	95	87

* Share of non-Japanese appointed as presidents and managers.

Comparison of Canon's Minimum Wage to Local Minimum Wage

		Japan	U.S.	China
Local Minimum Monthly Wage		151,950 yen	1,257 dollars	1,818 renminbi
Canon	Standard Minimum Monthly Wage	166,000 yen	2,106 dollars	2,583 renminbi
	Ratio Compared to Local Minimum Wage	109%	168%	142%

* Figures represent wages for leading manufacturing companies in each region, not average wages.

Base Salary and Total Salary per Employee by Gender (Canon Inc.)

		Female : Male
Base Pay	Management	100 : 105
	Non-Management Employees	100 : 116
Total Pay	Management	100 : 105
	Non-Management Employees	100 : 117

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

Annual Hours Worked per Employee (Canon Inc.)

(hrs)

	2015	2016	2017	2018	2019
Total Hours Worked, Canon Inc.*	1,762	1,721	1,735	1,737	1,725

* Regular/post-retirement employee survey data (Canon Inc.).

Number of Employees Taking Childcare and Nursing Care Leave (Canon Inc.)*1*2

	2015	2016	2017	2018	2019
Taking Childcare Leave	184 (30)	186 (43)	186 (43)	214 (76)	255 (119)
Using Reduced Work Hours for Childcare	142 (10)	132 (4)	122 (11)	130 (9)	138 (15)
Taking Maternity Leave	34	30	21	29	22
Working Reduced Hours due to Pregnancy	7	5	2	4	4
Taking Nursing Care Leave	9	15	11	14	19
Using Reduced Work Hours for Nursing Care	6	4	4	5	5
Applications for Fertility Treatment Subsidy Program	260	248	255	208	211

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

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

		2015	2016	2017	2018	2019
Returning from Childcare Leave	Number of Returning Employees	169 (30)	185 (37)	164 (38)	210 (79)	216 (81)
	Return Rate (%)	100	97	98	99	99
	Retention Rate (%)	99	99	97	98	95
Returning from Nursing Care Leave	Number of Returning Employees	9	18	6	14	19
	Return Rate (%)	100	100	100	88	83

* ( ) Number of male employees.
* Retention rate: (The total number of employees who are registered as of 12 months after returning from childcare leave) ÷ (The total number of employees who returned to work from childcare leave during a previous report period) × 100.

Percentage of Women by Position (Canon Inc.)

(%)

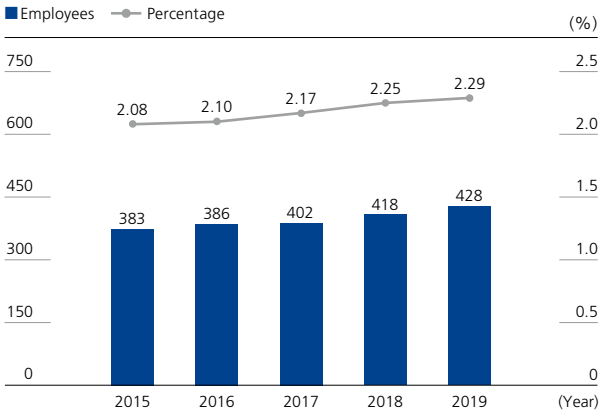
	2015	2016	2017	2018	2019
Employees	15.1	15.2	15.5	15.8	16.1
Managers	2.0	2.2	2.6	2.6	2.9
Executives	2.3	4.2	4.0	4.2	3.9

Ratio of Women in Management

(%)

	Japan	Americas	Europe	Asia and Oceania
Ratio of women in management	2.5	24.4	16.8	28.0

Number and Percentage of Employees with Disabilities at Canon Inc.



*As of June 1 each year

Numbers and Frequency of Occupational Accidents (Canon Inc., Key Group Companies in Japan)*1

	2015	2016	2017	2018	2019
Accidents Requiring Time off Work	25	18	23	33	26
Accidents not Requiring Time off Work	110	112	101	130	114
Frequency Rate*2 (%)	0.25	0.18	0.23	0.26	0.20
Severity Rate*3 (%)	0.007	0.006	0.006	0.009	0.005
Frequency Rate for the Manufacturing Industry (%)	1.06	1.15	1.02	1.20	—*4
Severity Rate for the Manufacturing Industry (%)	0.06	0.07	0.08	0.10	

*1 Calculated for three Group companies in 2018, with an additional one company in 2019
*2 Frequency rate indicates the prevalence of occupational fatalities and injuries per 1 million working hours.
*3 Severity rate indicates the degree of the disaster with the labor loss days per 1,000 total of working hours.
*4 The frequency rate and severity rate for the manufacturing industry for the year ended March 2020 has not been published as of April 2020.

R&D Expenses

(Billions of yen)

	2015	2016	2017	2018	2019
R&D expenses	328.5	302.4	333.4	315.8	298.5

Major Social Contribution Activities (not including those featured on P84-86)

Area	Name of Activity	Overview	Notes
Humanitarian Aid and Disaster Relief	Disaster Relief Fundraising	Canon organizes fundraising activities to help those in regions affected by natural disasters worldwide. In 2019, we donated a total of about ¥15 million in response to damages caused by 2019 Typhoon Hagibis in Japan.	
	Disaster Recovery Support Programs	"Fukushima Community Support" and "Smile for the Future Project" are some of the programs aimed at reinvigorating local communities affected by the Great East Japan Earthquake.	
	Cooperation with UN Support Programs	Canon is a main sponsor of the UNHCR WILL2LIVE Cinema 2019, organized by Japan for UNHCR*1 with cooperation and supervision by UNHCR Representation in Japan. Canon also participates in "WFP Walk the World," a charity walk in support of the activities of the Japan Association for the World Food Programme*2.	*1 The national partner of UNHCR in Japan *2 The national partner of the World Food Programme (WFP) in Japan
Environmental Conservation	Environmental Outreach Classes	Accredited by the Organising Committee of the Tokyo 2020 Olympic and Paralympic Games as part of the "Tokyo 2020 Official Programme (Sustainability)," these classes teach the importance of recycling by using experiments to sort materials with different characteristics to help promote deeper understanding of environmental issues.	
Social Welfare	American Cancer Society	Since 1998, Canon U.S.A. has been a supporter of the American Cancer Society initiative "Making Strides Against Breast Cancer" to raise funds for cancer research. Canon employees participate in walks and other fundraising activities.	URL: https://www.usa.canon.com/internet/portal/us/home/about/corporate-social-responsibility/community-social-involvement/american-cancer-society
Local Communities	Canon Image Bridge Project	This program involves children from across Asia creating "exchange cards" that include photographs they have taken, along with brief messages.	
Education and Science	Junior Photographers	This project organizes photography classes for children on the theme of nature with the aims of raising environmental awareness and fostering richer artistic sensitivity. In 2019, the program marked its 15th year by adding SDG 15 as a theme.	URL: https://global.canon/en/jr-photographers/
	Internship Program for Students	Group companies conducted various internships, including programs aimed at supporting the career development of students. Canon Inc. offered a total of approximately 2,000 internships to students on administrative, technical or specialist tracks in 2019.	
Art, Culture and Sports	New Cosmos of Photography	This project aims to discover, nurture, and support new photographers pursuing new possibilities in creative photographic expression.	URL: https://global.canon/en/newcosmos/

Financial Data

Canon Inc. and Subsidiaries

	2009	2010	2011	2012
(Millions of yen)				
Net sales:	3,209,201	3,706,901	3,557,433	3,479,788
Domestic	702,344	695,749	694,450	720,286
Overseas	2,506,857	3,011,152	2,862,983	2,759,502
Percentage of previous year (%)	78.4%	115.5%	96.0%	97.8%
Cost of sales	1,781,808	1,923,813	1,820,670	1,829,822
Gross profit	1,427,393	1,783,088	1,736,763	1,649,966
Gross profit ratio (%)	44.5%	48.1%	48.8%	47.4%
Operating profit	217,055	387,552	378,071	323,856
Operating profit ratio (%)	6.8%	10.5%	10.6%	9.3%
Net income attributable to Canon Inc.	131,647	246,603	248,630	224,564
Net income attributable to Canon Inc. ratio (%)	4.1%	6.7%	7.0%	6.5%
Advertising	78,009	94,794	81,232	83,134
Depreciation of property, plant and equipment	315,393	276,193	261,343	258,133
Increase in property, plant and equipment	216,128	158,976	226,869	270,457
Net cash provided by operating activities	611,235	744,413	469,562	384,077
Net cash used in investing activities	–370,244	–342,133	–256,543	–212,740
Free cash flow	240,991	402,280	213,019	171,337
Net cash provided by (used in) financing activities	–142,379	–279,897	–257,513	–319,739
Long-term debt, excluding current installments	4,912	4,131	3,368	2,117
Canon Inc. shareholders' equity	2,688,109	2,645,782	2,551,132	2,598,026
Inventories	373,241	384,777	476,704	551,623
Total assets	3,847,557	3,983,820	3,930,727	3,955,503
Per share data (Yen)				
Net income attributable to Canon Inc. shareholders per share				
Basic	¥106.64	¥199.71	¥204.49	¥191.34
Diluted	¥106.64	¥199.70	¥204.48	¥191.34
Dividend per share	¥110	¥120	¥120	¥130
Stock price				
High	¥4,070	¥4,520	¥4,280	¥4,015
Low	¥2,115	¥3,205	¥3,220	¥2,308
Key Performance Indicators				
Canon Inc. shareholders' equity to total assets ratio (%)	69.9%	66.4%	64.9%	65.7%
Inventory turnover in days (Days)	39 days	35 days	46 days	57 days
ROA (%)	3.4%	6.3%	6.3%	5.7%
ROE (%)	4.9%	9.2%	9.6%	8.7%
Dividend payout ratio (%)	103.1%	60.0%	58.3%	67.2%

	2013	2014	2015	2016	2017	2018	2019
	3,731,380	3,727,252	3,800,271	3,401,487	4,080,015	3,951,937	3,593,299
	715,863	724,317	714,280	706,979	884,828	869,577	872,534
	3,015,517	3,002,935	3,085,991	2,694,508	3,195,187	3,082,360	2,720,765
	107.2%	99.9%	102.0%	89.5%	119.9%	96.9%	90.9%
	1,932,959	1,865,780	1,865,887	1,727,654	2,089,461	2,116,383	1,983,266
	1,798,421	1,861,472	1,934,384	1,673,833	1,990,554	1,835,554	1,610,033
	48.2%	49.9%	50.9%	49.2%	48.8%	46.4%	44.8%
	337,277	363,489	355,210	228,866	321,605	342,952	174,667
	9.0%	9.8%	9.3%	6.7%	7.9%	8.7%	4.9%
	230,483	254,797	220,209	150,650	241,923	252,755	125,105
	6.2%	6.8%	5.8%	4.4%	5.9%	6.4%	3.5%
	86,398	79,765	80,907	58,707	61,207	58,729	46,665
	275,173	263,480	273,327	250,096	261,881	251,554	237,327
	188,826	182,343	195,120	171,597	147,542	159,316	178,088
	507,642	583,927	474,724	500,283	590,557	365,293	358,461
	–250,212	–269,298	–453,619	–837,125	–165,010	–195,615	–228,568
	257,430	314,629	21,105	–336,842	425,547	169,678	129,893
	–222,181	–300,886	–210,202	355,692	–340,464	–354,830	–232,590
	1,448	1,148	881	611,289	493,238	361,962	357,340
	2,910,262	2,978,184	2,966,415	2,783,129	2,870,630	2,827,602	2,692,595
	553,773	528,167	501,895	560,736	570,033	611,281	584,756
	4,242,710	4,460,618	4,427,773	5,138,529	5,198,291	4,899,465	4,768,351
	¥200.78	¥229.03	¥201.65	¥137.95	¥222.88	¥234.09	¥116.93
	¥200.78	¥229.03	¥201.65	¥137.95	¥222.88	¥234.08	¥116.91
	¥130	¥150	¥150	¥150	¥160	¥160	¥160
	¥4,115	¥4,045	¥4,539	¥3,656	¥4,472	¥4,395	¥3,338
	¥2,913	¥2,889	¥3,402	¥2,780	¥3,218	¥2,877	¥2,688
	68.6%	66.8%	67.0%	54.2%	55.2%	57.7%	56.5%
	52 days	50 days	47 days	59 days	49 days	56 days	59 days
	5.6%	5.9%	5.0%	3.1%	4.7%	5.0%	2.6%
	8.4%	8.7%	7.4%	5.2%	8.6%	8.9%	4.5%
	64.6%	64.6%	74.4%	108.7%	71.4%	68.4%	136.1%

Major Awards, Citations, and Association Memberships

Major Awards and Citations

Date of Award	Region	Award/Citation	Product or Award Detail	Presenter
February 2019	Europe	2019 iF Design Awards (25th consecutive year)	Compact digital camera "PowerShot G1 X Mark III," large format inkjet printer series "imagePROGRAF PRO-6000/PRO-4000/ PRO-2000," etc. (Total 9 products)	iF International Forum Design GmbH
	Japan	The Health & Productivity Stock Selection	Canon Inc. and Canon Marketing Japan accredited as companies working strategically by considering employee health and productivity management from a management perspective	Ministry of Economy, Trade and Industry and Tokyo Stock Exchange
		The Certified Health and Productivity Management Organization Recognition Program (3rd consecutive year)	Canon Inc., Canon Marketing Japan, Canon IT Solutions, Canon System and Support, and Oita Canon Materials accredited as companies performing exceptional health and productivity management based on initiatives aligned with local health issues and initiatives to increase health promoted by Nippon Kenko Kaigi	Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi
		Minister of Economy, Trade and Industry Award in the Grand Prize for the Global Environment Award	"Canon Eco Technology Park with Canon Recycling Technologies – Efforts to Resolve Social Issues Aimed at Building a Recycling Society"	Fujisankei Communications Group
April 2019	Europe	2019 TIPA Awards (25th consecutive year)	Mirrorless camera "EOS RP," etc. (Total 4 products)	Technical Image Press Association (TIPA)
	Americas	ENERGY STAR® AWARD 2019 Partner of the Year - Sustained Excellence (2nd consecutive year)	Canon U.S.A. was awarded for its contribution to promoting energy saving	United States Environmental Protection Agency (EPA)
	Japan	"Platinum Kurumin" authorization based on the Act on Advancement of Measures to Support Raising Next-Generation Children	It is awarded to companies receiving the Ministry of Health, Labour and Welfare Kurumin authorization that are considered to be implementing initiatives of a higher standard.	Ministry of Health, Labour and Welfare
May 2019	Japan	Keidanren Chairman's Prize, 2019 National Commendation for Invention	"Invention of display lithography equipment that achieves both speed and accuracy in positioning alignment"	Japan Institute of Invention and Innovation
July 2019	Japan	Special Jury Prize, The 49th Machine Design Award	Super-telephoto, large-diameter interchangeable lenses for EOS series "EF 400mm f/2.8L IS III USM/EF 600mm f/4L IS III USM" etc. (Total 2 products)	Nikkan Kogyo Shimbun
August 2019	Europe	EISA Awards 2019-2020 (31st consecutive year)	Mirrorless camera "EOS RP," RF lens "RF 24–105mm F4 L IS USM" etc. (Total 5 products)	Expert Imaging and Sound Association (EISA)
	Japan	No. 1, 2019 Color Copier Customer Satisfaction Study	MFDs awarded in the Large & Middle Office Market category and the Small Office Market category	J.D. Power Japan
October 2019	Japan	Good Design Awards 2019	"Sumire Prime" single focus lens series for PL mount cinema cameras (Good Design Best 100), etc. (Total 15 products)	Japan Institute of Design Promotion
		Special Prize "Commissioner for Cultural Affairs Award" in the Mécénat Award 2019	Awarded for the Tsuzuri Project, jointly undertaken with the Kyoto Culture Association (NPO)	Association for Corporate Support of the Arts
November 2019	Asia	DFA Design for Asia Awards 2019, Silver Award	EOS R System	Hong Kong Design Centre

Main Association Memberships and Participating External Initiatives

- Keidanren (Japan Business Federation)
- Japan Electronics and Information Technology Industries Association (JEITA)
- Japan Business Machine and Information System Industries Association (JBMIA)
- Camera & Imaging Products Association (CIPA)
- Semiconductor Equipment Association of Japan (SEAJ)
- Japan Machinery Center for Trade and Investment (JMC)
- Japan Center for Economic Research (JCER)
- Nippon Computer Security Incident Response Team Association (NCA)
- World Business Council for Sustainable Development (WBCSD)
- Responsible Minerals Initiative (RMI)
- Responsible Business Alliance (RBA)
- Japan Intellectual Property Association (JIPA)
- License on Transfer Network
- chemSHERPA
- Ink Cartridge Satogaeri Project

Credit Rating by Key Agencies

(As of December 31, 2019)

	Long Term	Short Term
S&P	A+	A-1
Moody's	A3	—
Rating and Investment Information, Inc.	AA+	—

Tokyo 2020 Official Programme

The following Canon initiatives are certified as Tokyo 2020 Official Programme activities promoted by the Tokyo Organising Committee of the Olympic and Paralympic Games.

- The Tsuzuri Project (Cultural Heritage Inheritance Project) (→P85-86)
- Environmental Outreach Classes (→P46)

Third-Party Opinion

Co-Lead Research Unit Innovation Labs,
Sustainable Production and
Consumption Division,
Wuppertal Institute for Climate,
Environment and Energy
www.wupperinst.org

Dr. Justus von Geibler

The novel coronavirus with its current spread demonstrates that we, as humans, have become globally connected. The drastic consequences for citizens and companies highlight the benefits of well-functioning collaboration in global supply chains and a reliable provision of products. They also underline the value of international transparency and careful consideration of the social and environmental risks of human action at a local, regional and global level.

Against this background, I am very thankful for the continued opportunity to be engaged in the commentary process for Canon's report. My comments are based on a review of the draft report and intensive discussion with the reporting team. Overall, I highly appreciate the progress and achievements of Canon in this year's reporting process. At the same time, I see opportunities for further improvement in future reports.

Relevance of the Integrated Report as a Whole

I welcome that Canon continues to provide an integrated report, for several reasons. First, the integrated report, aiming for a holistic presentation of Canon's activities in one report, is likely to be more relevant to many readers than individual financial or sustainability reports. Canon provides imaging technologies in various fields of applications with a broad vision of a sustainable global society. Thus, an integrated perspective can support a more holistic understanding and management of the organization. This includes advanced risk management and decision-making and a better understanding of the company's value creation. Furthermore, Canon is active in numerous countries, has global supply chains, and deals with a wide variety of internal and external stakeholders with diverse interests and expectations. In this context, an integrated report can support a coherent stakeholder communication.

Main Changes in Individual Parts

Compared to last year's report there are some notable changes in individual parts of the report. First, the shortened "Message from the CEO" (→P5-8) at the beginning of report provides the perspective of the top management as well as context for the report in a very concise way. The presentation of "Canon's Value Creation Process" (→P11-12) is much clearer and more integrated in this year's report. Key elements supporting the value creation are presented in a more holistic and aligned way. The linkages to other parts in the report support a better presentation of the connectedness of the information in the report.
To advance the understanding of the value creation even further, I would like to see, in future reports, a compact textual specification of the company's purpose which integrates the specific technological expertise of Canon.

The section "Materiality and SDGs" (→P13-14) provides more detail on the stakeholder engagement process and a better presentation of the linkages to the Sustainable Development Goals (SDGs).
I appreciate the illustrative case description on "Canon's Vision of Environmental Value" (→P19-20). It shows how Canon's product innovations increase service quality and simultaneously reduce environmental impact at each stage of the product lifecycle. Here, the overall target of an average yearly reduction of 3% per product unit supports the measurability of the environmental performance at product level. I believe, that in addition to these relative targets, more absolute targets for the overall environmental impact at the company level would be supportive to align corporate action, specifically in case of conflicting goals and related decision-making.

I congratulate Canon and its reporting team for the promising achievements in their integrated report. I am sure, they can build on their substantial experience and are ready to further advance Canon's reporting, even in current uncertain times. I look forward to continued progress in the future.

Sancroft International Ltd.
Chief Executive
and
Global Sustainability Standards Board
Chair

Judy Kuszewski

I have followed Canon's sustainability reporting closely for many years—from environmental reporting, to sustainability, to integrated reporting.

This report represents a significant change in Canon's reporting approach. I am very impressed by the depth and integration this report provides. While Canon is already very experienced in sustainability reporting, this report demonstrates that even experienced report producers can strengthen the quality and meaningfulness of their report.

At the heart of this report is Canon's value-creation model. This model demonstrates clearly how the whole business, and all it produces, is built on the foundation of Canon's unique corporate philosophy, *kyosei*, and mobilizes the company's resources and business proposition toward the achievement of this vision.

The UN Sustainable Development Goals (SDGs) are an increasingly important touchstone for business seeking to ensure their activities contribute to the common good. Canon has taken this on board, and reflects in this report the company's activities in light of the SDGs.

As the SDGs are intended primarily for governments, it can be challenging for private-sector companies to demonstrate their contributions in a robust way. Nevertheless, Canon has demonstrated a clear intention to align its business activities to specific SDGs intelligently and meaningfully. In the future, I would like to see Canon reflecting on the full intention of specific SDGs in its impact analysis. For example, Canon's discussion of network visual solutions focuses on the surveillance value of network cameras, with little reference to other benefits to society. SDG 11 challenges us to 'make cities and human settlements inclusive, safe, resilient and sustainable.' While the value of Canon's solutions to safety is quite clear, the contributions to inclusivity, resiliency and sustainability are yet to be explored. I would like in the future to see Canon addressing all elements of the SDGs that are most relevant to its activities.

One of the most significant manifestations of integrated thinking and management—as encouraged by integrated reporting—can be found in a company's approach to risk identification and management. Canon shows excellent foundations in its discussion of the various risks related to climate change—segmented into transition, physical and reputational risks. This gives readers a much clearer and more specific view of how the business may interact with these sustainability trends in the future, and I believe readers would benefit greatly from a similar granular understanding of risk related to other areas of sustainability impact. This would, in my view, bring together Canon's business with the reality of the sustainability challenge in a more tangible and meaningful way.

Canon's efforts with this integrated report are certainly to be congratulated. Such a significant change to the company's reporting concept must inevitably bring challenges, and will no doubt be further improved over the coming years.

The *kyosei* philosophy demands that Canon look beyond its day-to-day priorities and activities to manage their impacts within the wider context of sustainability. Integrated thinking—bringing together economic, social and environmental considerations alongside the demands of a major, global business—is an enabler of *kyosei*, and is, in my opinion, firmly on display in this integrated report.

Third-Party Review Process

Introduction

As part of Canon's ongoing efforts to improve its sustainability reporting for stakeholders, Canon seeks the advice of external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Judy Kuszewski and Dr. Justus von Geibler have supported Canon's reporting every year for over a decade, through dialogue with Canon leadership and detailed, challenging review of concepts and draft contents as they are developed, as well as written commentary which is published in this report.

Basis for the Commentator's Opinions

Using the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the Integrated Reporting framework of the International Integrated Reporting Council and the UN Sustainable Development Goals (SDGs) as background, the commentators challenged Canon on:

- **Materiality**—The topics of greatest importance to Canon's business and to its stakeholders.
- **Integration into business**—Demonstrating that Canon's sustainability priorities are fully embedded into the business operations.
- **Risk identification and management**—Canon's sustainability report should demonstrate its understanding of potential risk to the business from key sustainability trends, and the strategic steps taken to address these risks.
- **Value creation**—Canon's sustainability report should demonstrate the role that sustainability thinking and action play in opening up new pathways to add value to the business and its customers.

Judy Kuszewski and Dr. Justus von Geibler are well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting. They are not auditors or assurance providers.

What Canon and the Commentators Discussed

Through the video conference process and written submissions, the commentators and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included the following, with Canon participants' responses and views shown alongside:

Topics	Third-party comment	Canon views
Integrating sustainability into long-term value creation	This year's integrated report is a major step forward over last year's. The description of Canon's value-creation model is a particular improvement, and numerous potential edits and further improvements were discussed.	We improved our report in light of feedback from specialist investors for our first integrated report issued in 2019. We particularly focused on "Value Creation Process" (→P11-12) through dialogue. Based on our discussion, we enriched our explanation of the relationship between our corporate philosophy, SDGs and society for a clear understanding.
Validating and refining the material topics and relationship to the SDGs	Canon's description of material topics could potentially be improved with a link to the connection between Canon's corporate resources, culture, organizational culture with the potential to create new value and solve social issues. In this way, these elements could be shown to enable the creation of new value in an integrated way.	We improved our materiality identification process with detailed information such as specific expectations of Canon from stakeholders which we consider through our identification process. In addition, we showed the relationship between the SDGs and materiality topics using a matrix chart and some concrete examples (→P13-14). Following advice from this dialogue, we will try to deliver our material topics amid the context of "Value creation process" in order to advance the quality of the integrated report.
Identification and management of risk	Canon's efforts to describe economic, social and environmental risk to the business have improved and become more detailed in this report. Climate risk in particular is further advanced, segmented into Transition, Physical and Reputational risks. This approach is recommended for other areas of risk, as it brings abstract concepts into further focus for readers.	Risks and opportunities in each area of the three materiality themes are described in this report (→P15-18). Regarding climate change in the environment area, risks are segmented into three for better understanding taking TCFD recommendations into consideration. Following guidance from commentators, risks in the circular economy area are also segmented into three. We will further improve our approach to risk description in other materiality areas from readers' perspective.
Relationship between product services and environmental impact	Participants discussed the potential tradeoff between improving product's services and reducing environmental burden, the underlying understanding of the higher functionality of products and services, and how a broader perspective (including environmental benefits of the product) could be better integrated into the value creation, and how this broader view can be made clear and relevant for readers.	The environmental value which Canon aims to realize in the environment vision is visualized and concrete examples are shown (→P19-20). In order to make our vision clear for readers, some descriptions have been reviewed following suggestions from commentators. We will further improve the entire contents of this section.
Materiality topics to solve societal issues	Contribution through Canon's network visual solutions focuses on the surveillance value of network cameras, with little reference to other benefits to society. It is recommended Canon mentions other aspects such as the natural disaster-response element. That will also enrich the information on the challenge for SDG 11.	Considering these suggestions, we reviewed our activities not only from the standpoint of "safe cities" but also "the inclusive, resilient and sustainable" aspects, which SDG 11 requires, broadening our view. We added some information in addition to the surveillance value such as the infrastructure check system (→P31).

Third-Party Assurance

Canon has received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA) for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2020 for the years 2018 and 2019.

Lloyd's Register

LR Independent Assurance Statement

Relating to CANON Group's Environmental Data within CANON Sustainability Report 2020 for the calendar year 2018 and 2019

This Assurance Statement has been prepared for CANON INC in accordance with our contract but is intended for the readers of this Report.

Terms of engagement

Lloyd's Register Quality Assurance (LR) was commissioned by CANON INC ("the Company") to provide independent assurance on its Environmental data within CANON Sustainable Report 2020 ("the report") for the calendar year 2018 (from 1 January 2018 to 31 December 2018) and for the calendar year 2019 (from 1 January 2019 to 31 December 2019), against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISAE 3000 and ISO 14064-3 for GHG emissions data.

Our assurance engagement covered the Company's operations and activities in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies for the selected dataset;
- Verifying GHG emissions as presented in the Report have been prepared in conformance with ISO14064-1:2006, "*Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals*", and taking into account Greenhouse Gas Protocol, "*Corporate Value Chain (Scope 3) Accounting and Reporting Standard*"; and
- Evaluating the accuracy and reliability of data for the selected environmental indicators listed below:[1]
  - Scope 1 GHG emissions (tonnes CO_2e)
  - Scope 2 GHG emissions, market based, and location based (tonnes CO_2e)
  - Scope 3 GHG emissions associated with Categories 1 to 15[2] (tonnes CO_2e)
  - Energy Consumption[2] (TJ)
  - Water consumption[2] (m^3)
  - GHG emissions intensity (tonnes CO_2e/100Myen-consolidated net sales)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LR's responsibility is only to the Company. LR disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LR's Opinion

Based on LR's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

[1] *GHG quantification is subject to inherent uncertainty.*

[2] *Verification was only conducted for 2019 year's data.*

Page 1 of 2

LR's approach

LR's assurance engagements are carried out in accordance with ISAE3000 and ISO14064-3 for GHG emissions. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or mis-statements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with key people responsible for compiling the data and drafting the report.
- Sampling datasets and tracing activity data back to aggregated levels;
- Verifying the historical GHG emissions, energy consumption, water consumption and GHG emissions intensity data and records for the calendar year 2018 and 2019; and
- Visiting Oita CANON LTD. and the head office of the Company to investigate whether the data management systems have been effectively implemented.

Observations

The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems for the GHG emissions, energy consumption and water consumption data management. This is particular to ensuring effective internal verification processes at both the corporate and member company levels.

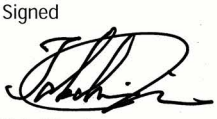
LR's standards, competence and independence

LR implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 *Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition* and ISO/IEC 17021-1 *Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: Requirements* that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants.

LR ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

The verification and certification assessments are the only work undertaken by LR for the Company and as such do not compromise our independence or impartiality.

Signed Dated: 11 March 2020



Takahiro Iio
LR Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN

LR reference: YKA4005113

Canon Group Directory

We conduct business globally, with operational sites in more than 50 countries and regions.

Main Group Companies

As of December 31, 2019 (except for *1,*2)

Japan (Consolidated subsidiaries 58)

Canon Precision Inc.
Canon Tokki Corporation
Fukushima Canon Inc.
Canon Medical Systems Corporation
Canon Electron Tubes & Devices Co., Ltd.
Canon Components, Inc.
Canon Semiconductor Equipment Inc.
Canon Chemicals Inc.
Canon Electronics Inc.
Canon Finetech Nisca Inc.
Canon ANELVA Corporation
Nagahama Canon Inc.
Canon Machinery Inc.
Oita Canon Materials Inc.
Oita Canon Inc.
Nagasaki Canon Inc.
Miyazaki Canon Inc.
Canon Marketing Japan Inc.
Canon System and Support Inc.
Canon IT Solutions Inc.
Canon Medical Finance Co., Ltd.

Europe (Consolidated subsidiaries 162)

Canon Bretagne S.A.S.
Canon Production Printing Netherlands B.V.*1
Canon Production Printing Germany GmbH & Co. KG*2
Axis Communications AB
Canon Research Centre France S.A.S.
Axis AB
Canon Europa N.V.
Canon Europe Ltd.
Canon Ru LLC
Canon (UK) Ltd.
Canon Deutschland GmbH
Canon (Schweiz) AG
Canon Nederland N.V.
Canon France S.A.S.
Canon Middle East FZ-LLC
Canon Italia S.p.A.
Canon Medical Systems Europe B.V.
Milestone Systems A/S

Americas (Consolidated subsidiaries 55)

Canon Virginia, Inc.
Canon U.S.A., Inc.
Canon Canada Inc.
Canon Solutions America, Inc.
Canon Financial Services, Inc.
Canon Medical Systems USA, Inc.

Asia and Oceania (Consolidated subsidiaries 86)

Canon Dalian Business Machines, Inc.
Canon (Suzhou) Inc.
Canon Zhongshan Business Machines Co., Ltd.
Canon Zhuhai, Inc.
Canon Inc., Taiwan
Canon Vietnam Co., Ltd.
Canon Hi-Tech (Thailand) Ltd.
Canon Prachinburi (Thailand) Ltd.
Canon Business Machines (Philippines), Inc.
Canon Opto (Malaysia) Sdn. Bhd.
Canon Medical Systems Manufacturing Asia Sdn. Bhd.
Canon (China) Co., Ltd.
Canon Hongkong Co., Ltd.
Canon Singapore Pte. Ltd.
Canon India Pvt. Ltd.
Canon Australia Pty. Ltd.

*1 The company name was changed from Océ Technologies B.V. on January 1, 2020.
*2 The company name was changed from Océ Printing Systems GmbH & Co. KG on January 1, 2020.

Reference: Canon Group Directory
https://global.canon/en/corporate/information/group/

Company Overview

Company name	Canon Inc.
Established	August 10, 1937
Headquarters	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan
Chairman & CEO	Fujio Mitarai
Canon Inc. shareholders' equity: Common stock	¥174,762 million
Group companies	361 consolidated subsidiaries
Affiliated companies accounted for by the equity-method	8

CANON INC.
30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan
global.canon