

Message from Management

Pursuing a Grand Strategic Transformation to Help Realize a Better Society



The Grand Strategic Transformation of Our Business Portfolio: “Change is Evolution, Transformation is Progress”

In 2016, Canon embarked on Phase V of the Excellent Global Corporation Plan, covering the five-year period through 2020. The basic policy of this phase is “embracing the challenge of new growth through a grand strategic transformation.” In 2017, which marked the 80th anniversary of Canon’s founding, we fortified and grew our four new core businesses of “commercial printing”, “network cameras”, “industrial equipment” and “healthcare” while reinforcing our existing business domains, which include cameras and office multifunction devices. As a result, we reported increases in both net sales and operating profit for the first time in four years. Furthermore, with an increase in net sales to more than ¥4 trillion (U.S.\$36.1 billion*), we have laid the foundation for the grand strategic transformation that will lead Canon into a new era.

Among the four new core businesses that we aim to fortify and grow, our healthcare and network camera businesses enable us to contribute directly to the resolution of social issues concerning safety and security. In healthcare, we have recently welcomed Canon Medical Systems into the Canon Group and will work with them to develop our business by providing solutions closely attuned to the needs of medical institutions and patients. We are focusing on diagnostic imaging, healthcare IT and in vitro diagnostics that will help detect diseases earlier and reduce patient

burden during testing. In network cameras, we are working with Canon Group members Axis Communications and Milestone Systems to meet various safety and security needs by developing network visual solutions that incorporate image analysis technologies.

With a strong foundation of advanced technology we have cultivated over the years, and the companies we have welcomed into the Canon Group, it is our mission to realize a new age for Canon—building a sustainable enterprise by anticipating and embracing change.

* At an exchange rate of JPY 113=U.S.\$1

Our Corporate Philosophy of *Kyosei* and Corporate Social Responsibility

The United Nations adopted its Sustainable Development Goals (SDGs) in 2015. These apply to advanced economies and developing countries alike, and many companies worldwide are recognizing that the expansion of operations that contribute to the SDGs can lead to new business opportunities. The thinking is increasingly that companies’ long-term growth depends on adopting a perspective that values environmental, social and governance (ESG) criteria.

At Canon, we believe our social responsibility as a corporate citizen is about dispelling stakeholders’ concerns and satisfying their expectations. In 1988, some 30 years ago, we adopted our corporate philosophy of *kyosei*, which recognizes the need to build good relationships not only with customers and business partners, but also with nations,

regions and the global environment. Creating new value and solving issues, protecting and conserving the global environment and responding to people and society as a good corporate citizen, which Canon adopted as material topics to pursue in order to realize a better society, were identified based on our corporate philosophy of *kyosei*. Moreover, we believe that *kyosei* is consistent with the principles of the SDGs and that we can help achieve these goals through our corporate activities. We consider it our responsibility to address these important issues in order to realize a more prosperous society. Going forward, Canon will continue to operate with consideration towards the SDGs in order to create a better world.

In 2017, we established the Canon Group CSR Basic Statement to lay the foundation for creating enduring trust and reaffirming the Canon Group’s worldwide commitment to fulfilling social responsibilities as a global corporate citizen.

Protecting and Preserving the Global Environment

The protection and conservation of the global environment is one of the most important issues a corporation must address if it is to generate sustainable growth. With the goal of maximizing resource efficiency, we strive to increase operational efficiency and reduce environmental impact at Canon Group operating sites worldwide.

We have consistently engaged in activities that aim to reduce the environmental impact of Canon products over their entire life cycle, from green procurement—or the purchasing of more eco-friendly parts and materials—to the development of energy-saving product designs, recycling of factory wastewater and collection and recycling programs for used toner cartridges. As a comprehensive environmental indicator, we have set a goal of improving product lifecycle CO₂ emissions by an average of 3% per year. Over the period from 2008 to 2017, we achieved an average annual improvement of approximately 5%. In 2017, we completed the Canon Eco Technology Park, a symbol of our ongoing commitment to “product-to-product recycling.” In addition to its role as a base for environmental initiatives designed to maximize resource efficiency, it will also provide environmental education opportunities for visitors, including primary and secondary school students. Furthermore, under our Biodiversity Policy, we leverage the products and technical expertise Canon has cultivated throughout its history to promote a society rich in biodiversity. As outlined in our Environmental Vision, we will continue our efforts to realize a society that promotes both enriched lifestyles and the global environment.

Respect for People and Society

As the basis for promoting corporate sustainability and maintaining the trust of our customers and business partners, we have focused on strengthening not only our quality assurance, but also compliance, governance and risk management capabilities. As part of these efforts, we have continued our commitment to human rights while instituting workplace reforms that promote diversity and a better work-life balance. We have also increased the focus on our entire supply chain in line with the public’s increasing expectations of businesses. Canon conducts annual reviews of the thousands of firms in our supply chain to confirm such obligations as the prohibition of child and forced labor, and in 2018, we established newly revised supplier CSR guidelines. Moreover, we continue to be actively engaged in a range of social contribution activities around the world that promote the arts, culture and sports, assist with humanitarian and disaster-relief efforts and fund educational and academic support initiatives.

Developing Human Resources That Can Respond to Change

Both Canon and today’s global society are in the midst of an unprecedented transformation brought on by such technological advancements as artificial intelligence (AI). As such, each employee must be able to adapt to change and face up to the challenges of this transition. At Canon, we promote our traditional Canon spirit, comprising the *San-ji* Spirit (three selfs spirit: self-motivation, self-management and self-awareness) and an enterprising nature, while creating workplace conditions to help each employee fulfill their potential. For example, as production lines become more automated, we are re-training production workers and creating new job opportunities in such high-value-added roles as designing manufacturing systems.

Under our corporate philosophy of *kyosei*, we strive to meet the expectations of all stakeholders in our pursuit to make Canon a truly excellent global corporation worthy of people’s admiration and respect. At the same time, we will continue our efforts to achieve the ideals of *kyosei* and the UN SDGs towards realizing a better society, and to ensure that Canon will prosper as an enterprise for the next 100—or even 200—years.

We humbly ask for your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.