

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

Canon Group CSR Basic Statement

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

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

Under its corporate philosophy of *kyosei*, Canon has for many years taken proactive measures to fulfill its diverse social responsibilities in its corporate activities. These initiatives are disclosed in this report, which is published every year. In May 2017, following senior management approval, Canon published the Canon Group CSR Basic Statement with the aim of explaining to stakeholders in an

easy-to-understand manner the Group's attitude toward fundamental and universal elements of corporate social responsibility. In October 2017, the head of the CSR Division gave a presentation on Canon Group CSR Basic Statement at a conference of senior managers from Canon Headquarters, Products Operations, and Canon Group companies worldwide.



Presentation on Canon Group CSR Basic Statement by head of CSR Division

Canon Group CSR Basic Statement

Enacted on May 8, 2017

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.

- | | |
|--|---|
| <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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

Since its founding, Canon's corporate culture has emphasized the importance of contributing to society while growing as an enterprise. The corporate philosophy of *kyosei* that Canon adopted in 1988 helped to formalize this concept. Canon formulated the Canon

Group CSR Activity Policy in 2012 to express the Group's commitment to social contribution as a corporate citizen. Under this policy, Canon tries to utilize its strengths effectively to conduct its CSR activities in accordance with the needs of each country and region where it operates.

Canon Group CSR Activity Policy

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

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

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

Key Activities

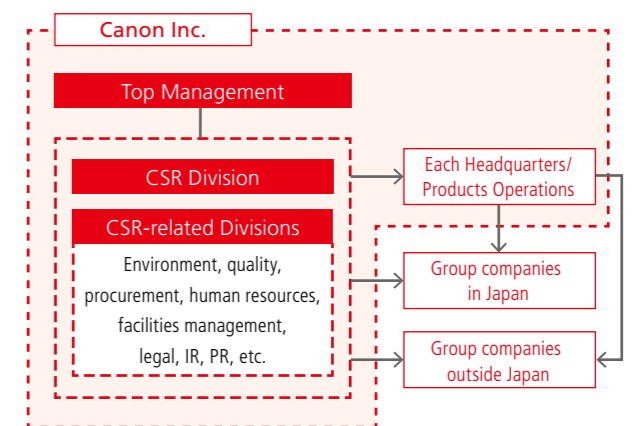
- Contribute to cultural improvement; support the arts, science, sports, etc.
- Provide humanitarian support to people and regions facing harsh conditions due to disasters, etc.
- Contribute to the promotion of both enriched lifestyles and the global environment
- Contribute to society through business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

CSR Promotion System

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

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

CSR Promotion System



Educational and Awareness-Raising Activities

Canon promotes a variety of educational and awareness-raising activities for its employees. For specialized topics, such as quality assurance, environmental protection, information management, or compliance, the respective division in charge provides employee training as required. By incorporating training for newly appointed managers

that provides an overview of CSR trends and Canon's CSR initiatives, Canon is also working to develop managers from both technical and administrative fields with a broad perspective. In addition, CSR managers at Group companies worldwide share information and work closely together on CSR initiatives.

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, and various stakeholders are calling into question the scope of our social responsibility initiatives across our supply chain.

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

Canon places great importance on manufacturing, engaging in product assembly as well as the production of certain components, parts and materials at its own plants, factories and Canon Group manufacturing companies that bear the Canon name and are owned by Canon Inc. directly or indirectly. The 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 Canon Group marketing subsidiaries and affiliates. These manufacturing companies directly employ considerable numbers of employees and are administrated by Canon Inc., which acts as the head of the Canon Group.

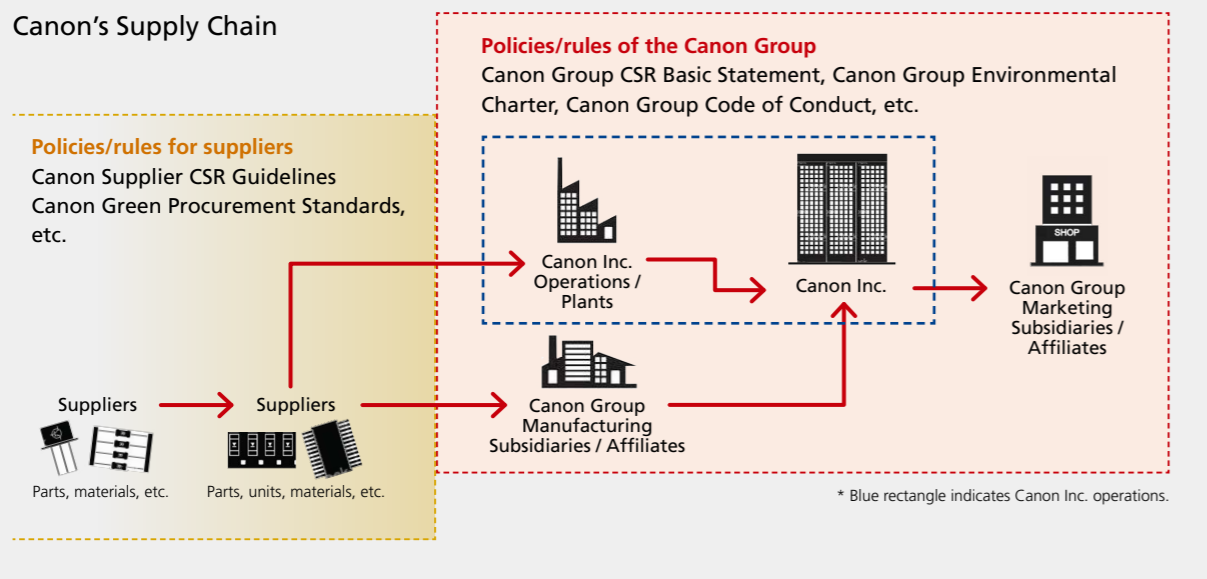
Canon Group manufacturing companies conduct business while adhering to Group policies regarding such matters as human rights, labor, the environment, legal compliance, procurement and security, including the "Canon Group CSR Basic Statement," the "Canon Group Code of Conduct" and the "Canon Group Environmental Charter." When necessary, each administrative office, product operation headquarters and auditing office 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.

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

Among aspects of social responsibility, child labor and forced labor in particular are areas of growing concern. Within the scope of our 2017 survey of Canon Group companies and suppliers, no problems were found with respect to child labor or forced labor.

*1 Manufacturing Subsidiaries and Affiliates in the Canon Group
<https://global.canon/en/corporate/information/group/gr01.html>
 *2 Canon Supplier CSR Guidelines
<https://global.canon/en/procurement/social.html>

Canon's Supply Chain



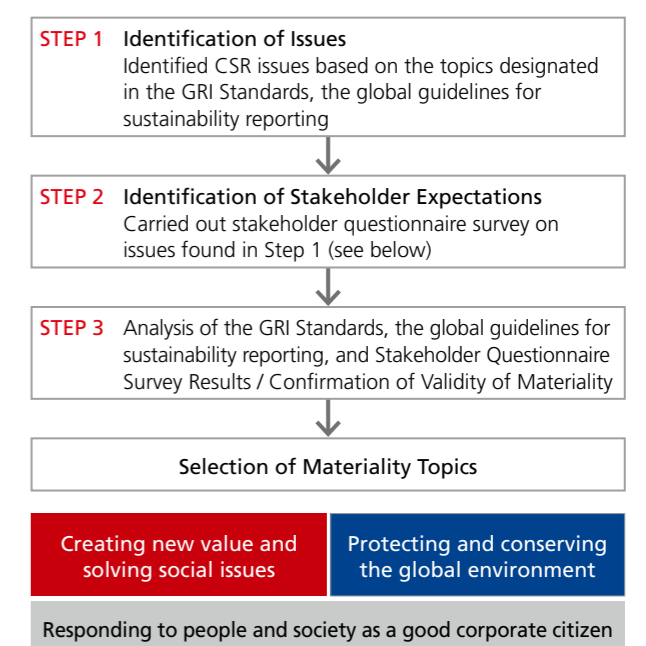
Identifying and Reviewing Materiality

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

Identifying Materiality

Canon conducts questionnaire surveys to ascertain stakeholder expectations. Through analysis of survey results alongside past initiatives and medium- to long-term management plans, we identify materiality themes that should be addressed. In 2017, we identified "Responding to people and society as a good corporate citizen" as a new materiality theme. Under this theme, Canon is actively working towards solutions to the problems faced by global society by promoting "Creating new value and solving social issues" and "Protecting and conserving the global environment". In the environmental field, Canon also identifies materiality at the topic level as stipulated in the GRI Standards (→P34).

Materiality Identification Process



Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys once a year in order to better understand the social issues stakeholders are interested in as well as the expectations they have of the Company. Based on the results of these surveys, Canon confirms the validity of its materiality topics and makes an appropriate review. In addition, these surveys help Canon analyze its impact on society and further improve its CSR activities. Furthermore, Canon has explored the opinions of stakeholders regarding the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, which we expect will help in expanding our future activities.

Stakeholder Questionnaire Survey Outline

Method: Questionnaire survey
 Survey period: February to March 2017, January to February 2018
 Target: Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia

Interest toward CSR-Related Issues

Canon surveyed stakeholders on their expectations of the Company with regard to ten CSR themes of importance to Canon within a wide range of social issues, including items outlined by GRI standards. We ascertained that stakeholder interest in "Initiatives that contribute to protection and conservation of the global environment" and "Leveraging technology and expertise to solve social issues and create new value," remains high, as in the previous year.

Level of Stakeholder Interest (2017, 2018 Questionnaire Survey Results)

