About this Report

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

Scope of the Report and Period Covered
In principle, this report covers Canons economic, social and environmental activities within the scope of consolidated accounting for 2018 (January 1 to December 31, 2018). The scope of environmental reporting is not limited to activities (development, production, and sales) at operational sites. Rather, it covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product use by customers. Supplemental information on important targets, indicators, and initiatives prior to and beyond 2017 is referenced in this report.

Information specific to a region or organization is indicated as such.

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

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

Referenced Reporting Guidelines
• GRI (Global Reporting Initiative) Sustainability Reporting Standards 2016
• RBA Code of Conduct

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

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 “Canons 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 (P21) from Justus von Leibbrandt (C.Phi) of the Wuppertal Institute, which is helping to improve ongoing CSR initiatives as part of the company’s stakeholder engagement activities. Furthermore, a third-party assurance (P19) from Lloyd’s RegisterQuality Assurance Limited (LRQA) has been obtained for GHG emissions, energy consumption and water consumption data for 2018.

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

Contact us
TEL: 03-3758-2111
Website: https://global.canon/en/csr/

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

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

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

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

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Message from the CEO

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

Contributing to Global Society with an Enterprising Spirit
Canon started as a small laboratory that was home to a group of researchers with a common desire to “make the world’s best camera.” Durs has been a history of challenge: the Enterprising Spirit that sought to create cameras by applying original knowledge and technology has been inherited as part of our corporate DNA. It has also found expression in Canon’s fundamental business strategy of diversification and globalization. In constant pursuit of innovation, we have been quick to diversify our businesses with growth potential stemming from high societal demand. The plan views changes in the industries Canon operates within as a source of growth. The seven key strategies that we formulated and have been implementing as part of the plan are outlined below.

1. Establish a New Production System to Achieve a Cost-of-Sales Ratio of 45%
   We are approaching the challenge of achieving a cost-to-sales ratio of 45% from two angles: through developing unmatched stand-out products and by reducing manufacturing costs. For product development, we maintain a keen understanding of the needs of our customers and society as a whole and adopt the latest technologies to deliver superlative products that contribute to society through unrivaled functions and performance. In pursuit of reduced manufacturing costs, we are enhancing productivity by pushing forward with our plan to reduce costs from the development stage as well as promoting automated assembly and the use of robots.

2. Reinforce and Expand New Businesses while Creating Future Businesses
   We aim to create and expand new businesses through the diversification and lateral expansion of our existing operations. We are also prioritizing the allocation of resources to our four new businesses of commercial printing, network cameras, healthcare and industrial equipment. We believe as a global corporation that the world’s most advanced markets will benefit from strong societal demand in the future as anticipated trends play out.

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

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

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

6. Cultivate Internationally Competent Human Resources with a Global Perspective
   The globalization process at Canon involves the development of local workforces as well as personnel with regional perspectives from the Americas, Europe and Asia.

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

7. Re-Install the Canon Spirit as a Foundation for New Growth
   The growth of Canon to date has been underpinned by the Enterprising Spirit that exists as part of our corporate DNA and a code of conduct summarized in the San-ji Spirit (the “three selfs” of self-motivation, self-management and self-awareness). By re-invigorating this Canon Spirit, we will confront the reform challenges posed by changing global economic conditions.
Completing the Transformation of Our Business Portfolio in 2018

In 2018, the third year of Phase V of the Excellent Global Corporation Plan, we witnessed the transformation of our business portfolio, in the process marking the end of the first stage of Canon’s strategic repositioning. With the markets for the consumer products that have driven Canon’s development continuing to shrink, we have looked to shift our business portfolio from B-to-C towards B-to-B products and services. Leveraging the technology and resources of our existing businesses, pursuing a bold M&A strategy and establishing new businesses where synergies can be expected, we managed to complete that shift in 2018. Our four new businesses of commercial printing, network cameras, medical and industrial equipment have all grown steadily. In aggregate terms, the new businesses generated 23% of consolidated sales in 2018. They have also made a substantial contribution to profits.

Higher Profits from Lower Sales in 2018

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

Maintaining Our Strong Financial Position

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

Further Reinforcement of Existing Businesses

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

Reinforce and Expand New Businesses

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

Review of R&D Set-Up

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

Canon’s Concept of Social Responsibility

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

In promoting these activities, compliance, governance and risk management are the basis for gaining the trust of our customers and business partners. In 2017, we instituted the “Canon Group CSR Basic Statement,” which we disseminated throughout the entire Group.

Supply chain management is another area where expectations have risen in recent years. In 2018, we instituted the “Canon Supplier CSR Guidelines” alongside the annual checks that we undertake to gauge the CSR activities of our thousands of suppliers.

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

Creating New Value and Addressing Societal Issues

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

Protecting and Conserving the Global Environment

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

We have consistently engaged in activities that aim to reduce the environmental impact of Canon products over their entire life cycle. We practice green procurement, the purchasing of eco-friendly parts and materials. Other activities include energy-efficient design, recycling of factory wastewater, and collection and recycling programs for toner cartridges. As an overall indicator of environmental performance, we have set a goal of improving product lifecycle CO2 emissions by an average of 3% per year. Over the period from 2008 to 2018, we achieved average improvements of 5% per year. In 2018, we also began operating the Canon Eco Technology Park for more advanced and efficient “closed-loop recycling” through state-of-the-art recycling technology. In addition, based on our Biodiversity Policy, we are seeking to leverage our products and technologies to promote a society that fosters rich biodiversity. Going forward, as outlined in our Environmental Vision “Action for Green,” we will continue our efforts to realize a society that promotes both enriched lifestyles and the needs of the global environment.

Canon’s Aspiration as a Good Corporate Citizen

With the Enterprising Spirit and the San-ji Spirit that make up our corporate DNA as a starting point, we will work together with our customers and business partners to help realize a better society by contributing to the achievement of the SDGs through Canon’s business activities. In doing so, we hope that Canon will continue to prosper as an enterprise for the next 100—or even 200—years.

We humbly ask for your continued support.

Responding to People and Society as a Good Corporate Citizen

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

- Canon India carries out multifaceted support activities through the 4E’s Project
- Canon Bird Branch Project highlights the cycle of life focusing on wild birds
- Canon network cameras are installed in the JAL hanger at Haneda Airport

Fujio Mitarai
Chairman & CEO
Canon Inc.
A History of Value Creation at Canon

Since its founding in 1937, Canon has grown by moving with the times, refining its enterprising spirit and proprietary technology, while also seeking to create new values to satisfy the expectations of customers and society. Outlined below is a history of innovation at Canon, from its venture start-up origins to today.

Major events with global social and economic impacts

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937</td>
<td>Great Depression</td>
</tr>
<tr>
<td>1938-1945</td>
<td>World War II</td>
</tr>
<tr>
<td>1945</td>
<td>End of the Cold War</td>
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<tr>
<td>1960s</td>
<td>Economic boom in Japan</td>
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</tbody>
</table>

Business development landmarks

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>Precision Optical Instruments laboratory established to pursue development of high-quality, dimensionally-precise cameras</td>
</tr>
<tr>
<td>1937</td>
<td>Precision Optical Industry, Co., Ltd. established</td>
</tr>
<tr>
<td>1939-1945</td>
<td>World War II</td>
</tr>
<tr>
<td>1947</td>
<td>Start of the Cold War</td>
</tr>
<tr>
<td>1950s</td>
<td>Pursuing business reforms and globalization</td>
</tr>
<tr>
<td>1960s</td>
<td>Launch of EOS 35mm SLR cameras</td>
</tr>
<tr>
<td>1970s</td>
<td>Stepping up digitization of products</td>
</tr>
<tr>
<td>1980s</td>
<td>Facing new growth challenges</td>
</tr>
</tbody>
</table>

Development of products with social value

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1933</td>
<td>Introduction of Hana Canon, Japan’s first domestic 35-mm front-loading shutter camera</td>
</tr>
<tr>
<td>1965</td>
<td>Launch of the A-1, the world’s first 35-mm SLR camera with a built-in automatic exposure system, achieves record sales. A simple, compact design enables anyone to enjoy photography</td>
</tr>
<tr>
<td>1976</td>
<td>Launch of the EOS 70, the world’s first single-lens reflex (SLR) camera with a built-in auto-focus system, achieves record sales</td>
</tr>
<tr>
<td>1983</td>
<td>Launch of the EOS 50, the world’s first single-lens reflex (SLR) camera with a built-in auto-focus system, achieves record sales</td>
</tr>
<tr>
<td>1995</td>
<td>Launch of the EOS 6D, the world’s first SLR camera featuring a built-in wireless wide-angle lens, achieves record sales</td>
</tr>
<tr>
<td>2005</td>
<td>Launch of the EOS 5D Mark II, the world’s first digital SLR camera with built-in wireless communication function, achieves record sales</td>
</tr>
</tbody>
</table>

Consolidated Net Sales

<table>
<thead>
<tr>
<th>Region</th>
<th>Year</th>
<th>Amount (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>2001</td>
<td>¥1,015.4 billion</td>
</tr>
<tr>
<td>Americas</td>
<td>2001</td>
<td>¥1,076.4 billion</td>
</tr>
<tr>
<td>Europe</td>
<td>2001</td>
<td>¥2,000 billion</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>2001</td>
<td>¥990.5 billion</td>
</tr>
</tbody>
</table>

The above information is based on consolidated financial results. For details, please refer to Canon’s consolidated financial statements.
Canon Group Business Operations (As of December 31, 2018)

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

Net Sales by Region

- **Asia and Oceania**: $990.5 billion, 25.1%
- **Japan**: $896.9 billion, 22.0%
- **Europe**: $1,015 billion, 25.7%
- **Americas**: $1,076.4 billion, 27.2%

**Total Net Sales**: $3,951.9 billion

Net Sales by Business Unit

- **Industry and Others Business Unit**: 20.4%
- **Office Business Unit**: 45.7%
- **Medical System Business Unit**: 11.1%
- **Imaging System Business Unit**: 25.5%

Office Business Unit

- Office multifunction devices (MFDs)
- Laser printers
- Digital continuous feed presses
- Digital sheet-fed presses
- Wide-format printers
- Document solutions

Imaging System Business Unit

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

Industry and Others Business Unit

- Semiconductor lithography equipment
- PDP (Plasmadisplay panel) manufacturing equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment

Medical System Business Unit

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

Company Overview

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

<table>
<thead>
<tr>
<th>Net Sales</th>
<th>Operating Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,807.3 billion</td>
<td>$220.8 billion</td>
</tr>
<tr>
<td>$1,008.2 billion</td>
<td>$117.0 billion</td>
</tr>
<tr>
<td>$437.6 billion</td>
<td>$28.8 billion</td>
</tr>
<tr>
<td>$805.2 billion</td>
<td>$65.5 billion</td>
</tr>
</tbody>
</table>

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

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

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

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

Financial Information

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

- **Net Income Attributable to Canon Inc./Net Income Attributable to Canon Inc. Ratio**
  - Net income attributable to Canon Inc. (Billions of yen)
  - Net income attributable to Canon Inc. Ratio (%)

- **Total Assets/Shareholders’ Equity/Shareholders’ Equity to Total Assets Ratio**
  - Total assets, Shareholders’ equity (Canon Inc.)
  - Shareholders’ equity to total assets ratio (Billions of yen, %)

- **Dividend per Share**
  - (Yen)

- **Cash Flow**
  - Net cash provided by operating activities
  - Net cash used in investing activities
  - Free cash flow (Billions of yen)

- **ROA/ROE**
  - ROA, ROE (%)

- **Net Sales**
  - (Billions of yen)

- **Non-financial Information**

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

- **Lifecyle CO2 Emissions/Improvement in Basic Unit**
  - Improvement in lifecycle CO2 emissions per product (1,000 t-CO2)
  - compared to 2006 (%)

- **Site Energy Consumption/Improvement in Basic Unit**
  - Improvement in energy consumption per basic unit at operational sites (excluding sales offices)
  - compared to 2014 (%)

- **Total Waste Generation/Improvement in Basic Unit**
  - Improvement in waste generation per basic unit at operational sites (excluding sales offices)

- **Water Usage/Improvement in Basic Unit**
  - Improvement in water usage per basic unit at operational sites

- **Canon Group Employee Numbers by Region**
  - Value Creation

- **Top Ten U.S. Patent Holders by Company**
  - *Number of patents for 2016 to 2018 are based on figures released by IFI CLAIMS Patent Services.
  - *Figures for 2016 and 2017 are based on information issued by the United States Patent and Trademark Office.
Canon's Value Creation Process

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

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

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

Corporate philosophy: Kyosei

Excellent Global Corporation Plan

Phase I 1996-2000
To strengthen its financial structure, Canon transformed its mindset to focus on total optimization and profitability. The company introduced various business innovations, including the selection and consolidation of business areas, and reform activities in such areas as production and development.

Phase II 2001-2005
Aiming to become No. 1 in all major business areas, Canon focused on strengthening product competitiveness along with the changing times, stepping up efforts to digitize its products. The company also conducted structural reforms across all Canon Group companies around the world.

Phase III 2006-2010
Canon moved ahead with such growth strategies as enhancing existing businesses and expanding into new areas while also thoroughly implementing supply chain management and IT reforms.

Phase IV 2011-2015
Responding to weakness in the global economy, Canon revised its management policy from a strategy targeting expansion of scale to a strategy aimed at further strengthening its financial structure. While actively pursuing M&A activities, the company restructured its business at a foundational level to introduce new growth engines for future expansion.

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

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

Corporate governance

Canon's corporate DNA
- Respect for humanity
- Emphasis on technology
- Enterprising spirit

Canon's business
- Office business unit
- Imaging system business unit
- Medical system business unit
- Industry and others business unit

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

Contributing to the realization of a better society

Economic value

Social value

Value Creation

Management Strategy

Basic Information

Value Creation

Business Strategy

Management Foundation

CSR Reporting

Third-Party Opinions/Audits
Relationship with SDGs

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

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

Creating New Value and Solving Social Issues

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

Protecting and Conserving the Global Environment

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

Responding to People and Society as a Good Corporate Citizen

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

Stakeholder Expectations

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

Opinions from stakeholders

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

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

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

Results (FY2018)
Unit sales of office multifunction devices (MFDs) grew significantly, driven by sales of color models such as the imageRUNNER ADVANCE G3 2nd Edition series, which offers enhanced convenience through compatibility with external cloud services, and the imageRUNNER C3020 series of strategic models for emerging markets. By region, the Office Business Unit posted a strong performance in Asia, with double-digit growth in sales.

In laser printers, unit sales growth was driven by new high-productivity models that combine low power consumption with compact body designs. Sales of consumables were on a par with the prior year. Digital commercial printing has enjoyed solid sales thanks to the release of new models for the graphics arts market that have earned significant praise for their high image quality, excellent productivity and ability to handle a wide range of paper types.

Total sales for the business unit increased 0.1% year on year to ¥1,887.3 billion, while operating profit rose 16.7% year on year to ¥220.8 billion.

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

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

Net Sales
(Billions of yen)

Operating Profit / Operating Profit Ratio
 Operating profit ratio (%)
 Operating profit (Billions of yen)

Results (FY2018)
Reflecting the contraction of the market, unit sales of interchangeable-lens digital cameras declined in year-on-year terms, though Canon maintained its leading market share in key countries in Europe and the Americas, as well as in Japan and China. In mirrorless cameras, we posted higher unit sales due to rush new models as the entry-level EOS Kiss M and the EOS R. Canon’s first mirrorless camera equipped with a full-frame sensor, which employs a new lens mount as part of the EOS R System. In digital compact cameras, while further market contraction led to a decrease in unit sales, high-value-added models such as the PowerShot G-series enjoyed solid sales.

Future Strategy
Demand for interchangeable-lens digital cameras is expected to decline going forward, but increase steadily in the segment for cameras equipped with full-frame sensors. The digital compact camera market is forecast to continue contracting, notably in lower-priced model segments. Amidst these conditions, our top priority in 2019 is to accelerate the expansion of our mirrorless camera lineup and introduce lenses and other new products for the EOS R System. Although demand for inkjet printers is expected to continue falling slightly in year-on-year terms in 2019, we are targeting faster-than-market growth by investing aggressively in sales within emerging markets. For instance, this involves reinforcing our sales support activities for mass merchandisers and authorized sales outlets.

Net Sales
(Billions of yen)

Operating Profit / Operating Profit Ratio
 Operating profit ratio (%)
 Operating profit (Billions of yen)
Business Overview

Medical System Business Unit

Results (FY2018)

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

Additionally, the addition of new compact and lightweight ultrasound diagnostic systems that inherit the ultra-high-resolution technology of premium models also contributed significantly to sales. In Japan, sales were negatively impacted by medical institutions deferring investment decisions amid revision of the NHI reimbursement schedule for diagnostic procedures. However, this was offset by higher sales in overseas markets.

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

Future Strategy

The diagnostic imaging equipment market is projected to grow steadily at around 3% per year, supported by rising demand for advanced healthcare in Western countries and the development of medical infrastructure in emerging markets. At the end of 2018 we received regulatory approval in overseas markets for domestically successful new products, which is expected to contribute fully to sales in 2019. In 2019, we also expect to start introducing competitively priced CT systems for emerging markets that also offer high image quality.

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

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

Results (FY2018)

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

However, our sales of OLED panel manufacturing equipment fell compared with the prior year due to sluggish capital investment within the sector. In network cameras, Axis reported double-digit sales growth amid rising market demand.

Industry and Others Business Unit

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

Future Strategy

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

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

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

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

Canon places emphasis on creating a management foundation to support sustained growth, based on the corporate philosophy of kyosei. This report discusses the structures that support corporate governance and the management of risk, IP assets and CSR activities, as well as dialogue with suppliers and various other stakeholders.
Corporate Governance

Fundamental Policy
In order to establish a sound corporate governance structure and continuously raise corporate value, Canon believes that it is essential to improve management transparency and strengthen management supervising functions. At the same time, a sense of ethics and mission held by each executive and employee of a company is very important in order to achieve continuous corporate growth and development.

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

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 the agendas of Directors’ meetings and the amount of time spent deliberating)
- As for the decision-making and supervisory function of the Board of Directors (including the appropriateness of agendas of the Board of Directors as well as the 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, the Board of Directors meeting held in February 2019, it was determined that there was no problem with the effectiveness of Board of Directors meetings due to measures for active deliberation such as the preparation of discussion materials following prior questioning and the exchange of opinions between Outside Directors and the Audit & Supervisory Board. In the future, yearly analysis and evaluations will be continued and an overview of the results will be disclosed. At the same time, when necessary, efforts will be made to improve the running etc. of Board of Directors’ meetings.

Governance Structure

Fundamental Policy
Canon is globally expanding its businesses in various business fields, including office equipment, consumer products, medical equipment, and industrial equipment, and aims to aggressively expand into new business fields in the future. In order to make prompt decisions in each business field, and make important decisions for the entire Canon Group or matters that straddle several business fields from a company-wide perspective and at the same time secure appropriate decision making and execution of operation, the Company judges the corporate governance structure below to be effective.

Board of Directors
While the focus of the organizational structure of the Board of Directors is on Representative Directors that oversee company-wide business strategies or execution such as the CEO, COO, CFO, CTO, and Representative Directors or Executive Directors that oversee multiple business fields or headquarters functions, in order to secure sound management, an adequate number of at least two or more Independent Outside Directors are appointed. The Board of Directors, in accordance with laws and regulations, makes important decisions and supervises the execution of duties by officers.

Except for the above, the CEO and other Representative Directors are active in decision making and execution, and under the command and supervision of the Representative Directors, Executive Officers that are elected through resolution of the Board of Directors make decisions and execute operations of each business field or function.

The Board of Directors consists of six members, four Representative Directors from inside the Company and two Outside Directors that qualify as Independent Directors. Additionally, there are 40 Executive Officers, including two females and one non-Japanese.

Audit & Supervisory Board
As a body independent from the Board of Directors in charge of the audit of operations, Canon Inc. has full-time Audit & Supervisory Board Members that are familiar with Canon Inc.’s businesses or its management structure, and Independent Outside Audit & Supervisory Board Members that have extensive knowledge in specialized areas such as law, finance, accounting and internal control. The Audit & Supervisory Board, which is composed of these individuals, cooperates with Canon Inc.’s accounting auditors and internal audit division to oversee the Directors in the execution of their duties, the status of corporate assets and other matters in order to ensure the soundness of management.

The Audit & Supervisory Board consists of five individuals, three of which are Independent Outside Audit & Supervisory Board Members. In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors meetings and Corporate Strategy Committee meetings, receive reports from directors and employees, review documents related to important decisions, and conduct audits by investigating the situation of businesses and property of Canon Inc. and its subsidiaries. In this way, the Audit & Supervisory Board conducts strict audits of directors’ execution of duty, including the status of development of the internal control system.
Corporate Governance

Board Policies and Procedures in the Appointment of Senior Management and the Nomination of Director and Audit & Supervisory Board Candidates

For Directors and Audit & Supervisory Board Members, to familiarize them with the Company’s business, improve the ability to fairly and effectively execute duties and, in principle, we receive people who have met the following requirements, regardless of personal attributes such as gender, age, etc.

- Representative Directors and Executive Directors
- Independent 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 broad knowledge and understanding required to 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
- Outside 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, in addition to meeting 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 understanding to discharge their responsibilities 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,” which consists of the CEO, two Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member. At the time, Director and Audit & Supervisory Board Member candidates are nominated and Executive Officers are appointed (includes nomination of an audit committee chairman from among individuals who have been recognized as having met the prescribed qualifications, and the Committee checks the fairness and validity of such recommendation to prior submission to and deliberation by the Board of Directors.

Additionally, as for Audit & Supervisory Board Member candidates, the CEO and the Chairperson of the Board of Directors, consent of the Audit & Supervisory Board shall be acquired.

Training Policy for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members, when assuming their positions, training is carried out with the aim of thoroughly understanding their roles and responsibilities and securing necessary or useful knowledge for them to properly fulfill their duties. Also incumbent Directors and Audit & Supervisory Board Members can, at the Company’s expense, attend training courses held inside or outside the Company. Furthermore, Outside Directors and Outside Audit & Supervisory Board Members, to familiarize them with the Company’s business, improve the ability to fairly and effectively execute duties and, in principle, we receive people who have met the following requirements, regardless of personal attributes such as gender, age, etc.

- Representative Directors and Executive Directors
- Independent 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 broad knowledge and understanding required to 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.

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 leaks.

The Risk Management Committee reviews the management system’s implementation and improvement and reports the status to the CEO and the Board of Directors.

In addition, the Disclosure Committee was established to undertake deliberations pertaining to information disclosure, including content and timing, to ensure important corporate information will be disclosed in a timely and accurate manner.

Function, Role, and Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Canon Inc. established the Independence Standards Committee, which consists of two Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member, to review the independence of Independent Directors/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 Outside Audit & Supervisory Board Members satisfy the standards for independence, and assume roles that contribute to the maintenance and improvement of Board of Directors’ transparency and accountability.

In addition, all of our Outside Directors and Outside Audit & Supervisory Board Members are registered as Independent Directors/Audit and Supervisory Board Members with the stock exchanges of Tokyo, Nagoya, Fukuoka and Sapporo in accordance with the requirements of the relevant stock exchange.


Outside Directors and Outside Audit & Supervisory Board Members

Kunitaro Sada

Kunitaro Sada 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 a former President of the Financial Services Agency of Japan and a former President of the Securities and Exchange Council of Japan, in order to leverage his considerable experience and high level of expert knowledge about legal affairs to further enhance Canon Inc.’s auditing system.

Hanashiro Kato

Hanashiro Kato has, over many years, had a distinguished career in fiscal operations of the national government as Director of the Financial Bureau in the Ministry of Finance, and as Commissioner of the 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.

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. He was elected as an Outside Audit & Supervisory Board Member so that it desires to leverage his considerable experience and high level of expert knowledge about legal affairs to further enhance Canon Inc.’s auditing system.

Outside Audit & Supervisory Board Members

Hiroshi Yoshida

Hiroshi Yoshida has been engaged for many years in corporate accounting as a certified public accountant. He was elected as a candidate for Outside Audit & Supervisory Board Member so that 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. He was elected as an Outside Audit & Supervisory Board Member given expectations that he will utilize such knowledge and experience in performing audits encompassing the entire Group, including its overseas operations.

Internal Audit Division

The Corporate Audit Center, the company’s internal auditing team as an independent and specialized organization and in accordance with internal audit rules, conducts audits and evaluations and provides guidance on such matters as compliance with laws and the internal control system. Furthermore, the Corporate Audit Center is primarily responsible for audits covering such areas as quality and the environment, and conducts them in collaboration with the divisions in charge. Additionally, based on senior executive management policy, for all work processes, audits must be conducted from specialized viewpoints and there are plans to increase the number of members from FY18 (as of April 1, 2019) to strengthen auditing functions.

Cooperation between Audit & Supervisory Board Members and Accounting Auditors

The Audit & Supervisory Board Members and the Audit & Supervisory Board Members receive from the accounting auditors an outline of their audit plan before conducting each audit as well as explanations about important auditing items. The Audit & Supervisory Board Members and the Audit & Supervisory Board confirm the validity of these items. The Audit & Supervisory Board Members receive from the accounting auditors reports on the internal control system, accounting, and auditing, and the accounting auditors give explanations about the company’s internal control systems, including how they are being implemented and maintained, and risk evaluations. The Audit & Supervisory Board Members and the Audit & Supervisory Board Members hold meetings with accounting auditors in charge of auditing Group companies in Japan and abroad, and endeavor to fully grasp audit conditions.

The Audit & Supervisory Board Members and the Audit & Supervisory Board also confirm the validity of the quality management systems of audits, receiving detailed explanations about this from accounting auditors. With the aim of monitoring the independence of accounting auditors, Canon Inc. introduced an Audit & Supervisory Board preapproval system for the content of auditing contracts and renewals.
Executive Compensation
The remuneration of Representative Directors and Executive Directors consists of a basic remuneration, which is a fixed amount, paid each month, as compensation for execution of duties required in accordance with their role; a bonus that is linked to the Company’s business performance in each business year; and, a stock-type compensation stock option plan to provide an incentive to improve medium- to long-term performance and raise corporate value.

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

The Company established the Nomination and Remuneration Advisory Committee, a non-statutory committee, which consists of the CEO, two Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. The Committee examined the rationale of the remuneration system, including standards for calculating basic remuneration and bonuses as well as standards for granting a stock-type compensation stock option plan, and reported to the Board of Directors that they considered such a remuneration system to be reasonable.

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

Remuneration for individual Audit & Supervisory Board Members is determined through discussion among the Audit & Supervisory Board Members within the limit of the remuneration amount approved by the general meeting of shareholders.

Policy for Constructive Dialogue with Shareholders
Policy
For sustainable growth and to help improve corporate value over a mid- to long-term perspective, Canon Inc. has constructive dialogue with shareholders through an ordinary general meeting of shareholders, corporate strategy conferences, financial results conferences, and interviews with major institutional investors.

Structure to Promote Dialogue
Finance & accounting (Investor Relations (IR)), legal affairs, corporate communications are responsible for working together and promoting dialogue. The Executive Vice President & CFO oversees the entire structure to promote dialogue. For analysts and institutional investors, the CEO hosts a corporate strategy conference at the beginning of the year. Other than this, the CFO hosts quarterly financial results conferences. For individual investors, conferences are held when appropriate and on Canon’s website, specific pages containing information about corporate strategy, financial results, and financial data etc. have been set up using descriptions that are easy to understand.

Additionally, Canon Inc. holds workshops 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.

Controlling Insider Information
Canon Inc. has set the “Rules on Prevention of Insider Trading,” which makes thorough control of undisclosed material information and provides the procedure of information disclosure.

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

<table>
<thead>
<tr>
<th>Category of Position</th>
<th>Number of Directors and Audit &amp; Supervisory Board Members (persons)</th>
<th>Remuneration and Other Amounts by Classification (millions of yen)</th>
<th>Remuneration and Other Amounts by Classification (millions of yen)</th>
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<tbody>
<tr>
<td></td>
<td>Basic Remuneration</td>
<td>Bonus</td>
<td>Stock-Type Compensation Stock Option</td>
</tr>
<tr>
<td>Directors (incl. Outside Directors)</td>
<td>5</td>
<td>785</td>
<td>113</td>
</tr>
<tr>
<td>Outside Directors</td>
<td>2</td>
<td>48</td>
<td>–</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members (incl. Outside Audit &amp; Supervisory Board Member)</td>
<td>3</td>
<td>52</td>
<td>–</td>
</tr>
<tr>
<td>Outside Audit &amp; Supervisory Board Members</td>
<td>4</td>
<td>59</td>
<td>–</td>
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</table>

* The above number of Audit & Supervisory Board Members (incl. Outside Audit & Supervisory Board Member) is inclusive of 1 Audit & Supervisory Board Member who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 117th Business Term held on March 29, 2018.
* For Directors and outside Audit & Supervisory Board Members who retired at the conclusion of the Ordinary General Meeting of Shareholders for the 117th Business Term held on March 29, 2018.
* “Bonus” represents the accrued directors’ bonuses.
* The figure for stock-type compensation stock option indicates expenses recorded in the relevant fiscal year.

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

Risk Management System
Canon Inc. has established a risk management committee based on a resolution of the Board of Directors. Chaired by the Executive Vice President, the committee has established three subcommittees: the Financial Risk Management Sub committee, Compliance Subcommittee, and Business Risk Management Subcommittee.

Processes for Improvement and Implementation of Risk Management System

<table>
<thead>
<tr>
<th>Process</th>
<th>Example</th>
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<tbody>
<tr>
<td>Risk Management Committee and Board of Directors</td>
<td>Risk Management Sub committee (Corporate Planning &amp; Development Headquarters)</td>
</tr>
<tr>
<td>Divisions and Group companies</td>
<td>Establish appropriate rules and workflows</td>
</tr>
<tr>
<td>Divide and Group companies</td>
<td>Establish appropriate rules and workflows</td>
</tr>
<tr>
<td>Risk Management Committee, CEO and Board of Directors</td>
<td>Confirm evaluation of improvement and implementation</td>
</tr>
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Risk Management Promotion System

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<thead>
<tr>
<th>Board of Directors</th>
<th>Responsible divisions</th>
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</thead>
<tbody>
<tr>
<td>Canon Inc.</td>
<td>Chief Executive Officer (Group Executive Officer)</td>
</tr>
<tr>
<td>Canon Group companies</td>
<td>Group Executive Officer (Risk management promotion officer)</td>
</tr>
<tr>
<td>Risk Management Committee and Board of Directors</td>
<td>Risk management promotion officer</td>
</tr>
</tbody>
</table>

Reliability of financial reporting

<table>
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<th>Accounting divisions</th>
<th>Working-level divisions in charge</th>
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<tr>
<td>Accounting divisions</td>
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Anti-trust laws

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<tr>
<th>Legal divisions</th>
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<tr>
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Labor laws

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Security export control

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Product quality

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Information security

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<tbody>
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<td>Information systems divisions</td>
<td>Working-level divisions in charge</td>
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</table>
Risk Management

In line with the basic policy prepared by the Committee and in their capacity as risk management promotion officers, the heads of Canon Inc. divisions and presidents of Canon Group companies each formulate an annual risk management plan for their own division or Group company, and assume responsibility for promoting related risk management activities. Risk management promoters appointed within each division and Group company assist risk management promotion officers in coordinating risk management practices.

Additionally, Canon Inc. administrative divisions with jurisdiction over miscellaneous risks associated with business activities, including the Legal Division, Human Resources Division, Security Trade Control Division, and Quality Assurance Division, control and support the risk management activities of each division and Group company.

Group-Wide Risk Management Communication During training for newly appointed Canon Group executives conducted by the Human Resources Division at Canon Inc., participants are educated on the importance of autonomously improving and implementing a risk management system at each company, and the role of executives in improving and implementing such a system. Similarly, when the Human Resources Division conducts training for newly appointed general managers and managers, it educates them on the importance of the system to manage legal risk and the role of management in constructing such a system.

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

Financial Risk Management The Financial Risk Management Subcommittee carries out activities to strengthen internal controls pertaining to financial risks for the entire Canon Group, including compliance with Japan’s Companies Act and Financial Instruments and Exchange Act as well as the United States’ Sarbanes-Oxley Act.

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

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

Compliance

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

Promoting Corporate Ethics

- Canon Group Code of Conduct and Compliance Card
  Canon established the Canon Code of Conduct in 1992, and later updated it as the Canon Group Code of Conduct in 2001. It clarifies the Canon Group’s management stance and standards that Canon Group executives and employees must follow in their duties.
  In addition to Japanese, the Code of Conduct has been translated into many languages, including English, French, and Chinese, and adopted by a resolution of the Board of Directors of each Canon Group company, which also strives to ensure that it is known and practiced by all.
  In addition, a portable Compliance Card has been created in Japanese and many other languages, including English, French and Chinese, and given out to Group executives and employees inside and outside Japan. Written on one side of the card is the Sanyū (Three Sathi) Spirit, which has been the guiding principle of the company since its founding, and on the other side is a compliance test that enables employees to carry out self-questioning of their actions on a daily basis.

- Whistleblower System
  Canon Inc. has established a hotline to receive information related to compliance issues. The confidentiality of callers is strictly maintained, and they are guaranteed not to suffer any unfair treatment for using the hotline. We continually work to encourage use of the system by raising awareness of the hotline services, using such means as an intranet compliance website and compliance training.
  Hotlines have been established at nearly all Group companies inside and outside Japan. Canon Inc. receives biannual reports from Group companies on the operational status of their whistleblower system.

Legal Risk Management System

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

- Strict Compliance with Export Control Regulations
  On 31 December 2000, the Foreign Trade Law in Japan was revised to include criminal sanctions for violations of the law. Since then, Canon Inc. has conducted training for employees to ensure that they are familiar with the revised Foreign Trade Law and how to comply with its requirements. Canon Inc. has also conducted training for applicable persons in charge at Canon Inc. and Group companies in Japan to further educate employees about the importance of security trade control. We also provide Group companies worldwide with materials for company rules, training materials for employees, and support via the help desk to help these companies establish control frameworks and rules.
  Implementing such thorough internal controls at each Group company has ensured that the Canon Group does not violate security trade control laws. Canon Inc. has also maintained a bulk export license from Japan’s Ministry of Economy, Trade and Industry continuously since 1990. This license is granted only to exporters who exercise strict controls.
Risk Management

Compliance with Anti-Trust Laws

Canon recognizes that compliance with anti-trust laws, which apply to all of its business activities, from product development to production, sales and after-sales service, is absolutely vital.

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

Prevention of Bribery

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

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

Promoting Business Risk Management

The Business Risk Management Subcommittee is responsible for identifying serious operational risks in terms of their potential impact and managing them. Action policies and plans for each identified serious risk are decided in cooperation with the responsible administrative divisions for the entire Group. Each company formulates measures for information security issues that apply across the Group.

Ensuring Complete Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Group, in accordance with the fundamental principles of information security regulations. The steps that we take under this system include measures to prevent leaks of confidential information, handle external cyber-attacks, bolster information security at production facilities, and provide information security training to raise employee awareness.

Since 2005, Canon has had external certification, ISO27001, for its information security management systems.

Information Security Management System Operations

The Group Executive in charge of the Information & Communication Systems Headquarters is the senior executive in charge of information security at Canon and has decision-making responsibility for information security measures. The executive oversees the Information & Communication Systems Headquarters, which is the organization responsible for managing information security across the Group.

If an information security incident occurs, the matter must be reported to the Information & Communication Systems Headquarters. It may also be reported to the Risk Management Committee, depending on circumstances (P32).

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

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

CSIRT*: a dedicated team for dealing with information security incidents, was created within Canon Inc.’s Information & Communication Systems Headquarters in 2015. At that time, Canon joined the Nippon CSIRT Association (NCA) to strengthen collaboration with CSIRTs in other companies.

Security Measures for Production Facilities

Canon implements security measures for its production facilities to ensure malware, cyber-attacks or other information security issues do not reduce productive capacity or otherwise disrupt production plans.

In the past, corporate mainframes or online information systems were the major targets for cyber-attacks. Today, the growing use of off-the-shelf OS software and networks means that production facilities attract the same level of information security risk. A separate approach is needed for production systems because production lead-times are longer than the customer support periods for off-the-shelf OS software. In 2017, we began undertaking critical information security audits for Canon Inc. and Canon Group production companies in Japan. We also began monitoring the networks linked to important facilities and production lines for any unauthorized activity.

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

Information 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. We also monitor unauthorized online communications from internal sources to try and prevent attacks from causing more widespread damage.

In 2018, we also initiated further risk mitigation measures in anticipation of a heightened risk of cyber-attacks ahead of the Rugby World Cup 2019*3, Japan and the Olympic and Paralympic Games Tokyo 2020.

Information Security Training to Raise Employee Awareness

In order to maintain and improve information security, Canon is focusing on raising awareness among employees who use information systems.

Both regular and mid-career hires are thoroughly trained on Canon’s information security measures and rules through group training. In addition, all employees undergo annual information security training using our e-learning system.

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

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

Protecting Personal Information

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

At Canon Inc., we have created rules to safeguard personal information, including a Personal Information Protection Policy and Personal Information Protection Rules, and conduct training and audits regularly as part of our system to prevent leaks of information.

Starting in 2015, we expanded the scope of these activities to include all Group companies, creating a centralized management system covering the entire Group. As a result, in 2018 the Group had another year free of serious incidents involving the loss or leakage of personal information at Canon Inc. or any of its Group companies. Canon did not receive any privacy infringement complaints from customers in 2018.

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

Due to the critical importance of our Shimomakurou 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, stocked 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 instituted 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 need 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.
Intellectual Property Management

Applying for Patents around the Globe

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

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

Top Five Companies Acquiring U.S. Patents in 2018

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Number of Patents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IBM</td>
<td>9,100</td>
</tr>
<tr>
<td>2</td>
<td>Samsung Electronics</td>
<td>5,850</td>
</tr>
<tr>
<td>3</td>
<td>Canon</td>
<td>3,056</td>
</tr>
<tr>
<td>4</td>
<td>Intel</td>
<td>2,735</td>
</tr>
<tr>
<td>5</td>
<td>LG Electronics</td>
<td>2,474</td>
</tr>
</tbody>
</table>

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

Mitigating Patent Litigation Risk through Collaboration with Other Companies

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

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

When a member of the LOT Network transfers a patent to a PAE, the license for that patent is granted to other member companies without any compensation. This reduces the risk of litigation from PAEs.

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

Brand Management

Canon’s Approach to Brand Management

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

We set up the Brand Management Committee as a deliberative body charged with establishing rules for enhancing the value of the Canon brand and resolving brand-related issues. The Brand Management Division was established to serve as the secretariat for the Committee and is comprised of persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

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

Brand Management Rules

Canon has formulated a set of brand management rules, including the Canon Mark Basic Rules, to ensure that its employees use the Canon brand in compliance with regulations and enhance the value of the Canon brand through the trust of customers and society. Moreover, to disseminate this information across the entire Canon Group, we notify Group companies, publicize the changes on our website, and conduct training programs at all Group companies.

Promoting Awareness of the Canon Brand

Canon carries out brand education programs at all Group companies in the regions where it operates to ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that “Each and every employee embodies the Canon brand.” For example, at Canon Inc., we incorporate brand education into the rank-based training curriculum and also strive to raise awareness utilizing the company’s intranet system.

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 counterfeit products and work closely with customs authorities to stop their importation. We strengthen our cooperation with customs authorities on various initiatives worldwide, including dispatching employees to serve as lecturers for verification seminars for customs officers, and for anti-counterfeiting training programs hosted by customs authorities. Moreover, following the great increase of counterfeit products sold online, we are also heavily focusing on creating mechanisms to remove counterfeit products from the Internet.
Basic Rationale
The expectations and responsibilities placed on companies by society are wide-ranging. In line with the times, they are expanding from product quality and safety, and measures to address environmental issues, to compliance, information security, employee rights and labor management, and even to supply chain management.

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

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

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


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 to 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

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

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

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

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

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.

Canon Sustainability Report 2019
Canon Sustainability Report 2019
Materiality Identification Process

**STEP 1 Identification of Issues**
- Key CSR issues for Canon identified with reference to topics designated in the GRI Standards, the global guidelines for sustainability reporting.

**STEP 2 Evaluation of Stakeholder Expectations**
- Stakeholders surveyed via questionnaire on issues identified in Step 1.

**STEP 3 Confirmation of Materiality Theme Validity**
- Validity of materiality themes assessed, referencing survey results from Step 2.

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

Stakeholder Questionnaire Survey

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

Validity of Materiality Themes

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

Comments on Sustainability Activities and CSR Disclosures

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

Fundamental Procurement Policies

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

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 ecologically green procurement*practices.

Proper 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 line with Canon Group companies both inside and outside Japan.

To ensure consistency and uniformity across the company, special internal controls sections have been set up within procurement divisions to maintain the rules, monitor compliance, and provide training for employees.

Promoting Open Procurement to Companies Worldwide

In line with our Procurement Policy, which outlines our intent to open our doors equally to suppliers worldwide and conduct business in a fair and impartial manner, we promote open procurement and invite proposals from suppliers not already in our network.

Canon operates the Suppliers Proposal Site within its main company website with the purpose of collecting information, including products handed and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products. We will continue to give careful consideration to all future proposals based on established rules.

Reference: Suppliers Proposal Site
https://proposal.in.canon.co.jp/wwcc/WWCCD800.aspx?PRM_CF(Language)=0

SDGs to Address

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

<table>
<thead>
<tr>
<th>SDG</th>
<th>Target</th>
<th>Method: Questionnaire Survey Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 1: P77</td>
<td>Human Rights and Labor</td>
<td>Survey period: December 2018 to February 2019</td>
</tr>
<tr>
<td>SDG 9: P59</td>
<td>Supporting Industrial Innovation, P31 Social Contribution</td>
<td>Target: Stakeholders including consumers, suppliers, investors/analysts, non-profits, civic groups, persons affiliated with universities/research institutions, national/local governments in Japan, the Americas, Europe, Asia, and other regions (total: approximately 50 stakeholders)</td>
</tr>
<tr>
<td>SDG 12: P78</td>
<td>Contributing to a Circular Economy, P13 Product Responsibility</td>
<td>Survey respondents identified the following three SDGs where Canon is expected to contribute most.</td>
</tr>
</tbody>
</table>

* EQCD concept: This is Canon’s basic product development policy. “E” stands for environment. Companies are not qualified to manufacture products 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.

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Supply Chain Management

Canon Supplier CSR Guidelines

Pursuant to the Canon Group Basic Procurement Policy and the Canon Group CSR Basic Statement, we set forth the Canon Supplier CSR Guidelines to promote global procurement activities that take societal needs into full consideration. Accordingly, we ask our suppliers to take the following 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 secure 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. Do not engage in corruption in all its forms including bribery
7. Endeavor to avoid complicity in armed insurgencies or anti-social forces
8. Endeavor to disclose relevant and accurate corporate information

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

Supplier Evaluations and Ongoing Surveys Incorporating Environmental and Social Perspectives

We are beginning dealings with a new supplier, we review whether the supplier meets Canon’s standards in such areas as financial position, management system (quality, cost, delivery date, manufacturing capacity), corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, safety, legal compliance, the environment and product quality/safety)

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

III. Environmental preservation

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

IV. Guarantee of continuity of corporate and business activities

1. Endeavor to preserve high standards in quality, cost, delivery and technical aspects
2. Provide safe and secure products, parts, materials, services, etc.
3. Request to your suppliers for cooperation

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 “Opinion / Assurance”.

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

Reference: Canon Supplier CSR Guidelines

Supply Chain Management

Cooperation with Suppliers

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

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

Addressing the Issue of Conflict Minerals

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

In response, the United States enacted legislation requiring listed companies to confirm that conflict minerals that could fund these armed groups are not being used in their supply chains, and to provide related public disclosures. The legislation went into effect in January 2013. Seeking to ensure that customers can use its products with peace of mind, Canon is working together with business partners and industry groups with the aim of avoiding the use of conflict minerals that could fund armed groups. As a listed company, Canon is required to submit a Conflict Minerals Report annually by the end of May with the U.S. Securities and Exchange Commission (SEC) detailing the status of Canon Group activities to address the issue of conflict minerals.

Reference: Basic Approach of the Canon Group Regarding Conflict Minerals
Reference: Conflict Minerals Report

Due Diligence

Canon investigates the countries of origin of conflict minerals and exercises due diligence, following the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD Guidance) published by the Organisation for Economic Co-operation and Development (OECD). Canon identifies any products that could contain any of four minerals and surveys its suppliers to trace the origin of the minerals back to its upstream supply chain regarding the parts...
Supply Chain Management

Initiatives to Reduce Risk
To identify places of origin of conflict minerals and smelters using them, it is vital to have cooperation from suppliers. Canon held a briefing for its major first-tier suppliers in November 2018, and requested their understanding of Canon’s initiatives. Furthermore, Canon established a page entitled “Procedure for the Submission of Concerns Regarding Conflict Mineral Risk” on its official website in 2015, following OECD Guidance to provide a grievance mechanism as an early-warning risk-awareness system for conflict minerals. Parties with specific concerns and/ or information regarding circumstances of extraction, trade, handling and export of minerals (tantalum, tin, gold and tungsten) in conflict-affected and high-risk areas as they pertain to Canon product supply chains (such as facts indicating that those minerals are the source of funds for armed groups in conflict-affected areas) can contact Canon through this page.

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

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 European-based Canon Group companies that fall within the scope of the law, based on the information on human rights risk assessments conducted by Canon Group production sites and suppliers. In compliance with this legislation, annual statements are also published by Canon Medical Systems (CMSC) and Axis Communications.

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

Reference: CMSC Slavery and Human Trafficking Statement

Reference: Axis Modern Slavery Act Transparency Statement 2018

Canon’s Supply Chain and the Fulfillment of its Social Responsibility
In recent years, the environment, human rights and labor issues have been topics of increasing attention, giving rise to questions from various stakeholders about Canon’s social responsibility initiatives throughout its supply chain. According to media reports, concerns about manufacturers with respect to social responsibility stem from large numbers of manufacturing companies in such industries as sports, apparel and electronic products outsourcing their sewing, assembly and manufacturing operations to outside factories. Furthermore, the social responsibility expected of manufacturers has expanded in scope to encompass large-, medium- and small-size suppliers that provide parts and materials to factories.

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

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

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

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

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

Reference: Manufacturing Subsidiaries and Affiliates in the Canon Group

Reference: Canon Supplier CSR Guidelines

*1 Manufacturing Subsidiaries and Affiliates in the Canon Group

*2 Canon Supplier CSR Guidelines
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, share important issues related to global management throughout the Group and work to resolve them.

When preparing this report, we hold several rounds of direct discussion with third parties starting from the planning stage. During these discussions, we discuss the information to be disclosed in the report in order to ensure that it meets the expectations of our stakeholders (P4127). In addition, we send a questionnaire survey to a wide range of stakeholder groups to find out how they evaluate and what they expect from Canon’s corporate social responsibility activities and the content disclosed in the report (P4033).

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

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Main Communication Method</th>
<th>Main Initiatives in 2018</th>
<th>Topics of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational/Research Institutions</td>
<td>Joint research, Presentations at international conferences and technical seminars, Group meetings, Business introductions, Participation in surveys and studies, Outreach classes and instructor dispatch, Onsite briefings at schools, school visits (university, technical college level) and internship programs to support the development of students</td>
<td>• Instructors dispatched to Utsunomiya University (Japan), Center for Optical Research and Education (29 times) • Chu University (Japan)-class held on intellectual property law and corporate law • Environmental classes held at elementary schools (31 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. 150 times) • Regular communications with educational and research institutions such as collaborative R&amp;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 special track (23 times, approx. 1,700 students in 2018) • Internships for special school students (29 students from 8 schools)</td>
<td>• Optical technology • Cutting-edge technology • Joint research • Environmental education related to recycling technology</td>
</tr>
<tr>
<td>Employees</td>
<td>Labor-management meetings, Information sharing from top management (intranet, in-house magazine, executive meetings, site visits)</td>
<td>• Labor-management meetings (11 times) • Employee surveys (once every two years) • Information security seminars (12 times) • Environmental training • Initiatives to help make individual workplaces more rewarding • Monthly workplace safety committee meetings • Summer festivals (at each operational site, once a year)</td>
<td>• Improvement in workplace environments • Maintenance of workplace safety system • Maintenance of personnel evaluation system • Understanding of management policies • Maintenance of employee welfare system • Cultivation of high company morale</td>
</tr>
<tr>
<td>NGO/NPOs</td>
<td>Collaborative projects, including volunteer activities</td>
<td>• Support for UNHCR Refugee Film Festival and UNHCR photo exhibition about the Refugee athletes that competed in Rio de Janeiro, sponsored and organized by UNHCR Representation in Japan and Japan for UNHCR, • Biodiversity conservation initiatives (such as Fouraando Project—Linking Our Dream to the Future) • Canon Bird Branch Project • Humanitarian and disaster relief activities in disaster-affected areas • Collaborative biodiversity and green procurement initiatives • The national partner of UNHCR in Japan</td>
<td>• Ecosystem protection/conservation • Issues affecting global society such as refugee issues and poverty • Disaster relief support</td>
</tr>
<tr>
<td>Stakeholder</td>
<td>Main Communication Method</td>
<td>Main Initiatives in 2018</td>
<td>Topics of Interest</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Embassies/Foreign Governments</td>
<td>Participation in international exchange initiatives, Cooperation with events commemorating the establishment of diplomatic relations with Japan</td>
<td>• Courtesy calls and participation in hearings or other meetings organized in response to requests from embassies and foreign governments (over 50 times) • Participation in international discussions and events designed to improve bilateral relations</td>
<td>• Addressing social issues at the bilateral and international levels • Further promoting friendly relations with other countries</td>
</tr>
<tr>
<td>Local Communities</td>
<td>• Emergency disaster-relief assistance, • Participation in disaster-preparedness and crime-prevention drills, • Involvement in local groups/ organization initiatives, • Participation in local events and volunteer activities, • Environmental education and awareness activities, • Community cleanups,</td>
<td>• Community-based social contribution activities including educational, sports and cultural programs • Activities to protect and conserve local ecosystems, such as tree-planting programs • Clean-up activities</td>
<td>• Protection/conservation of local community ecosystems • Contributions to local communities through business operations • Understanding local communities • Fulfilling responsibilities as corporate citizens to participate in local community activities</td>
</tr>
<tr>
<td>Shareholders/Investors</td>
<td>• 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</td>
<td>• Financial results conferences, corporate strategy conference (5 times) • Disclosure of corporate governance report • Expanding disclosure of information through such means as revised disclosures explaining financial results • Quick release of documents relating to general meeting of shareholders, enrichment of voluntary disclosure • Publication of the Canon Annual Report and Sustainability Report</td>
<td>• Medium-to-long-term management strategy aimed at achieving continued growth • Business activity trends and results • Financial condition • ESG initiatives</td>
</tr>
<tr>
<td>Suppliers</td>
<td>• Online supplier surveys, • Procurement annual meeting, • Briefings on business trends, • Technology exhibitions by suppliers, • Promotion of green procurement,</td>
<td>• Annual survey covering finance, corporate information and business ethics • Procurement strategy meeting, parts exhibition (each once a year) • Briefings on business trends (9 times) • Supplier product/technology exhibition (twice) • Collection and management of product information for products containing chemical substances through chemSHERPA</td>
<td>• Understanding of Canon Group procurement standards • Implementation of green procurement • Product/Technology trends • Improved efficiency of the chemical substance information transmission scheme</td>
</tr>
<tr>
<td>Federal/Local Governments</td>
<td>• Opinion exchange with government agencies and municipalities on public policies and business environment, • Organization of political participation in technology briefings or government agencies and municipalities and related events, • Policy recommendations through economic organizations and industry groups, • Cooperation in surveys and questionnaires for government statistics, etc.</td>
<td>• Participation in opinion exchange with government agencies and municipalities as well as technology briefings, organization of local business fairs (over 250 times) • Ongoing active cooperation regarding the implementation and realization of economic policy for the improvement of such aspects as business as intellectual property, trade, taxation, labor and the environment</td>
<td>• Initiatives to help solve social issues at national and local levels • Strengthening ties with federal government agencies and municipalities</td>
</tr>
<tr>
<td>Other Companies</td>
<td>Collaborative projects,</td>
<td>• Joint research with other companies and undertaking of development work</td>
<td>• Industry trends • Addressing social issues that affect multiple industry sectors • Product/Technology trends</td>
</tr>
</tbody>
</table>
CSR Reporting

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

We have organized our report on these activities by category in accordance with GRI standards.

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Creating New Value and Solving Social Issues

Management Approach
Contribute to a better future, a sustainable society through innovation

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

Following its corporate philosophy of Kyosei, Canon is committed to creating new value through diversified products and services based on advanced technologies and platforms while creating good relationships with customers, business partners, communities and the global environment. Under Phase V of our Excellent Global Corporation Plan initiated in 2016, an important strategy we are implementing is to “reinforce/expand new businesses while creating future businesses.” We have also defined “Creating New Value and Solving Social Issues” as a key materiality theme. This approach involves contributing to efforts to solve issues that face the global community by reinforcing and expanding businesses with high societal demand, such as healthcare, security and industrial robots with a focus on diagnostic equipment that enables advanced medical treatments, network cameras supporting safe, efficient social infrastructure, and industrial equipment underpinning the IT used in advanced technologies for daily life.

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

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

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

At the same time, companies are starting to recognize the business opportunities inherent in helping to address such social issues as part of building a sustainable society. For a company with global operations such as Canon, staying in touch with social issues in each region and contributing to solutions through business not only helps us to fulfill social responsibilities, but also enhances the sustainability of Canon’s operations and of society.

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

Creating a Safe and Secure Society
In collaboration with Axis and Milestone Systems, we will respond to diverse needs for “security and safety” with network visual solutions including video analysis technology based on network cameras.

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

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

Overview of Material Issues and Activities in 2018
Creating a Safe and Secure Society
As part of our focus on network visual solutions, we welcomed the Israel-based leading provider of video analytics solutions BreviCam to the Canon Group.

Expanding Our Medical Business
Canon Medical Systems entered the cancer genomic testing sector by making ActMed a subsidiary.

The Company also completed development of the deep-learning technology AI CE for CT image reconstruction. This promises to improve diagnostic accuracy while reducing patient exposure to radiation.

Supporting Industrial Innovation
Canon worked to increase productivity in the manufacturing sector through accelerated collaborative efforts to develop system-based solutions in the field of factory automation.
Creating a Safe and Secure Society

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

Addressing and Solving Important Social Issues

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

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

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

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

Examples of Value Creation

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

The AXIS Q1659, the first product developed jointly by Axis and Canon, combines Axis’ superlative optical and imaging technologies with Axis’ advanced network video processing technology of AXIS to deliver high resolution video surveillance capabilities.

Full compatibility with eight interchangeable lenses (from wide-angle to telephoto) used in Canon’s EOS-series digital SLR cameras enables a wide range of potential applications.

Another example is the ME20F-SHN, an ultra-high-sensitivity network camera equipped with Canon’s proprietary 35mm full-frame CMOS sensor, making color image capture possible in low-light environments that had been difficult for conventional network cameras. Its ultra-high sensitivity enables image capture even when there is little to no light and a subject would not be visible to the naked eye, allowing it to effectively monitor critical facilities, waterways or border crossings, as well as disaster sites during the night.

Standard features include intelligent functions for automatic detection of unusual or abnormal events to counter illegal trespassing or camera-related vandalism. With a range of potential applications from national defense to prevention of crime, this network camera can help to protect people day and night.

Video Analytics Software to Meet Safety and Security Needs

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

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

Applying Video Synopsis® Technology for Efficient Video Analysis

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

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

Canon Sustainability Report 2019
Expanding Our Medical Business

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

Addressing and Solving Important Social Issues

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

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

Canon’s founder and first president, Takeshi Mitarai, who was also a doctor, was strongly committed to “contributing to society through medicine.” In 1940, not long after the company was established, Canon developed the first radiographic camera made in Japan to help detect pulmonary tuberculosis. Ever since, Canon has contributed to the early detection and treatment of disease by supplying ophthalmological instruments and diagnostic equipment using digital radiography and other technologies. In Phase V of the Excellent Global Corporation Plan, Canon is reinforcing medical operations for around a century, building up technical expertise in diagnostic equipment such as CT, MRI and ultrasound systems that reduce the burden on patients while providing highly detailed images for diagnostic purposes. Our aim is to supply solutions for patients and health professionals by combining artificial intelligence (AI) with our proprietary image-processing technologies to support better medical diagnoses and improve patient outcomes. In 2018, in a move to further strengthen and expand Canon’s healthcare business, Canon Medical entered the cancer genomic testing sector by making ACTMed Co., Ltd., a subsidiary.

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

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

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

Examples of Value Creation

Patient-Friendly and Cutting-Edge Diagnostic Imaging Systems

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

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

Deep-Learning Technology for CT Image Reconstruction

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

In Vitro Diagnostic Systems for Rapid, Patient-Friendly Diagnoses

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

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

Related SDGs

[Insert list of related SDGs]

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

CT scanner Aquilion ONE that can produce 4D imaging
Supporting Industrial Innovation

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

Addressing and Solving Important Social Issues

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

Advancing the expansion of B-to-B operations as part of Phase V of its Excellent Global Corporation Plan, Canon aims to create new value by using proprietary optical and image-processing technologies developed over many years in the industrial machinery field. In semiconductor manufacturing, building on conventional lithographic approaches as high-end device manufacturing moves into the IoT era, Canon is aiming to establish nanoimprint technology to achieve device manufacturing moves into the IoT era, Canon is aiming to establish nanoimprint technology to achieve

Economic Growth Rates for Advanced Economies and Emerging Markets

<table>
<thead>
<tr>
<th>Year</th>
<th>Advanced economies (%)</th>
<th>Emerging markets (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.0</td>
<td>2.1</td>
</tr>
<tr>
<td>2017</td>
<td>1.0</td>
<td>2.2</td>
</tr>
<tr>
<td>2018</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td>2019</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td>2020</td>
<td>1.0</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: IMF “World Economic Outlook, January 2018”

Examples of Value Creation

Technology Supporting Enriched Lifestyles

As the brains of electronic equipment, semiconductor devices are essential parts in the IoT era when everything is linked to the Internet. This trend is driving the growth in demand for flash memory used in mobile devices and such applications for semiconductors as automobiles. Canon supplies semiconductor lithography equipment for semiconductor high-volume manufacturing.

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

Examples of Value Creation

Technology Supporting Innovation in Manufacturing

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

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

Canon Group Lifecycle GHG Emissions in 2018 (CO2 Equivalent)

- Customer use: 2,860,000 t-CO₂ (40%)  
  - Manufacture of raw materials and parts: 2,816,000 t-CO₂ (39%)  
  - Operational site activities: 1,126,000 t-CO₂ (16%)  
  - Logistics: 356,000 t-CO₂ (5%)  
- Lifecycle CO₂ Emissions: 7,158,000 t-CO₂

Materiality and Environmental Aspects

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

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

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

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

Also, the issue of the “management of chemical substances contained in products” is one to which Canon assigns a high level of priority because of its potential links to health issues and environmental pollution. Also, the issue of “management of air emissions and prevention of pollution” in regions where the Canon Group has operations. We continue to ensure to meet the targets and emissions standards that we have set in this area along with “reduction of energy consumption.”

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

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

Management Approach

Contributes to a development of a sustainable society throughout the product lifecycle.
Eliminating Hazardous Substances and Preventing Pollution

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

Contributing to a Society in Harmony with Nature

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

Canon’s Approach to Environmental Assurance

Based on its 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.

CANON GROUP ENVIRONMENTAL CHARTER

1. In the interest of world prosperity and the happiness of humankind, pursue the betterment of society and the global environment. With this vision in mind, the Canon Group is working with its customers and business partners to create products that combine high functionality with minimal environmental impact across the entire product lifecycle.

Environmental Management System (EMS)

The Canon Group has established an Environmental Management System (EMS) and has established an Environmental Assurance Unit to support the on-going implementation of our environmental assurance policy. Aiming for continuous improvement, we are committed to adhering to all environmental laws and regulations as well as contributing to the global environment.

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

Canon Environmental Vision

1. Action for Green

Through technological innovation and improved management efficiency, Canon offers greater value using fewer resources throughout the entire product lifecycle.

2. Value Creation

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

Environmental Targets and Achievements

Overall Target, Product Targets and Operational Site Targets

As a result of such initiatives as reducing waste at manufacturing sites and recycling waste generated internally at manufacturing sites, we met our target of a 1.0% improvement with a 6.0% reduction in total waste generation over 2017.

Achievement of Operational Site Targets

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

- Total waste generation per basic unit

As a result of such initiatives as reducing waste at manufacturing sites and recycling waste generated internally at manufacturing sites, we met our target of a 1.0% improvement with a 6.0% reduction in total waste generation over 2017.

- Water usage per basic unit in production

Water usage per basic unit in production declined by 2.4% compared to 2017 thanks to efforts to improve water management including more efficient waste water use and greater reuse of wastewater. This exceeded our target of a 1.0% improvement.

- Emissions of controlled chemical substances per basic unit

We achieved a 6.8% improvement over 2017 in emissions of controlled chemical substances per basic unit, attaining our target of a 1.0% improvement.
Environmental Targets and Achievements

<table>
<thead>
<tr>
<th>Lifecycle</th>
<th>2018-2020 Medium-Term Environmental Targets</th>
<th>2019-2021 Medium-Term Environmental Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lifestyle</strong></td>
<td>3%-per-year average improvement in lifecycle CO2 emissions index per product</td>
<td>3%-per-year average improvement in lifecycle CO2 emissions index per product</td>
</tr>
<tr>
<td><strong>Products</strong></td>
<td>3%-per-year average improvement in raw materials and use CO2 emissions improvement index per product</td>
<td>3%-per-year average improvement in raw materials and use CO2 emissions improvement index per product</td>
</tr>
</tbody>
</table>

Operational Sites

| Scope 1: Direct GHG emissions (combustion of city gas, LPG, light oil, kerosene, non-energy derived GHG, etc.) | 5.5%-per-year improvement over 2017 | Improve energy consumption per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2017) |
| Scope 2: Indirect GHG emissions (production of purchased goods and services [Category 1], upstream transportation and distribution [Category 4], use of sold products [Category 11]) | 6.0%-per-year improvement over 2017 | Improve total waste generation per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2018) |
| 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]) | 2.4%-per-year improvement over 2017 | Improve water usage per basic unit in production by 1% (compared to 2018) |
| Lifecycle | 3%-per-year average improvement in lifecycle CO2 emissions index per product | 6.8%-per-year improvement over 2017 | Improve emissions of controlled chemical substances per basic unit at operational sites (excluding marketing sites) by 1% (compared to 2018) |

Overview of Environmental Impacts

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

Total lifecycle CO2 emissions in 2018 were approximately 7.16 million tons, a decrease of roughly 0.26 million tons compared to 2017. This figure reflected initiatives at all stages of the product lifecycle, from the manufacture of raw materials and components by suppliers through activities at development, production and sales sites to logistics operations and customer use.

2018 Material Balance

```
INPU
Energy resources: 45,437 TJ
Steel and nonferrous metals: 286,802 t
Electrical paper: 7,080 t
Glass: 15,091 t
PAPER 266,402 t

OUTPUT
CO2: 8,164,000 (t-CO2e)
2,860,000 (t-CO2e)
356,000 (t-CO2e)
8,164,000 (t-CO2e)

Recycling

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>Calculation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Purchased goods and services</td>
<td>2,816</td>
<td>Calculated by multiplying the weight of each material input (including any inputs emitted as waste) by the emission factor for each material/product.</td>
</tr>
<tr>
<td>2. Capital goods</td>
<td>492</td>
<td>Calculated by multiplying the total amount of each asset category of purchased capital goods by the emission factor for each asset category.</td>
</tr>
<tr>
<td>3. Fuel and energy-related activities not included in previous categories</td>
<td>96</td>
<td>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 plant operation.</td>
</tr>
<tr>
<td>4. Upstream transportation and distribution</td>
<td>356</td>
<td>Calculated by multiplying the emission factor of transportation by logistics performance data.</td>
</tr>
<tr>
<td>5. Waste generated in operations</td>
<td>1</td>
<td>The total weight of waste generated by material and disposal at each operational site is derived and then multiplied by the end-of-life treatment emission factor.</td>
</tr>
<tr>
<td>6. Business travel</td>
<td>49</td>
<td>The emission factor for each transportation method is multiplied by the total payment amount for each transportation method.</td>
</tr>
<tr>
<td>7. Employee commuting</td>
<td>130</td>
<td>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.</td>
</tr>
<tr>
<td>8. upstream leased assets</td>
<td>0</td>
<td>The emission factor for each transportation method is multiplied by the total payment amount for each transportation method.</td>
</tr>
<tr>
<td>9. Downtime transport and distribution</td>
<td>52</td>
<td>Calculated by multiplying the end-of-life treatment emission factor.</td>
</tr>
<tr>
<td>10. Emissions from production by outsourcing partners of intermediate products used in sale of Canon-branded products</td>
<td>0</td>
<td>Calculated by multiplying the emission factor of fuel consumption.</td>
</tr>
<tr>
<td>11. Use of sold products</td>
<td>2,640</td>
<td>Lifetime energy usage is calculated for each product and then multiplied by the emission factor of fuel consumption.</td>
</tr>
<tr>
<td>12. End-of-use treatment of sold products</td>
<td>223</td>
<td></td>
</tr>
<tr>
<td>13. Downstream leased assets</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>14. Franchises</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>15. Investments</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Scope 3</td>
<td>3,074</td>
<td></td>
</tr>
</tbody>
</table>
```
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.

Environmental Management System

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

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

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

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

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

Reference: ISO 14001 Certifications Obtained

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 CO2 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

Product Environmental Assessments

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

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

Environmental Assurance Activities in Cooperation with Suppliers

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

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

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

Reference: Green Procurement

Environmental Management System

Canon’s Environmental Management System

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Environmental Management System

Canon’s Environmental Management System
Stronger Risk Management within Supply Chain (Preventing Pollution)

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

For example, in order to ensure compliance with strengthened regulation of operating sites, we are taking measures to boost information gathering and analysis activities regarding laws and regulations on pollution 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). The CEC promotes the 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.

Environmental Audits and Environmental Performance Evaluations

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

Internal Environmental Audits

Internal environmental audits composed of headquarters environmental audits performed by the Global Environment Center, and operational site environmental audits and product environmental audits conducted by the audit divisions of operational sites and products operations. Mutual cross-site audits are also carried out in these systems.

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

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

Environmental Performance Evaluations

Through environmental performance evaluations, the outcomes of the environmental activities at individual product operations, operational sites and sales companies are evaluated and scored twice yearly. These are incorporated in consolidated performance evaluations along with business performance. The Global Environment Center sets the environmental evaluation criteria and carries out the evaluations, which account for approximately 10% of the overall consolidated performance evaluation.

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

Environmental Performance Evaluation Process

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

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

Environmental Education

Canon’s environmental education programs provide an awareness training program to all employees, and a specialized training program for employees engaged in specific types of work. The awareness training program is aimed at giving employees full recognition of the importance of environmental assurance activities as well as the policies, targets, and achievements of their own divisions, while the specialized training program is aimed at enhancing the capabilities of employees involved in environmental assurance activities.

The specialized training program consists of product environment, operational site environment, and environmental audit sections. Of these, product environment training involves detailed programs to enhance the abilities of those responsible for product environmental assessments, product surveys and integrated management of chemical substances. These educational programs are designed to enable employees to receive needed training at a time that suits their schedule, and in the format that best suits the purpose, whether e-learning, group discussion, group work, or other method.

In particular, among the specialized environmental training programs, Canon is reinforcing its education course for risk management globally, and has been using training materials in English and Chinese since 2016. As of the end of 2018, employees involved in related operations had completed this training program (total of 3,414 participants).

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

Environmental Awards and Environmental Exhibition

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

To promote improved staff awareness and activities in relation to the environment, Canon started holding an internal exhibition introducing good practices of environmental activities from Japan in 2003. The exhibition went global in 2008, when good practices of overseas activities were also included. And in 2009, the exhibition developed into the environmental award system, in which top management awarded outstanding environmental activities. The exhibition and the award system have served to activate internal development of exceptional environmental activities and proven to be valuable opportunities to raise employees’ environmental awareness.

Started in 2013, the simultaneous holding of a virtual exhibition on the Group intranet has allowed Group employees unable to attend the exhibition to easily access the event, which has helped to cultivate best practices across the entire organization.

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

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

Environmental performance evaluations of products

Reflect in consolidated performance evaluations

Global Environment Center

Environmental performance evaluations of products

Operational site

Environmental performance evaluations of products

Marketing division

Environmental performance evaluations of marketing activities

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Environmental performance evaluations of products

Reflect in consolidated performance evaluations
Environmental Communication
Information Disclosure to Stakeholders, Education and Awareness
Canon has been vigilant in disclosing environmental information to a diverse range of stakeholders.

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

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

Meanwhile, Canon Group companies worldwide have been switching off their lights to participate in the Earth Hour*, since 2007.

* Earth Hour is a global lights-off event started by the WWF (World Wide Fund for Nature) in 2007.

Reference: Environmental Outreach Classes
https://web.canon.jp/eco/library-class/index.html (Japanese website only)

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

Start of Information Transmission at Canon Eco Technology Park
The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant, but also serves as a focal point of the environmental activities of the Canon Group. The facility offers a plant field trip course that includes Canon’s automated toner and ink cartridge recycling systems and a showroom introducing Canon’s wide variety of environmental activities, such as the Canon Bird Branch Project, along with information panels, videos, and hands-on contents.

In this way, it is not only a place where customers can come to observe our operations, but also serves as an environmental education center for elementary school pupils and other groups from the general public. Our educational programs include environmental seminars where participants can take part in experimental sorting of materials by magnetism, weight, size and other properties, and observational visits to see in action the recycling technology they have learned about in the seminars. In doing so, participants get to see the knowledge they have acquired in science lessons being applied in practice for the benefit of recycling.

Reference: Canon Eco Technology Park
https://global.canon/ja/environment/ecotechnopark/index.html (Japanese website only)

For inquiries on educational visits and related matters, please contact us through the website shown above.)

Contribution to Environmental Management
Information Disclosure to Stakeholders
Canon is working toward the realization of a low-carbon society through initiatives to reduce CO₂ emissions and improve energy efficiency throughout the product lifecycle.

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

<table>
<thead>
<tr>
<th>Contribution to a Low-Carbon Society</th>
<th>Target</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change: Energy</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Designing energy-efficient products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving energy efficiency at operational sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing use of renewable energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing CO₂ emissions from logistics</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CO₂ Reduction in Product Development

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

Energy-Saving Designs for Office Equipment
The multifunction office device imageRUNNER ADVANCE CX3 3rd Edition is fitted with a range of features that contribute to increased efficiency in office operations, including a human sensor that activates automatic recovery from sleep mode and reduced waiting time for sleep mode recovery. Meanwhile, the imageRUNNER ADVANCE CS550F III pursues energy-efficient design through features such as on-demand fixing technology, a newly developed main controller, and a newly developed toner designed for optimal melt characteristics. These features enable it to achieve approximately 47% reduction in CO₂ emissions during customer use compared to the imageRUNNER ADVANCE CS550F. It thus manages to combine improved product functions with reduced CO₂ emissions. Meanwhile, the A4 monochrome laser multifunction device Satera MF521dw boasts a sleep mode recovery time of 4 seconds or less, approximately 50% faster than the previous Satera MF511dw model. In this way, it not only contributes to more efficient office operations, but also realizes a reduction of approximately 17% in TEC value.*

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

Reference: Canon Eco Technology Park
https://web.canon.jp/eco/library-class/index.html (Japanese website only)

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Start of Information Transmission at Canon Eco Technology Park
The Canon Eco Technology Park, which opened in February 2018, is not only a cutting-edge recycling plant, but also serves as a focal point of the environmental activities of the Canon Group. The facility offers a plant field trip course that includes Canon’s automated toner and ink cartridge recycling systems and a showroom introducing Canon’s wide variety of environmental activities, such as the Canon Bird Branch Project, along with information panels, videos, and hands-on contents.

In this way, it is not only a place where customers can come to observe our operations, but also serves as an environmental education center for elementary school pupils and other groups from the general public. Our educational programs include environmental seminars where participants can take part in experimental sorting of materials by magnetism, weight, size and other properties, and observational visits to see in action the recycling technology they have learned about in the seminars. In doing so, participants get to see the knowledge they have acquired in science lessons being applied in practice for the benefit of recycling.

Reference: Canon Eco Technology Park
https://global.canon/ja/environment/ecotechnopark/index.html (Japanese website only)

For inquiries on educational visits and related matters, please contact us through the website shown above.)

Contribution to Environmental Management
Information Disclosure to Stakeholders
Canon is working toward the realization of a low-carbon society through initiatives to reduce CO₂ emissions and improve energy efficiency throughout the product lifecycle.

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

<table>
<thead>
<tr>
<th>Contribution to a Low-Carbon Society</th>
<th>Target</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change: Energy</td>
<td>13.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Designing energy-efficient products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving energy efficiency at operational sites</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increasing use of renewable energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing CO₂ emissions from logistics</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CO₂ Reduction in Product Development

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

Energy-Saving Designs for Office Equipment
The multifunction office device imageRUNNER ADVANCE CX3 3rd Edition is fitted with a range of features that contribute to increased efficiency in office operations, including a human sensor that activates automatic recovery from sleep mode and reduced waiting time for sleep mode recovery. Meanwhile, the imageRUNNER ADVANCE CS550F III pursues energy-efficient design through features such as on-demand fixing technology, a newly developed main controller, and a newly developed toner designed for optimal melt characteristics. These features enable it to achieve approximately 47% reduction in CO₂ emissions during customer use compared to the imageRUNNER ADVANCE CS550F. It thus manages to combine improved product functions with reduced CO₂ emissions. Meanwhile, the A4 monochrome laser multifunction device Satera MF521dw boasts a sleep mode recovery time of 4 seconds or less, approximately 50% faster than the previous Satera MF511dw model. In this way, it not only contributes to more efficient office operations, but also realizes a reduction of approximately 17% in TEC value.*

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

Reference: Canon Eco Technology Park
https://web.canon.jp/eco/library-class/index.html (Japanese website only)

For inquiries on educational visits and related matters, please contact us through the website shown above.)
Helping Customers Reduce Their Environmental Impact

Using the Carbon Offset Program (Japan)

To enable customers to select products with lower CO\textsubscript{2} emissions, we strive to disclose relevant information and are also in the process of obtaining carbon footprint (CPF) certification under the Japan Environmental Management Association for Industry’s CPF communication program.

Additionally, by utilizing the Carbon Offset Program making use of CPF\* promoted by the Ministry of Economy, Trade and Industry, we have been able to realize products with practically zero lifecycle CO\textsubscript{2} emissions. With some of these products, such as the imageRUNNER ADVANCE series and the imagePRESS equipment, customers can report to the authorities, based on the Act on Promotion of Global Warming Countermeasures (Japan), that they do not produce the CO\textsubscript{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 2018 totaled 27,777 t-CO\textsubscript{2}.

Carbon Offsets Linked to Customer Demand (Cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative t-CO\textsubscript{2}</td>
<td>7,780</td>
<td>14,954</td>
<td>21,117</td>
<td>24,572</td>
<td>27,777</td>
</tr>
</tbody>
</table>

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


Contributing to CO\textsubscript{2} Reduction Across the Whole of Society

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

CO\textsubscript{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 SG\textsuperscript{*}, the group has worked to reduce energy consumption by undertaking a thorough-going review of operating conditions at production facilities, for instance by cutting out excess use of pressurized air and cooling water and adjusting air conditioner settings.

Measures that prove effective are adopted for horizontal rollout to Japan and overseas production sites.

Meanwhile, staff from a dedicated department at Head Office carry out energy-efficiency diagnosis on visits to production sites and suppliers all over the world. There, they check the operating status and settings of production equipment and then use their observations to make improvements to the operating efficiency of facilities and equipment and provide staff with relevant on-site training.

In the four years since the launch of the Group’s energy cost reduction initiative, it has resulted in a Group-wide energy saving of 95,650KL (crude oil equivalent).

* The SG is an operational improvement methodology for problem-solving. It is based on “genryu” and “genbutsu” “genryu,” which are the foundation of decision making, to the well-known SGs — the actual site “genbutsu” in person and recognize the actual facts “genryu.” Through the actual parts of things “genbutsu,” the SGs base in from the five Japanese terms, all of which start with “gen.”

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

Greenhouse Gas Emissions at Operational Sites

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions per unit of consolidated sales (1,000 t-CO\textsubscript{2})</td>
<td>967</td>
<td>935</td>
<td>422</td>
<td>410</td>
<td>395</td>
</tr>
</tbody>
</table>

Cumulative Energy Saving Through Working Group Activities

* Canon’s calculation of total greenhouse gas emissions calculation of energy-derived greenhouse gas CO\textsubscript{2} and non-energy-derived greenhouse gas PFCs, SF\textsubscript{6}, N\textsubscript{2}O, methane, and HFCs. Through 2016, conversion to CO\textsubscript{2} is made using annual coefficients for each region. Coefficients supplied by Japan’s Ministry of the Environment and the Federation of Electric Power Companies of Japan are used for site activities in Japan, and coefficients supplied by the International Energy Agency (IEA) are used for site activities outside Japan.

In 2018, the reduction of energy consumption by 2,033 GWh in Japan, and 7,114 GWh in overseas production facilities, which achieves a yearly reduction of 2,033 MW\textsubscript{h} in electric power consumption.

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### Increasing Use of Renewable Energy

Use of Renewable Energy Suited to Regional Characteristics

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

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

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

- **2014:** 80,227 MWh
- **2015:** 83,986 MWh
- **2016:** 88,084 MWh
- **2017:** 90,087 MWh

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### CO2 Reduction in Logistics

In order to reduce CO2 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-shipments from production sites, and shortening routes by consolidating distribution centers. Modal shift initiatives have also been extended to the field of industrial equipment. As one example, after successfully resolving issues associated with the effects of vibration and heat, we have switched from truck to rail for the distribution of parts for flat-panel display (FPD) lithography equipment. This has brought about a large reduction in the volume of CO2 generated by logistics. In addition to these initiatives, to further improve transport efficiency, instead of the traditional one-way transport of containers with cargo, we have been actively pursuing Container Round Use (CRU), which includes not just containers within the Canon Group, but also containers imported by other companies for us to export. We are working with carriers and container transporters to expand the initiative. Also in our overseas sites such as Vietnam, we have been promoting the same initiative.

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

- **2014:** 80,000
- **2015:** 83,598
- **2016:** 88,084
- **2017:** 90,087
- **2018:** 95,000

---

### Contributing to a Circular Economy

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

#### Overview of Container Round Use

**Before**

- Import
- Export

**After**

- Import
- Export

---

#### Resource Recycling at Canon

Canon pursues product-to-product recycling—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.

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#### Product-to-Product Recycling Amounts

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

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#### CANON’S INITIATIVES AND THEIR RELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGs) TARGETS

<table>
<thead>
<tr>
<th>Target 12.2</th>
<th>Target 12.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designing more compact and more lightweight products</td>
<td>Remanufacturing products</td>
</tr>
<tr>
<td>Target 12.3</td>
<td>Target 12.6</td>
</tr>
<tr>
<td>Recycling consumables</td>
<td>Reducing waste through prevention, reuse and recycling</td>
</tr>
<tr>
<td>Target 12.4</td>
<td>Target 12.5</td>
</tr>
<tr>
<td>Using sustainable water resources</td>
<td>Target 6.3</td>
</tr>
<tr>
<td>Target 6.4</td>
<td></td>
</tr>
</tbody>
</table>

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#### Flowchart of Canon’s Circular Economy

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

**Product-to-Product Recycling Amounts**

<table>
<thead>
<tr>
<th>Product</th>
<th>Amount (cumulative total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toner cartridges</td>
<td>23,342 tons</td>
</tr>
<tr>
<td>Office multifunction devices</td>
<td>15,941 tons</td>
</tr>
</tbody>
</table>

---

#### CANON RECYCLING SITES WORLDWIDE

- **Japan**
- **Europe**
- **Americas**
- **China**
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 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.

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

Product Development Aimed at Efficient Use of Resources

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

To assist these efforts in the design stage we formulated the Environmentally Conscious Design Guidance, which covers an array of considerations, including product-related environmental laws and regulations, Green Public Procurement standards, and environmental label standards in the countries where we sell our products. The Environmentally Consciously Design Guidance contains a wide variety of design guidelines relating to such matters as recycling-conscious design by making products longer-lived, and easier to maintain, ease of disassembly, ease of sorting materials following disassembly, and information disclosure.

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

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

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

Remanufacturing in progress.

Remanufacturing in progress.

Remanufacturing in progress.

Remanufacturing in progress.

Remanufacturing in progress.
Collection and Recycling of Ink Cartridges

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

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

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

### Total Waste Generated

- **Total waste generated (outside Japan, exc. assets)**
- **Total waste generated (outside Japan, exc. assets)**
- **Waste per unit of consolidated sales**

### Used Ink Cartridge Collection Volume (Cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (Cumulative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>0</td>
</tr>
<tr>
<td>2000</td>
<td>100</td>
</tr>
<tr>
<td>2005</td>
<td>1,500</td>
</tr>
<tr>
<td>2010</td>
<td>2,000</td>
</tr>
<tr>
<td>2015</td>
<td>2,500</td>
</tr>
<tr>
<td>2016</td>
<td>3,000</td>
</tr>
<tr>
<td>2017</td>
<td>3,500</td>
</tr>
<tr>
<td>2018</td>
<td>4,000</td>
</tr>
</tbody>
</table>

### Initiatives to Reduce Waste

#### 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.

#### Making Efforts to Improve Material Yield

- To make efforts to improve material yield so as to reduce material wastage as part of initiatives across the whole of the supply chain.

### Aiming for Sustainable Water Resources

#### Water Risk in Regions Where Canon Production Sites Are Located

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

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

- **Low risk**
- **Medium risk**
- **High risk**
- **Extremely high risk**

### Water Recycling at Production Sites

Canon promotes the recycling of water resources.

The Kitakyushu P. Ota Canon Materials Inc. is located on Beppu Bay, home to precious natural resources and habitats. In consideration of the impact on the ecosystem, the plant employs a closed wastewater system that discharges nothing but rainwater.

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

### Use of Water Resources

- **Volume of water resources used in Japan**
- **Volume of water resources used outside Japan**

### Aiming to Reduce Water Use

- By improving production processes and raising water-usage efficiency at each operating site.

### Water Recycling at Production Sites

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

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

In January 2018, China introduced a ban on the import of waste plastics and used paper under the National Sword policy. Subsequently, moves to adopt the import ban have spread to southeast Asian nations, notably Malaysia and Thailand.

To curtal as far as possible the generation of waste plastics, used paper, and other waste materials outsourced, Canon works with production sites to further improve the accuracy of separation processes and to expand in-house recycling through in-process recycling measures. We will also be making efforts to improve material yield so as to reduce material wastage as part of initiatives across the whole of the supply chain.

### The Results of Our Evaluations

- The results of our evaluations show that no regions where Canon has production sites are considered to be extremely high risk.
- Approximately 40% of the water resources consumed by Canon are utilized in the production process.

### Value of Our Water Use

- The efficiency of our water use, we are working to reduce its environmental impact.
Eliminating Hazardous Substances and Preventing Pollution

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

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

<table>
<thead>
<tr>
<th>Initiatives</th>
<th>SDGs Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminating hazardous substances and preventing pollution</td>
<td>Target 12.4</td>
</tr>
<tr>
<td>Managing chemicals contained in products, meeting international standards</td>
<td>Target 12.4</td>
</tr>
<tr>
<td>Managing chemical substances in production processes</td>
<td>Target 12.4</td>
</tr>
<tr>
<td>Reducing discharges into the air, water and soil</td>
<td>Target 12.4</td>
</tr>
<tr>
<td>Green supply chain</td>
<td>Target 12.4</td>
</tr>
<tr>
<td>Prohibiting the use of prohibited substances</td>
<td>Target 6.3</td>
</tr>
</tbody>
</table>

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 chemical substances," for which we are working to control chemical substances into three categories: “prohibited substances” which cannot be used in products; “controlled chemical substances” which cannot be used in products; and “controlled chemical substances” which cannot be used in products.

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

Following the amendment of the European Union’s RoHS Directive, from July 22, 2019, the use of 4 phthalates (DEHP, BBP, DBP, DIBP) will be restricted in electrical and electronic equipment sold on the EU market. These substances are in general use as plasticizers for improved flexibility and moldability, for instance in the covering of electric power cables.

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

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

Proactive Contribution to International Standards for Transmitting Information on Chemical Substances

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

Manufacturing 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 flammability 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.

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

- Controlled chemical substances (Japan)
- Controlled chemical substances (outside Japan)
- PRTR substances (Japan)
- PRTR substances (outside Japan)

The table below shows the amounts of chemical substances in and out of Japan.

<table>
<thead>
<tr>
<th>Substance</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEHP</td>
<td>452</td>
<td>440</td>
<td>0</td>
<td>452</td>
<td>440</td>
</tr>
<tr>
<td>BBP</td>
<td>334</td>
<td>332</td>
<td>330</td>
<td>328</td>
<td>326</td>
</tr>
<tr>
<td>DBP</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>DIBP</td>
<td>158</td>
<td>158</td>
<td>158</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>Total</td>
<td>897</td>
<td>888</td>
<td>888</td>
<td>888</td>
<td>888</td>
</tr>
</tbody>
</table>

The table shows the amounts of chemical substances designated by the PRTR System.

Managing Environmental Substance Information

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

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

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

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

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

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 flammability 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.

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

Reducing Use and Emissions of Controlled Chemical Substances

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

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

Concerning Safety in the Use of Asbestos, as well as specified greenhouse gases (PFC/HFC/SF6), other soil and groundwater pollutants, and substances that significantly impact people’s health.

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

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

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.

regally 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 2018, 13 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 5 capacitors and transformers and 1,922 fluorescent ballasts in storage. This PCB waste is processed sequentially by Japan Environmental Storage & Safety Corporation (JESSCO).

Status of Soil and Groundwater Clean-up Activities*

<table>
<thead>
<tr>
<th>Operational Site</th>
<th>Substances</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shimamato</td>
<td>Trichloroethylene, etc.</td>
<td>Water quality measurement</td>
</tr>
<tr>
<td>Ushimotayama parking lot 1</td>
<td>Trichloroethylene, etc.</td>
<td>Pumping, water quality measurement</td>
</tr>
<tr>
<td>Toride</td>
<td>Trichloroethylene, etc.</td>
<td>Pumping, excavation and elimination, water quality measurement</td>
</tr>
<tr>
<td>Bandow</td>
<td>1,1-dichloroethylene, etc.</td>
<td>Pumping, covering, water quality measurement</td>
</tr>
<tr>
<td>Nagahama Canon</td>
<td>Hexavalent chromium and its compounds</td>
<td>Covering, water quality measurement</td>
</tr>
<tr>
<td>Canon Components</td>
<td>Mercury and its compounds</td>
<td>Covering</td>
</tr>
</tbody>
</table>

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

Contributing to a Society in Harmony with Nature
We launched the Canon Bird Branch Project, which highlights the “Cycle of Life,” as one of the various activities based on our Biodiversity Policy that we promote worldwide.

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

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*
• Acquiring 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
In addition to the above, we publicly disclose the traceability of materials used in Canon products (or OEM products) and their packaging that are subject to timber product regulations in each country.
Group Initiatives to Conserve Biodiversity
Canon Bird Branch Project
Biodiversity refers to the way living things interact as they coexist on earth. Within this sphere, birds occupy the top position in a local ecosystem pyramid of plants, insects, and small animals, symbolizing the cycle of life. In line with this concept, Canon promotes the Bird Branch Project as a symbol of the activities it conducts based on its Biodiversity Policy.

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

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

Canon Group Initiatives to Conserve Biodiversity

Canon Bird Branch Project

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

Canon Canada Branch Out
Canon Canada celebrated the fifth anniversary of Branch Out in 2018. The program gives employees at all levels the opportunity to help create green spaces and sustainable environments in their local communities. Branch Out began as a tree-planting program in 2014, and has evolved to include a wide range of sustainability activities, including cleaning up parks, rivers and shorelines, removing invasive plant species, restoring habitats and constructing turtle shelters. All employees from Canon Canada’s 13 offices, from Toronto to Quebec City and Vancouver, are encouraged to participate, sparing a few hours from their work schedule to volunteer. Over the past five years, employees have volunteered more than 8,000 hours in 45 locations across the country. Their achievements so far include planting more than 33,000 trees, removing 2,600 m² of non-native vegetation and restoring nearly 650 m² of shoreline.


Cleaning invasive plant species

Installing a nesting box at Canon’s Kawasaki Office

Action to protect the marine ecosystem

Data Summary

Data on CO₂
Total GHG Emissions by Scope (t-CO₂)

<table>
<thead>
<tr>
<th>Scope</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1</td>
<td>176,894</td>
<td>169,974</td>
<td>164,769</td>
<td>174,342</td>
<td>160,439</td>
</tr>
<tr>
<td>Scope 2</td>
<td>1,059,561</td>
<td>992,380</td>
<td>955,338</td>
<td>963,185</td>
<td>965,720</td>
</tr>
</tbody>
</table>

* Figures for 2018 obtain third-party verification.

Data on Energy

Energy Consumption by Region in 2018

<table>
<thead>
<tr>
<th>Region</th>
<th>Electricity</th>
<th>Gas</th>
<th>Crf</th>
<th>Other (steam, wide area heating and air conditioning)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>4,625</td>
<td>1,429</td>
<td>251</td>
<td>36</td>
</tr>
<tr>
<td>Americas</td>
<td>407</td>
<td>155</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Europe</td>
<td>342</td>
<td>189</td>
<td>409</td>
<td>65</td>
</tr>
<tr>
<td>Asia and Oceania (except Japan)</td>
<td>392</td>
<td>87</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,298</td>
<td>1,839</td>
<td>695</td>
<td>176</td>
</tr>
</tbody>
</table>

* Electricity includes the amount generated by renewable energy sources.
* Figures obtain third-party verification.

Use of Renewable Energy by Region in 2018

<table>
<thead>
<tr>
<th>Region</th>
<th>Electric power</th>
<th>Geothermal power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>259</td>
<td>0</td>
</tr>
<tr>
<td>Americas</td>
<td>6,654</td>
<td>0</td>
</tr>
<tr>
<td>Europe</td>
<td>37,894</td>
<td>18</td>
</tr>
<tr>
<td>Asia and Oceania (except Japan)</td>
<td>196</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>85,003</td>
<td>18</td>
</tr>
</tbody>
</table>

Data on Waste

Recovery Volume by Type of Waste in 2018

<table>
<thead>
<tr>
<th>Type of Waste</th>
<th>Type of Recovery Treatment</th>
<th>Recovery Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper</td>
<td>Cardboard, paper used by office equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.</td>
<td>24,103</td>
</tr>
<tr>
<td>Plastics</td>
<td>Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.</td>
<td>22,401</td>
</tr>
<tr>
<td>Metals</td>
<td>Raw materials for metals, roadbed materials, etc.</td>
<td>31,393</td>
</tr>
<tr>
<td>Oils, acids and alkalis</td>
<td>Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.</td>
<td>12,272</td>
</tr>
<tr>
<td>Sludge</td>
<td>Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.</td>
<td>7,945</td>
</tr>
<tr>
<td>Wood</td>
<td>Construction boards, bedding for plants, pulp materials, fuels, fertilizers, etc.</td>
<td>5,669</td>
</tr>
<tr>
<td>Glass and ceramics</td>
<td>Glass materials, roadbed materials, cement, metal materials, etc.</td>
<td>360</td>
</tr>
<tr>
<td>Others</td>
<td>Construction aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.</td>
<td>10,673</td>
</tr>
<tr>
<td>Total</td>
<td>114,817</td>
<td></td>
</tr>
</tbody>
</table>

Landfill Amount of General Waste Generated by Business Activities (t)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General landfill waste generated by business activities</td>
<td>2,382</td>
<td>2,188</td>
<td>2,343</td>
<td>2,105</td>
<td>1,962</td>
</tr>
</tbody>
</table>
### Atmospheric Emissions

#### SOx and NOx Emissions

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOx</td>
<td>0.7</td>
<td>0.7</td>
<td>0.6</td>
<td>1.2</td>
<td>1.1</td>
</tr>
<tr>
<td>NOx</td>
<td>67.8</td>
<td>65.6</td>
<td>62.1</td>
<td>61.7</td>
<td>56.1</td>
</tr>
</tbody>
</table>

### Data on Water Resources

#### Total Wastewater Discharge

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>4,084</td>
<td>4,122</td>
<td>4,108</td>
<td>4,491</td>
<td>4,377</td>
</tr>
<tr>
<td>Outside Japan</td>
<td>3,751</td>
<td>3,744</td>
<td>3,433</td>
<td>3,306</td>
<td>3,086</td>
</tr>
</tbody>
</table>

#### Wastewater Amount by Discharge Route in 2018 (1,000m³)

<table>
<thead>
<tr>
<th></th>
<th>Rivers</th>
<th>Sewerage System</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>996</td>
<td>3,381</td>
<td>4,377</td>
</tr>
<tr>
<td>Outside Japan</td>
<td>693</td>
<td>2,393</td>
<td>3,086</td>
</tr>
<tr>
<td>Total</td>
<td>1,689</td>
<td>5,774</td>
<td>7,463</td>
</tr>
</tbody>
</table>

### Water Consumption in 2018 by Type (1,000m³)

<table>
<thead>
<tr>
<th>Type</th>
<th>Public Water</th>
<th>Industrial Water</th>
<th>Groundwater</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,632</td>
<td>2,530</td>
<td>1,365</td>
<td>5,527</td>
</tr>
<tr>
<td>Outside Japan</td>
<td>3,227</td>
<td>726</td>
<td>244</td>
<td>4,198</td>
</tr>
<tr>
<td>Total</td>
<td>4,859</td>
<td>5,256</td>
<td>1,609</td>
<td>11,725</td>
</tr>
</tbody>
</table>

* Figures obtain third party verification.

### Data on Chemical Substances

#### Substances Canon No Longer Uses

- Ozone-Depleting Substances
  - Chlorofluorocarbons (CFCs), 15 types
    - Date Eliminated: December 1992
  - 1,1,1-Trichloroethane
    - Date Eliminated: October 1993
  - Hydrochlorofluorocarbons (HCFCs), 34 types
    - Date Eliminated: October 1995

- Greenhouse Gases
  - Perfluorocarbons (PFCs): December 1999
  - Hydrofluorocarbons (HFCs): December 1999

- Soil Contaminants
  - Trichloroethylene
    - Date Eliminated: December 1996
  - Dichloro methane (for cleaning)
    - Date Eliminated: December 1997
  - Dichloro methane (for thin film coating)
    - Date Eliminated: October 2003

*1 Excludes use in semiconductor manufacturing
*2 Discontinued use in Japan in December 2001

### Amount of Chemical Substances in 2018 (kg)

<table>
<thead>
<tr>
<th>Substance Name</th>
<th>Statutory No.</th>
<th>Emissions Volume</th>
<th>Transfer Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-butyl acrylate</td>
<td>7</td>
<td>156,333</td>
<td>5,533</td>
</tr>
<tr>
<td>2-aminoethanol</td>
<td>20</td>
<td>13,476</td>
<td>13,128</td>
</tr>
<tr>
<td>Antimony and its compounds</td>
<td>31</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ethylene</td>
<td>53</td>
<td>15,100</td>
<td>15,100</td>
</tr>
<tr>
<td>Ferric chloride</td>
<td>71</td>
<td>2,679</td>
<td>2,679</td>
</tr>
<tr>
<td>Xylene</td>
<td>80</td>
<td>145,612</td>
<td>145,612</td>
</tr>
<tr>
<td>Monochlorobenzene</td>
<td>125</td>
<td>48,381</td>
<td>48,381</td>
</tr>
<tr>
<td>Methyl chloride</td>
<td>128</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1,4-dioxane</td>
<td>150</td>
<td>642</td>
<td>642</td>
</tr>
<tr>
<td>Diphenylamine</td>
<td>202</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>N,N-dimethylformamide</td>
<td>232</td>
<td>366</td>
<td>366</td>
</tr>
<tr>
<td>Styrene</td>
<td>240</td>
<td>135,949</td>
<td>135,949</td>
</tr>
<tr>
<td>Tetrachloroethylene</td>
<td>259</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1,2,4-trimethylbenzene</td>
<td>296</td>
<td>642</td>
<td>642</td>
</tr>
<tr>
<td>Toluene diisocyanate</td>
<td>298</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toluene</td>
<td>299</td>
<td>70,094</td>
<td>70,094</td>
</tr>
<tr>
<td>1,2,4-trimethylbenzene</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toluene diisocyanate</td>
<td>306</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nickel</td>
<td>308</td>
<td>1,555</td>
<td>1,555</td>
</tr>
<tr>
<td>Nickel compounds</td>
<td>309</td>
<td>2,767</td>
<td>2,767</td>
</tr>
<tr>
<td>Pyrocatechol</td>
<td>343</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Phenol</td>
<td>349</td>
<td>2,618</td>
<td>2,618</td>
</tr>
<tr>
<td>Hydrogen fluoride and its water-soluble salts</td>
<td>374</td>
<td>542</td>
<td>542</td>
</tr>
<tr>
<td>Water-soluble salts of phosphoric acid</td>
<td>395</td>
<td>1,487</td>
<td>1,487</td>
</tr>
<tr>
<td>Poly (oxyethylene) octylphenyl ether</td>
<td>408</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Manganese and its compounds</td>
<td>412</td>
<td>226</td>
<td>226</td>
</tr>
<tr>
<td>Methylisocyanate</td>
<td>438</td>
<td>670</td>
<td>670</td>
</tr>
<tr>
<td>Methylene (4,1-phenylene) diisocyanate</td>
<td>448</td>
<td>16,022</td>
<td>16,022</td>
</tr>
</tbody>
</table>

### VOC Emissions in 2018 (kg)

<table>
<thead>
<tr>
<th>Substance Name</th>
<th>Statutory No.</th>
<th>Emissions Volume</th>
<th>Transfer Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-butyl acrylate</td>
<td>7</td>
<td>55,333</td>
<td>55,333</td>
</tr>
<tr>
<td>2-aminoethanol</td>
<td>20</td>
<td>13,476</td>
<td>13,128</td>
</tr>
<tr>
<td>Antimony and its compounds</td>
<td>31</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Ethylene</td>
<td>53</td>
<td>15,100</td>
<td>15,100</td>
</tr>
<tr>
<td>Ferric chloride</td>
<td>71</td>
<td>2,679</td>
<td>2,679</td>
</tr>
<tr>
<td>Xylene</td>
<td>80</td>
<td>145,612</td>
<td>145,612</td>
</tr>
<tr>
<td>Monochlorobenzene</td>
<td>125</td>
<td>48,381</td>
<td>48,381</td>
</tr>
<tr>
<td>Methyl chloride</td>
<td>128</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1,4-dioxane</td>
<td>150</td>
<td>642</td>
<td>642</td>
</tr>
<tr>
<td>Diphenylamine</td>
<td>202</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>N,N-dimethylformamide</td>
<td>232</td>
<td>366</td>
<td>366</td>
</tr>
<tr>
<td>Styrene</td>
<td>240</td>
<td>135,949</td>
<td>135,949</td>
</tr>
<tr>
<td>Tetrachloroethylene</td>
<td>259</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1,2,4-trimethylbenzene</td>
<td>296</td>
<td>642</td>
<td>642</td>
</tr>
<tr>
<td>Toluene diisocyanate</td>
<td>298</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toluene</td>
<td>299</td>
<td>70,094</td>
<td>70,094</td>
</tr>
<tr>
<td>1,2,4-trimethylbenzene</td>
<td>300</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Toluene diisocyanate</td>
<td>306</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nickel</td>
<td>308</td>
<td>1,555</td>
<td>1,555</td>
</tr>
<tr>
<td>Nickel compounds</td>
<td>309</td>
<td>2,767</td>
<td>2,767</td>
</tr>
<tr>
<td>Pyrocatechol</td>
<td>343</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Phenol</td>
<td>349</td>
<td>2,618</td>
<td>2,618</td>
</tr>
<tr>
<td>Hydrogen fluoride and its water-soluble salts</td>
<td>374</td>
<td>542</td>
<td>542</td>
</tr>
<tr>
<td>Water-soluble salts of phosphoric acid</td>
<td>395</td>
<td>1,487</td>
<td>1,487</td>
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<td>448</td>
<td>16,022</td>
<td>16,022</td>
</tr>
</tbody>
</table>
Environmental Accounting
Calculations performed according to the Environmental Accounting Guidelines (2005 edition) issued by Japan’s Ministry of the Environment.

Environmental Conservation Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>Details of Key Activities</th>
<th>2018 Revenue (Billions of yen)</th>
<th>2018 Cost (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Business Area Cost</td>
<td></td>
<td>2.37</td>
<td>8.39</td>
</tr>
<tr>
<td>Details</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Pollution Prevention Cost</td>
<td>Art, water and soil pollution prevention, etc.</td>
<td>1.43</td>
<td>4.32</td>
</tr>
<tr>
<td>2. Global Environmental Conservation Cost</td>
<td>Prevention of global warming, energy conservation, efficient logistics, etc.</td>
<td>0.86</td>
<td>1.72</td>
</tr>
<tr>
<td>3. Resource Circulation Cost</td>
<td>Efficient resource use, waste reduction, sorting, recycling, etc.</td>
<td>0.09</td>
<td>2.35</td>
</tr>
<tr>
<td>(2) Upstream / Downstream Cost</td>
<td>Green procurement initiatives, product recycling*, etc.</td>
<td>0.11</td>
<td>7.10</td>
</tr>
<tr>
<td>(3) Administration Cost</td>
<td>Environmental education, environmental management system, tree planting,</td>
<td>0.04</td>
<td>3.95</td>
</tr>
<tr>
<td></td>
<td>information disclosure, environmental advertising, personnel, etc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) R&amp;D Cost*</td>
<td>R&amp;D for reducing environmental impact</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>(5) Social Activity Cost</td>
<td>Contributions to organizations, sponsorships, memberships, etc.</td>
<td>0.01</td>
<td>0.13</td>
</tr>
<tr>
<td>(6) Environmental Remediation Cost</td>
<td>Soil remediation</td>
<td>0.0</td>
<td>0.04</td>
</tr>
<tr>
<td>(7) Other</td>
<td>Other environmental protection-related costs</td>
<td>0.02</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>2.55</td>
<td>19.61</td>
</tr>
</tbody>
</table>

* In connection with the recycling of used products, expense for product collection, storage, sorting, alignment, etc.
*2: Ipsen for basic research on environmental technology

Environmental Conservation Benefit

<table>
<thead>
<tr>
<th>Details of Benefit</th>
<th>Environmental Protection Indices</th>
<th>Index Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit Related to Business Area Cost</td>
<td>Energy conservation (t-CO2)</td>
<td>38,189</td>
</tr>
<tr>
<td>Benefit Related to Upstream / Downstream Cost</td>
<td>Recycled resources volume (t)</td>
<td>114,817</td>
</tr>
<tr>
<td>Benefit Related to Upstream / Downstream Cost</td>
<td>Product energy conservation amount (1,000 t-CO2)*3</td>
<td>2,945</td>
</tr>
<tr>
<td>Benefit Related to Upstream / Downstream Cost</td>
<td>Recovery of used products (t)*4</td>
<td>65,840</td>
</tr>
</tbody>
</table>

*3 CO2 reduction resulting from energy conservation technologies in electrophotographic multifunction devices and laser printers.
*4: Amount of recovered copying machines, cartridges, etc. (including outsourcing material recycling and thermal recovery).

Economic Benefit Associated with Environmental Conservation Activities

<table>
<thead>
<tr>
<th>Details of Benefit</th>
<th>2018 Revenue (Billions of yen)</th>
<th>2018 Cost (Billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Details of Benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>Sales revenue from waste recycling</td>
<td>2.43</td>
</tr>
<tr>
<td>Cost Reduction</td>
<td>Reduction in energy costs from energy conservation</td>
<td>1.83</td>
</tr>
<tr>
<td></td>
<td>Reduction from green procurement</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Reduction in waste handling costs from resource conservation and recycling</td>
<td>1.52</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5.78</td>
</tr>
</tbody>
</table>

Product Standards Compliance
2018 Standards Compliance for Environmentally Conscious Products

<table>
<thead>
<tr>
<th>Copying Machines / Multifunction Device (MDIS)</th>
<th>Law on Promoting Green Purchasing (Japan)</th>
<th>Eco Mark (Japan)</th>
<th>International ENERGY STAR Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/30 (100%)</td>
<td>30/30 (100%)</td>
<td>30/30 (100%)</td>
<td></td>
</tr>
</tbody>
</table>

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

2018 Standards Compliance for Consumables

<table>
<thead>
<tr>
<th>Toner Cartridges</th>
<th>Law on Promoting Green Purchasing (Japan)</th>
<th>Eco Mark (Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ink Cartridges</th>
<th>Law on Promoting Green Purchasing (Japan)</th>
<th>Eco Mark (Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>40/40 (100%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.
* No new toner cartridges were released for sale in 2018.
Management Approach
Work as a good corporate citizen to help realize a better society

Why It Matters

The wave of globalization that has swept the world since the fall of the Berlin Wall in 1989 has prompted many firms in the manufacturing industry to internationalize management structures and establish operations overseas. The expansion of the global economy, however, has caused various societal issues to emerge, including increases in poverty and inequality along with a range of labor-related problems. Yet the wave of globalization is expected to continue going forward. Deriving around 80% of sales outside Japan, Canon has extensively globalized its business activities. In developing business globally, the important thing is to manage operations in accordance with local and regional cultural practices, behavioral norms and modes of thinking.

For instance, global utilization of head office employment systems would not necessarily work well overseas. While working to expand our business globally, we think it makes sense to follow the local or regional cultural and workplace customs when creating management structures and running operations. “Respect for people” has been part of Canon’s corporate philosophy since its founding in 1937. As our business developed globally, in 1988 we established Kyosei as the foundational philosophy that would guide our business activities. Kyosei refers to the aspiration of creating a society in which all people, regardless of race, language or culture, live and work together harmoniously for the common good into the future. Undertaking multifaceted initiatives to respond to people and society is thus an essential part of ensuring the sustainable growth of a business.

We believe this thinking is also consistent with the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 as a set of targets for global society to achieve through collective action. In recent years, the media have highlighted various instances of corporate malfeasance, including poor product quality and falsified test data, sparking increased customer concerns about manufacturers. Canon is fully committed to ensuring the safety and usability of its products. We regard continuous efforts to create high added value and gain the trust of customers as the duty of a manufacturer, so we will do our utmost to fulfill the expectations of all stakeholders.

Canon’s Approach

Recognizing “Responding to People and Society as a Good Corporate Citizen” as an essential materiality theme, Canon undertakes a broad range of related business initiatives. Within this, we are developing activities as outlined below to respond to heightened stakeholder expectations in recent years in the areas of “Human Rights and Labor,” “Product Responsibility,” and “Social Contribution.”

For “Human Rights and Labor,” we are working to ensure all employees across the Canon Group can enjoy workplaces in which individuals with varied backgrounds and values are respected and each employee feels secure and highly motivated to work. Our initiatives in this area are divided into the subthemes of “Respecting Human Rights,” “Hiring and Treatment of Human Resources,” “Diversity and Inclusion,” “Occupational Safety and Health Support,” and “Human Resource Development and Personal Growth” (→P97).

On the issue of “Product Responsibility,” we are seeking to build customer trust by focusing on the areas of “Quality Management,” “Ensuring Product Safety,” and “Improving Product Usability” (→P113).

For “Social Contribution,” Canon is developing activities that utilize in-house technology, business expertise and human resources covering the fields of “Humanitarian Aid and Disaster Relief,” “Environmental Conservation,” “Social Welfare,” “Local Communities,” “Education and Science,” and “Art, Culture and Sports” (→P112).

Continuous Risk/Opportunity Appraisal

With ESG (environment, social and governance) increasingly used in corporate valuation, there is a growing expectation that companies will cultivate meaningful links with society in their business activities, and with local communities especially. When companies neglect to do this, it often leads to erosion of customer trust. Recognizing this risk, we view sincere initiatives in “Responding to People and Society as a Good Corporate Citizen” as a key factor behind sustainable business growth.

Based on this thinking, we identify the following risks and opportunities in the three fields mentioned previously.

Human Rights and Labor

Situations where human rights are overlooked can significantly damage a company’s reputation. These include any discrimination related to race, religion, nationality, gender, or age; any harmful or disrespectful behavior such as harassment; and any case in which overwork damages the health of an employee. In mitigating such risks, we believe it is important to create a workplace environment that allows each employee to utilize their unique strengths and viewpoints leads to more business opportunities, allowing the company to realize sustained growth.

Product Responsibility

Quality issues that affect customer safety can have a negative financial impact on the business or erode trust in the brand. Conversely, supplying products of high quality that meet customer needs while also developing innovative technologies to satisfy emerging requirements can yield immense growth opportunities.

Social Contribution

Poverty, educational inequality and other social issues can affect corporate recruitment capabilities, while also posing a risk to the growth of global markets. Canon seeks not only to reinvest business profits into local communities, but also to develop a wide range of activities to address issues faced by these communities. Besides building trust, these social contribution activities are essential to sustainable development.
Human Rights and Labor

- Respecting Human Rights
  - We continued to work throughout the Canon Group to create workplaces that are free of discrimination and harassment.
- Hiring and Treatment of Human Resources
  - We continued to focus on initiatives for making workplaces more attractive by upgrading employee welfare programs and facilitating better work-life balance.
- Diversity and Inclusion
  - We continued to focus on initiatives that support workplace diversity, including efforts to promote the active participation of women, LGBT persons and other sexual minorities at work; support local recruitment across all Canon Group operational sites; and create disabled-friendly workplaces.
- Occupational Safety and Health Support
  - We continue to reinforce efforts to eliminate workplace accidents across Canon Group sites in Japan, based on the Canon Occupational Health and Safety Management System introduced in 2017. Labor and management continue to cooperate in ensuring workplace safety and supporting the health of workers, maintaining an environment in which every employee can work with peace of mind.
- Human Resource Development and Personal Growth
  - Ongoing human resource development initiatives include the Canon Leadership Development Program, which was introduced in 2017 with the aim of cultivating the next generation of leaders within the company.

Product Responsibility

- Quality Management
  - Our continued efforts to eliminate quality issues are led by a company-wide committee. Chaired by the President of Canon Inc. and including management executives from each business group, this committee focuses on improving product quality from the development stage. In addition, we continue to promote quality training for all employees and expand awareness-raising activities.
- Ensuring Product Safety
  - At Canon, our internal QA management standards go beyond legal and regulatory requirements as a guarantee of safety and peace of mind to our customers. This approach also means ensuring that we can evaluate product safety thoroughly and accurately.
- Improving Product Usability
  - We are continually focused on a range of initiatives to improve the usability of products, services and apps. These include field-testing and interviews to gain customer feedback, an in-house product tester system, and evaluations by usability experts.

Social Contribution

Canon is engaged in a variety of social contribution activities to help address community-specific social issues and create environments in which all people can lead satisfying lives.

Overview of Material Issues and Activities in 2018
Human Rights and Labor

Management Approach

Canon respects the diversity of employees, and aims to create workplaces in which employees can express their individuality and work with a sense of worth and achievement.

Canon’s Approach

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

Based on kyosei, Canon strives to create a workplace environment that fosters mutual respect among its ethnically and culturally diverse workforce.

In addition to working to ensure full compliance with laws and regulations of various countries and regions.

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

In addition, in the Canon Group CSR Basic Statement (→P41), we clarify our intent to comply with the laws and regulations of various countries and regions.

Prohibiting Discrimination

The Canon Group Code of Conduct (→P33) prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds.

The Code of Conduct has been translated into many languages and given out to Group executives and employees inside and outside Japan.

Preventing Harassment

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

In addition to sexual harassment and power harassment, Canon Inc.’s employment rules and Harassment Prevention Provisions prohibit other forms of harassment, including maternity harassment, which was added to legislation in Japan in 2017. These provisions have been disseminated throughout the Canon Group companies in Japan, and many have instituted similar rules based on them.

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

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

In addition, we periodically conduct employee awareness training to assist employees with skills improvement.

Educating Employees on Harassment Prevention

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

Canon Inc. conducts harassment-prevention training for executives, managers and managerial candidates. The aim is to develop measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. In 2018, the number of participants in Japan totaled 314. Additionally, training was provided for 29 executives and managers returning from overseas postings.

The same training program will be held for staff in charge of Harassment Hotlines at Group companies, who will then 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.

Respecting Basic Workers’ Rights,
Including Freedom of Association

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

In addition, in the Canon Group CSR Basic Statement (→P41), we clarify our intent to comply with the laws and regulations of various countries and regions.
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." In line with its human resource measures, Canon is building a corporate culture that encourages an entrepising 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.

Hiring and Retaining Talent
Canon seeks to hire and retain talent that can drive globalization and innovation in its businesses with the ultimate goal of sustainable growth. With this in mind, we follow a uniform policy for hiring, job placement and human resource development.

In 2018, Canon Inc. and Group companies in Japan embarked on a vigorous recruitment program, resulting in the hiring of 1,153 employees in total. Canon also has established various programs and systems, such as a career matching system (P108) to support the continued employment of each and every employee so that they remain motivated and can maximize their skills and abilities over the long term. We regularly conduct employee surveys and work to improve employee satisfaction. Thanks to these initiatives, Canon Inc. boasts one of the highest retention rates in the industry. As part of maintaining high job satisfaction, regular employee surveys are conducted by Canon U.S.A., Canon Europe and Canon Group sales companies based in Asia.

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

Canon China actively promotes local employees to managerial positions as part of developing business operations. Local appointees occupied 76% of all managerial positions across the region in 2018, up from 38% in 2013.

Creating Local Employment Opportunities at Production Bases
In order to help stimulate local communities and economies through job creation, we focus on local employment when establishing or expanding production bases.

For example, Canon Prachinburi (Thailand), which started operations in 2013, has hired approximately 4,900 people locally, and Canon Business Machines (Philippines) employs approximately 5,600 local residents (as of December 31, 2018).

In addition, our production bases in Asia have created over 60,000 local jobs since 2007. Canon ensures that its employees are paid substantially more than the local minimum wage.

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 contribute to a more comfortable retirement. 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.

Fair and Impartial Compensation System
Salary Link to Duties and Performance
Canon Inc. has introduced a position-based pay system to evaluate and compensate individuals fairly and impartially, regardless of gender or age.

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

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

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

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

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

For example, at Canon Inc., we encourage workplaces to ban overtime in principle and to review work practices. We have also taken measures such as encouraging employees to take paid leave. Annual hours worked per employee were 1,737 in 2018, a reduction of 62 hours compared with the equivalent figure of 1,799 hours in 2010 when we initiated efforts to reduce working hours.
### Flexible Work Styles

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

#### Promoting Flexible Work Styles

Canon Inc. has a number of leave programs that enable employees to take time off flexibly to respond to their personal circumstances. These include a time-unit leave program in 30-minute increments that is available for reasons such as childcare, injury or illness, as well as an open vacation program in which employees can take five consecutive days of vacation once per year. Such programs are designed to promote a flexible approach to working.

In April 2018, we launched the sixth phase of the action plan outlined in the table on the following page. This phase spans the three-year period to March 2021.

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### 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 childcare leave programs that enable employees to take leave until their child reaches the age of three, and a system for reducing work hours to support childcare, making it possible for employees to reduce their workday by up to two hours until their child has finished the third grade of primary school.

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

We provide various support systems to help employees caring for aged relatives, including nursing care leave, sympathy money, and a system for reducing work hours to support nursing care, enabling employees to reduce their workday by up to two hours a day to fulfill family care responsibilities.

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

**| Action Plan | Measures | Results as of the End of 2018 |
---|---|---|---|
| (1) Promote use of work-life balance programs with aim of raising participation rate. | 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 42 hours compared to 2010*4. |
| (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 throughout Japan the following community contribution activities for children: (1) Unique tutorial program for children, including lessons on life-crafting and environmental education outreach programs (2) Junior Photographers photography classes (3) Support for girls soccer (Canon Girls-eight, Canon Girls-Camp) (4) Tag rugby lessons and rugby lessons, etc. |

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*1 VIVID: Vital workforce and value innovation through Diversity, a company-wide horizontally integrated organization for promoting diversity (*F108).

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### Minimum Notification Period for Changes in Work Duties

Canon Inc. has established a minimum notification period clause within its labor agreement to ensure that personnel transfers do not negatively impact the lives of employees.

Employees receive official notice of personnel transfers at least two weeks in advance for temporary assignments and at least one week for other types of transfers.

Employees who need to relocate due to the transfer are officially notified up to four weeks in advance. Additionally, Canon Group companies inside and outside Japan have established minimum notification periods in accordance with the laws and regulations of the countries and regions where they operate.

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**Canon will continue to implement changes based on mutual understanding and trust with the Canon Workers’ Union in its pursuit of continuous development.**

* The Canon Workers’ Union consists of employees from Canon Inc., Canon Marketing Japan, Yukatahara Canon and Canon-Materials.

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### Worker-Management Relations

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

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

Additionally, special committees have been established to consider wages, working hours, safety and health issues, and benefit programs. Based on these conferences, new systems are established and policies enacted. As of the end of 2018, combined employee membership in the Canon Workers’ Union totaled 27,103, representing 81% of Canon Inc.’s workforce.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers’ Union Conference (Canon Inc. representatives also attend). This conference brings together 19 Group workers’ unions and executives from 21 Group companies. In 2018, reports on the current situation of both labor and management throughout the Group as a whole were presented. As of the end of 2018, there were approximately 55,000 employees in unions that belonged to the Canon Group Workers’ Union Conference.

In accordance with the labor laws of each country and region in which we operate, Canon continuously maintains proper labor relations based on thorough dialogue between labor and management at Group companies outside Japan.
Diversity and Inclusion

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

### Policy on Respecting Diversity

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

In 2012, Canon Inc. established Vital workforce and Value Innovation through Diversity (ViViD), a company-wide, horizontally integrated organization to promote diversity, headed by the Executive Vice President.

#### Policies

- Respecting diversity as an important issue, promote the introduction of new systems across the Canon Group, seeking to replace existing systems, and strive to change employees’ thinking and awareness of diversity issues.
- Review 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 interdepartmental exchanges of information on diversity promotion activities to help identify/develop role models and encourage wider adoption of optimal workplace conditions.

### Promoting the Active Participation of Women

As part of promoting diversity, Canon strives to create a workplace environment in which female employees can make active contributions.

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

Additionally, we are using our company intranet to post interviews with various people, including employees who have remained active in balancing their work with various life events, managers who support their activities, and male employees who have taken childcare leave.

Other initiatives include roundtables where female managers talk about their own life experiences, and back-to-work seminars where employees who have returned after childcare leave review case studies with their managers.

### Career Support for Women

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

At Canon Inc., we organize leadership training for women as part of efforts to develop female candidates for managerial positions. Using the theme of developing a new business proposal, the training provides an opportunity to develop leadership skills, including awareness, agenda setting, and persuasiveness. Since its launch in 2012, a total of 154 women have completed the leadership training and are playing active roles in their workplaces, including at overseas locations. Partly as a result of these measures, the number of female managers had risen to 111 in 2018, compared with 58 in 2011.

We also provide lectures and interviews with female executives to create opportunities for raising awareness around working with passion and balancing work with life events.

Meanwhile, Group companies in Japan are also promoting a range of initiatives to encourage active roles for women, including seminars to support women’s career development, roundtable discussions and surveys to gauge awareness, and career training and courses for women who have returned from childcare leave.

In addition, to support higher levels of male participation in key life events, we publish interviews with, and organize seminars by, men who have taken paternity leave.

Handbooks on related programs have also been distributed.

Each group company shares its activity plans and outcomes at meetings of company presidents, which have been held annually since 2016. For example, at Canon Finetech Nisca Inc., a manufacturing cell comprising only employees on reduced work hours has been established in response to feedback from a roundtable meeting of executives and female employees. In this manufacturing cell, innovative approaches to information sharing and multi-skills development have advanced, and a culture has emerged in which workers on reduced hours help one another, helping to boost motivation.

### LGBT+ Inclusion

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

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

In other initiatives, in 2018 Canon invited a guest speaker to address a diversity seminar aimed at promoting understanding around various sexualities and expressions, and insight into communicating with members of sexual minorities. Over 100 employees attended.

### Utilizing the Abilities of Veteran Employees

Canon Inc. makes full use of the wealth of knowledge and skills of its veteran staff. In 1977, Canon Inc. was one of the first companies in Japan to set its retirement age at 65. 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 interviews for re-employment posts.

Further, we raised the age limit for re-employment to 65 in 2007. As of the end of December 2018, there were 1,207 retired employees in total.

Meanwhile overseas, Canon U.S.A. for example has launched a project called Women in Leadership Levels (WILL) to support the participation of women through a variety of opportunities, including networking events, lectures and mentoring. Moreover, Canon India has held a series of “Ladies Power Lunch” events since 2016, to enable female employees from various divisions to discuss issues with the CEO. These events enabled direct communication of the company’s expectations of female employees, boosting their motivation, while enabling management to grasp the kind of support required for female career development, resulting in various revisions to maternity leave system regulations.

### 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 disabled people and ensure reasonable consideration at each site include providing individual consultations and personalized assistance or instruction during evacuation training drills and disaster preparedness training. In 2018, Canon Inc. established a dedicated internal unit and took other measures to bolster support for helping employees with disabilities to settle into their workplaces.

Since 2004, Canon Inc. and Canon Group companies in Japan have organized training courses and created educational modules to ensure workplaces are attentive to the needs of the hearing impaired. The training includes providing knowledge of hearing disorders and introducing sign language to help promote a smooth work flow. A total of 693 people participated in this training up to and including 2018.

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*1 The principle of normalization: According to the World Programme of Action concerning Disabled Persons adopted by the United Nations in 1982, society is a makeup of many different types of people and is normal for people with and without disabilities to exist 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 Goyau Welfare Association with the aim of promoting employment for persons with intellectual disabilities.
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. Chaired by the senior executive in charge of OSH, the committee establishes policies and plans regarding safety and health primarily at Group companies within Japan, while also promoting the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire and disaster prevention, and the creation of pleasant workplaces. Overseas, mainly at production bases in Asia, we conduct safety and health activities with consideration given to specific circumstances in each region and at each company.

Occupational Safety
Creating Workplaces Where Employees Feel Safe and Secure
Canon Inc. and Group companies in Japan strive to create workplaces that are safe and secure. Currently, we are working on the following priority initiatives.

Priority Initiatives for 2018
1. Entrench the Canon Group Occupational Safety and Health Management System
2. Promote greater machine safety
3. Prevent accidents through enhanced promotion of risk assessment

Entrenching the Canon Group Occupational Safety and Health Management System
We are expanding the Canon Group Occupational Safety and Health Management System in an effort to promote autonomous safety and health activities at each of our operational sites in Japan. System requirements are based on the International Standard Occupational Safety and Health Management System (OHSMS) of the Japan Industrial Safety and Health Association (JISHA) and reflect Canon’s standards and rules. Canon Group companies in Japan that employ the system are working to cultivate best practices across all sites based on reciprocal supervision as well as develop measures to tackle a variety of issues.

Promoting Greater Machine Safety
We carefully conduct risk assessments, centered primarily on production bases in Japan, according to Canon’s uniform standards. Based on the results, we conduct follow-up checks with the aim of reducing residual risk. We are particularly focused on eliminating serious machinery-related accidents. OSH representatives also conduct a training program for machinery and equipment technology to deepen employee understanding of production machinery and encourage workplaces to promote safer practices together. In addition, we take measures to mitigate accident risks, such as mechanical countermeasures and conducting orientation training.

Preventing Accidents Through Enhanced Promotion of Risk Assessment
Canon’s repeated risk assessments centered on its production bases in Japan enable us to identify operations with a high risk of injury, illness or accident. By taking appropriate measures to mitigate risk and manage residual risks, Canon endeavors to prevent occupational accidents.

To ensure that risk assessments are carried out properly, workplace managers and people in charge of operations and risk assessments undergo training to learn and enhance their understanding of assessment methods according to Canon’s uniform standards. By making regular visits to worksites and reviewing assessments, we work to maintain and enhance the risk management system.

To prevent the risk of illness arising from work that involves exposure to chemical substances, we have established specific procedures for handling chemicals in routine manufacturing operations. We have also introduced a system that achieves uniform standards across the Group for the management of chemical substances, and we strive to ensure they are managed properly at all times.

In addition, for tasks involving heavy manual labor, we have rules for worker safety that place limits on maximum permitted physical loads.

Initiatives to Improve Safety and Health at Overseas Group Companies
Canon is working to implement an occupational safety and health management system overseas, mainly at its production bases, on the same level as in Japan.

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

Health Support
Health Management Based on the “Health First” Principle
Canon believes that initiatives based on the “health first” principle can help individual members of the workforce achieve their full potential. We therefore consider such initiatives a driving force for generating positive results, and systematically promote physical health-support measures.

We conduct various types of medical check-ups and stress checks in line with government regulations. We have established the Group’s internal standards for post-examination measures, and conduct individual follow-up checks as well. To prevent overwork, we coordinate with the health support department and human resources department on appropriate management of working hours. All employees with potential health issues have consultations with and receive instruction from a doctor according to certain standards, and we strive to prevent health issues or respond to them as soon as possible when they occur.

Employees of Canon Inc. and Canon Group companies in Japan have access to a website that brings together a range of health-related information. We also actively collaborate with the Health Insurance Union on effective measures to deal with medical fees, with a focus on preventing progression of lifestyle diseases. Canon Inc. and Group companies in Japan are working on the following priority initiatives.

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

Education and Awareness Activities for All Employees by Age Group
As an awareness-raising and educational activity tailored to different age groups, Canon Inc. provides health-related information every month on the company intranet for all employees. The information includes e-learning and individual mails to raise awareness, and is targeted at specific age groups. We also conduct campaigns to promote nutrition, exercise, and rest.

Measures for Achieving Mental Health Through Self-Care
To promote comprehensive mental health measures in Japan, Canon conducts a variety of programs. These incorporate four core guidelines: self-care, care from workplace supervisors, care from occupational health staff, and care from organizations outside Canon. The programs also promote three prevention guidelines: primary prevention, (preventing illness and improving health), secondary prevention (early detection and appropriate treatment), and tertiary prevention (support for return to work, prevention of recurrence). In recent years, we have conducted stress checks and focused attention on employee and manager education and the training of occupational healthcare staff, including human resource staff members.

Measures to Prevent Lifestyle Diseases or Prevent Their Progression
Canon Inc. and Canon Group companies in Japan carry out lifestyle interviews during regular annual medical examinations with the aim of preventing lifestyle diseases. Based on the results of these checks, we have set improvement targets for each company in order to help employees improve their health and prevent the progression of lifestyle diseases that may already be present.

Cancer-Related Measures in Cooperation with Canon Health Insurance Union
Canon works together with the Canon Health Insurance Union based on the three prevention guidelines and strives to raise awareness of cancer screening and to maintain an environment that makes it easy for employees to undergo screening.

Expansion of Health Management Programs at Group Companies Outside Japan
Canon conducts various health management programs at its Group companies outside Japan as part of its health promotion initiatives for employees. Each Group company also actively conducts its own initiatives suited to its characteristics and needs.
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 387 operational sites* worldwide as of the end of 2018, the globalization of Canon’s operations is proceeding apace. Against this backdrop, we are stepping up training to develop human resources with leadership abilities that can be utilized on the international stage.

Enhancing Senior Leadership at Group Companies Outside Japan

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

Vitalizing Human Resources Through International Assignments

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

CGAP is an international personnel dispatch policy shared by our Group companies, and personnel assignment policies in each respective region are based on it. Combining these policies allows us to further promote personnel exchanges and to share basic philosophies and structures, while providing for flexibility in dealing with the cultural 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 management candidates from Asia.

As of the end of 2018, a total of 1,262 employees were deployed on international assignments under these programs.

Global Training for Young Employees

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

For example, the Asia Trainee Program enables recruits who are 30 years old or younger to engage in practical study at local companies in Asia. The program started in 1995, and by the end of 2018, a total of 113 employees had taken part. The program sends trainees to countries and regions where languages other than English are used on a regular basis in professional settings, and they engage in about six months of language training at a local university, then spend about one year gaining practical experience at Asian affiliates.

Meanwhile, the Europe–US Trainee Program dispatches young employees to Europe and the United States.

Started in 2012, the program had thus far provided training to a total of 60 employees, up to the end of 2018. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program.

The Overseas Study Program for Technicians is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire skills that they can use to contribute to Canon’s core businesses in the future. This program began in 1984, and up to the end of 2018, a total of 116 employees had participated in the program, studying at universities abroad. In line with our strategy to improve our R&D organization in the United States and Europe, we plan to select several employees each year for overseas study.

Fostering Experts in Various Fields

Development of Human Resources in Engineering

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

For example, Canon Inc. has training systems in place for each of its specializations, including machinery, electronic, optics, materials, and software, to support the development of next-generation human resources in engineering.

A committee for the development of engineering human resources has been set up for each of the five core specializations noted above. These committees develop rank-based training programs, from new hires to junior engineers and all the way up to veteran leaders, as well as conduct courses and carry out other initiatives. We also offer training in specialized areas not represented by these committees, such as analytical technology.

In 2018, a total of 179 programs were held in these specializations, with 5,192 engineers from Group companies in Japan taking part.

Furthermore, in 2018 Canon Inc. established the Canon Institute of Software Technology (CIST) to cultivate software engineers. The institute makes it possible to undertake systematic and continuous human resource development, from increasing the skills of the engineers in charge of developing software for our products to providing foundational training for new employees and those seeking to work in a new field.

Development of Global Human Resources in Manufacturing

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

In 2018, a total of 630 employees working at 10 overseas production bases took part in 74 training programs organized by the Monozukuri Advancement Center.

In order to promote training at overseas sites, Canon also focuses on instructor-development training that seeks to develop instructors for technological and technical skills training as well as workplace management training. In 2018, instructor-development training was held on 23 occasions, with a total of 89 employees participating.

A technical skills testing program, following the same standards as in Japan, has also been established at overseas sites. In 2018, testing was carried out for seven types of work skills, including injection molding, board mounting, and pressing, at a total of nine sites in Thailand, Vietnam, China, and Malaysia, with 392 employees participating.

Canon’s Human Resource Development System

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

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

For the development of management personnel, we assess candidates at each level of management for suitability prior to promotion and provide training before and after promotion under the Canon Leadership Development Program (LEAD). This program is designed to help candidates switch to a management-oriented mindset and develop their leadership abilities while also reinforcing other strategic and practical capabilities.

Our goal is to further reinforce efforts to systematically cultivate the next generation at Canon, concentrating on the development of management personnel as well as personnel for global, technological, and manufacturing roles.

On average, Canon Inc. employees spent about 19 hours in training in 2018. Related training costs per employee incurred by Canon amounted to ¥184,000.

Canon Inc.’s Career Development Support Programs

- Regular Performance and Career Reviews

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

When discussing the evaluation, supervisors offer advice and guidance on improving results and the employee’s conduct. This enables employees to objectively understand their own strengths and weaknesses, which aids them in achieving further growth. Supervisors also use this information in future development plans for the employee.
Canon Inc. has established an internal career matching system to support its employees in pursuing satisfying careers. The system matches the right people to the right jobs, promotes internal mobility of human resources, and brings greater vitality to the company. In 2018, 180 employees were transferred through this system.

Since 2016, we have been providing a trainee-style career matching system featuring a combination of training and internal recruitment. Employees who wish to take on new work challenges in a field where they have no experience can receive training opportunities to gain requisite skills, and take up a position based on their skill level.

Other Career Development Support

To support career development for employees who are highly motivated for self-development, Canon Inc. provides a full complement of training, events, and e-learning programs. Some were held at weekends and others were held after work during the campaign period to promote work-life balance*. In 2018, participants in these programs exceeded 3,600.

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

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 Master Craftsmen 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.

Data Summary (As of December 31, 2018)

### Number of Canon Group Employees

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<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>69,201</td>
<td>68,325</td>
<td>72,913</td>
<td>73,665</td>
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<td>Europe</td>
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<td>Asia and Oceania</td>
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<td>78,785</td>
<td>80,089</td>
<td>80,040</td>
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<td>Total</td>
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<td>189,571</td>
<td>197,673</td>
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### Breakdown of Employees (Canon Inc.)

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<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Employees</td>
<td>26,409</td>
<td>26,360</td>
<td>26,264</td>
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<td>25,891</td>
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<td>By Gender</td>
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<td>Male</td>
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<td>By Age Group</td>
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<td>Under 30</td>
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<td>By Classification or Contract Type</td>
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<td>Regular Employees</td>
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<td>Non-regular Employees*</td>
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### Number of New Hires and Employees Leaving the Company (Canon Inc.)

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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newly Hired Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>377</td>
<td>368</td>
<td>316</td>
<td>472</td>
<td>520</td>
</tr>
<tr>
<td>Female</td>
<td>86</td>
<td>81</td>
<td>70</td>
<td>106</td>
<td>142</td>
</tr>
<tr>
<td>Total</td>
<td>463</td>
<td>449</td>
<td>386</td>
<td>578</td>
<td>662</td>
</tr>
<tr>
<td>Employees Leaving the Company/Turnover Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees Leaving the Company</td>
<td>228</td>
<td>291</td>
<td>281</td>
<td>369</td>
<td>442</td>
</tr>
<tr>
<td>Turnover Rate (%)</td>
<td>0.9</td>
<td>1.1</td>
<td>1.1</td>
<td>1.5</td>
<td>1.8</td>
</tr>
</tbody>
</table>

### Breakdown of Executives (Canon Inc.)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>41</td>
<td>43</td>
<td>46</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>Female</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

### Composition of Executives by Age (Canon Inc.)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>50s</th>
<th>60s</th>
<th>70s</th>
<th>80s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>21</td>
<td>20</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
**Comparison of Canon's Minimum Wage to Local Minimum Wage**

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>U.S.</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Minimum Monthly Wage</td>
<td>147,750 yen</td>
<td>1,257 dollars</td>
<td>1,770 renminbi</td>
</tr>
<tr>
<td>Canon’s Minimum Monthly Wage</td>
<td>167,900 yen</td>
<td>1,257 dollars</td>
<td>1,770 renminbi</td>
</tr>
<tr>
<td>Ratio Compared to Local Minimum Wage</td>
<td>114%</td>
<td>133%</td>
<td>142%</td>
</tr>
</tbody>
</table>

* Figures represent wages for leading manufacturing companies in each region, not average wages.

**Base Salary and Total Salary per Employee by Gender (Canon Inc.)**

<table>
<thead>
<tr>
<th></th>
<th>Female : Male</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Pay</td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>100 : 106</td>
</tr>
<tr>
<td>Non-Management Employees</td>
<td>100 : 117</td>
</tr>
<tr>
<td>Total Pay</td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>100 : 106</td>
</tr>
<tr>
<td>Non-Management Employees</td>
<td>100 : 121</td>
</tr>
</tbody>
</table>

* 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.)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Hours Worked, Canon Inc.*</td>
<td>1,751</td>
<td>1,762</td>
<td>1,721</td>
<td>1,735</td>
<td>1,737</td>
</tr>
</tbody>
</table>

* Regular/post-retirement employee survey data (Canon Inc.).

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taking Childcare Leave</td>
<td>168 (22)</td>
<td>184 (30)</td>
<td>186 (43)</td>
<td>186 (43)</td>
<td>216 (76)</td>
</tr>
<tr>
<td>Taking Maternity Leave</td>
<td>144 (7)</td>
<td>142 (10)</td>
<td>132 (4)</td>
<td>122 (11)</td>
<td>130 (9)</td>
</tr>
<tr>
<td>Working Reduced Hours due to Pregnancy</td>
<td>27</td>
<td>34</td>
<td>30</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>Taking Nursing Care Leave</td>
<td>6</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Using Reduced Work Hours for Nursing Care</td>
<td>13</td>
<td>9</td>
<td>15</td>
<td>11</td>
<td>14</td>
</tr>
</tbody>
</table>

* Number of employees in that year using the system for the first time.
* Number of male employees.
* Childcare support includes leave and financial support for fertility treatment.

---

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Returning Employees</td>
<td>132 (22)</td>
<td>169 (30)</td>
<td>185 (37)</td>
<td>164 (38)</td>
<td>210 (79)</td>
</tr>
<tr>
<td>Return Rate (%)</td>
<td>100</td>
<td>100</td>
<td>97.3</td>
<td>98.2</td>
<td>98.6</td>
</tr>
<tr>
<td>Retention Rate (%)</td>
<td>98.4</td>
<td>99.4</td>
<td>98.8</td>
<td>97.3</td>
<td>98.2</td>
</tr>
<tr>
<td>Returning from Childcare Leave</td>
<td>13</td>
<td>9</td>
<td>18</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Number of Returning Employees</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>87.5</td>
</tr>
</tbody>
</table>

---

**Numbers and Frequency of Occupational Accidents (Canon Inc., Key Group Companies in Japan)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accidents Requiring Time off Work</td>
<td>19</td>
<td>25</td>
<td>18</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Frequency Rate (%)</td>
<td>0.20</td>
<td>0.25</td>
<td>0.18</td>
<td>0.22</td>
<td>0.24</td>
</tr>
<tr>
<td>Severity Rate (%)</td>
<td>0.018</td>
<td>0.017</td>
<td>0.006</td>
<td>0.006</td>
<td>0.009</td>
</tr>
<tr>
<td>Frequency Rate for the Manufacturing Industry (%)</td>
<td>1.06</td>
<td>1.06</td>
<td>1.15</td>
<td>1.02</td>
<td></td>
</tr>
<tr>
<td>Severity Rate for the Manufacturing Industry (%)</td>
<td>0.09</td>
<td>0.06</td>
<td>0.07</td>
<td>0.08</td>
<td></td>
</tr>
</tbody>
</table>

* Frequency rate indicates the prevalence of occupational fatalities and injuries per 1 million working hours.
* Severity rate indicates the degree of the disaster with the labor loss days per 1,000 total of working hours.
* The frequency rate and severity rate for the manufacturing industry for the year ended March 2019 has not been published as of April 2019.
Product Responsibility

Management Approach

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

Canon’s Approach

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

In addition to these, our parent company, Canon Inc., and its affiliated companies launched activities across the company. Through these initiatives, we have been working to promote greater accessibility in Canon products worldwide by ensuring customers can use them easily and with confidence.

These initiatives include designing product manuals to make them easier to understand and actively adopting Universal Design principles in product development.

Related SDGs

Canon’s various activities relating to product responsibility contribute to the achievement of SDG 12, “Ensure sustainable consumption and production patterns.”

Quality Management

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

Approach to Quality

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

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

Quality Assurance System

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

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

Supplementing the vertically integrated activities of each business division to solve division-specific quality issues, in 2017, Canon Inc. established a committee to focus on improving quality at the product development stage. Chaired by the President and including members from top management of each business division, this body has launched activities across the company. Through these activities, management will share quality-related issues and actively promote shared problem-solving among businesses.

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’s basic mission when it comes to quality is to ensure that customers have “no claims, no trouble.”

We focus particular attention on product safety training.

In addition to training that broadly covers product safety, such as product safety regulations, chemical safety regulations, product liability laws, and substantial safety technology, we also conduct a condensed product safety-training course for new employees covering topics from these courses. Canon Inc. conducts e-learning activities to promote thorough understanding of the Voluntary Action Plan for Product Safety on an ongoing basis.

We customized a training program for each division, taking into account specific situations and issues needing to be addressed, and also actively conduct on-site training.

Furthermore, since it is important that employees have a clear understanding of the Canon way of thinking at all companies within the Canon Group, including overseas offices, we created multilingual versions of the Canon Quality Introductory Guidebook, 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.

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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.

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We also provide safety-related education, such as safety criteria when making repairs or exchanging parts, to Group companies involved with product sales, repair, and service.

In 2018, these training courses were held a total of 11 times. Courses on accident-prevention strategies, which began in 2016, were held a total of eight times in 2018.

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

Voluntary Action Plan Based on the Basic Policy on Product Safety
Canon believes one of its most important missions as a manufacturer is to provide safe products that offer peace of mind and satisfaction. With this in mind, we formulated a Basic Policy on Product Safety that Group companies in Japan strictly adhere to. Moreover, based on this policy, Canon Inc. and Group companies in Japan formulate and follow individual Voluntary Action Plans for Product Safety suited to their business format, working to ensure product safety while remaining customer-focused. Moreover, we comply fully with government laws and notices, and have developed a system for immediate reporting, for example, in the unlikely event of an accident involving one of our products.

2018 Activities Scorecard for Canon Inc.
- Management review by the president based on the Voluntary Action Plan for Product Safety (conducted annually since 2008)
- Revised six-in-house standards documents, including standards for product and chemical safety
- Continued efforts to raise awareness among customers about smoke emission from counterfeit batteries and the safe handling of electric cords and plugs, etc.
- Continued implementation of product safety training and emphasis on the importance of product safety during basic training on quality
- Continued implementation of updated e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety

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

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

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-corbustible 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 and UL*3, enabling certified testing to be carried out in-house according to highly precise measurement standards. Specifically, Canon is equipped with the industry’s leading testing technology, including semi-anechoic chambers for EMI testing that are among the largest and best in Japan, a verification laboratory for testing the fire safety and ignition propensity of large products, shielded rooms, and semi-anechoic chambers for acoustic noise testing. In addition to EMC testing*4, Canon is able to conduct in-house all testing necessary for applying for Blue Angel*5 certification.

Safety Assessments of Chemical Substances Released from Products
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)*6 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.

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

We consider protection of our customers and the environment to be of the highest priority. We are currently reviewing our processes and promoting efficiency through automation in order to shorten the assessment period.

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

*1 ISO: International Organization for Standardization, a non-governmental organization that formulates international industrial and commercial standards.
*2 IEC: International Electrotechnical Commission, an international standardization group that formulates standards on electrical and digital technologies.
*3 UL: Underwriters laboratories, Inc., a company that conducts independent testing and certification of the safety of products that pass its assessment tests based on its own product safety standards established to standard function and safety.
*4 EMC: Electromagnetic Compatibility testing: Consists of testing for electromagnetic interference caused by a product or its power source that may affect the operation of other equipment, and testing for electromagnetic susceptibility of the product itself that may result in malfunction.
*5 Blue Angel: Launched in Germany as the world’s first environmental labeling (recycling) system.

Safety Assessment Initiatives
Safety Assessments of Chemical Substances

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.
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.

Qualification System for Electronic Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component, including integrated circuits and various electronic parts, to ensure products are safe and reliable. We have developed our own in-house quality certification system for electronic parts.

When selecting parts under this system, we evaluate reliability and structural soundness in accordance with standards for each type of part, ultimately using only electronic parts that meet these standards of quality.

In recent years, the market environment has undergone significant changes, including the consolidation or closure of electronic part manufacturers and the relocation of plants. In response, 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

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.

Software Security and Response to Vulnerabilities

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

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

In 2018, Canon began implementing a Secure Development Process designed to allow accurate risk assessments about security risks in product development. We also introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement at the time of product release approval. This parameter sheet is now used at Canon Inc. for vulnerability verification processes.

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

Enhancing After-Sales Service Worldwide

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

Utilizing Feedback from Market Data Analysis in Product Improvements

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

The system currently covers 29 countries and regions in Japan, the Americas, Europe, Asia, and Oceania.
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 Assurance Center, legal division, and public relations division are consulted concerning response measures, and the matter is reported to the chairman/president. When notification is made to customers via a company notice or Canon websites, we provide instructions to each marketing subsidiary in regions where the relevant product is sold, and, as a general rule, simultaneously release the information worldwide.

**Flowchart of Countermeasures to Quality Issues**

When issue arises → When major issue arises → Information disclosure

<table>
<thead>
<tr>
<th>Customer</th>
<th>Marketing subsidiaries in each country</th>
<th>Information disclosure</th>
<th>Response</th>
<th>Inquiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canon</td>
<td>Quality assurance division of products operation</td>
<td>Chief Executive</td>
<td>Senior General Manager</td>
<td>Chairman/President</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Global Quality Management Center</td>
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<td></td>
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<td>Approval</td>
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<td></td>
<td>Confirmation of response measures</td>
</tr>
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<td></td>
<td>Share information with clarifying countermeasures</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>when the relevant product is sold, and, as a general</td>
</tr>
</tbody>
</table>

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**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 Assurance 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.

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**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.”

**Ensuring Inherent Usability**

For example, we conduct user-centric testing of displays, audible alerts, and voice guidance in our product controls, and check the extent to which terminology, icons, and other features match the perceptions of customers, so as to evaluate usability, accessibility, safety, comfort, and other criteria. Information obtained via such testing is valuable in the development of more user-friendly products.

Moreover, aiming to encourage efforts in universal design, Canon established a universal design policy and a company-wide Universal Design Project (UDP). Based on the policy and project, we prepared a booklet that addresses the physical characteristics of users and various issues that arise during product use, and distributed it to all development divisions. We also created pamphlets and set up a website to inform customers about the UDP initiatives under way at Canon.

**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.

**Product Accessibility**

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

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

Similar legislation is now being developed in Europe as well. Canon is committed to regularly gathering the latest information, and to developing products that are compliant with the accessibility requirements of each country.

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

Management Approach

Under its corporate philosophy of kyosei and through community relationships, Canon seeks to find solutions to issues faced by communities around the globe.

Canon’s Approach

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

The spirit of contributing to society has been a part of Canon’s corporate culture since its founding. Based on the philosophy of kyosei, and in line with the Canon Group CSR Activity Policy (→P42), we seek to meet social expectations by engaging in activities tailored to characteristics and issues of regions worldwide. This involves drawing on Group resources such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources.

Besides reinvesting business profits into local communities, we are committed to addressing social issues not only to strengthen trust with the communities where we develop business, but also because we believe such activities are essential to sustainable development.

Related SDGs

Canon’s social contribution activities assist to achieve the following SDGs.

<table>
<thead>
<tr>
<th>SDG 1</th>
<th>SDG 2</th>
<th>SDG 3</th>
<th>SDG 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER17</td>
<td>ER18</td>
<td>ER19</td>
<td>ER20</td>
</tr>
</tbody>
</table>

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

Canon Europe has been promoting its Mirasha Programme, a social investment initiative in Africa, since December 2014. Mirasha 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 Mirasha Programme has so far provided training to more than 4,800 workshop participants. Canon has also organized a training program to develop local photographers and video producers as Canon-accredited trainers for the Mirasha Programme. In 2018, a total of 10 people were accredited as Canon Certified Mirasha trainers, with one becoming a Canon Group employee.

Young People Programme Harnesses the Power of Positive Visual Storytelling

As part of helping to realize a sustainable society, Canon Europe is developing the Young People Programme (YPP) to provide workshops that equip young people with the skills and tools to harness the power of positive visual storytelling, focusing on themes related to the Sustainable Development Goals (SDGs). In 2018, the YPP was held in 18 countries, including the UK, Belgium, Nigeria, Germany and Poland. In Germany, local YPP participants displayed their photographic work on panels at the UN-sponsored booth as part of the UN SDG Action Campaign at the German Federal Government open day in Berlin on August 25-26. Many people visited the booth during the open day weekend event, which attracted over 130,000 visitors.

And, YPP ambassadors Marcin Jankowski and Mashid Mohadjerin joined three student participants from the 2018 YPP to make special photograph and video presentations at the United Nations Framework Convention on Climate Change (COP24) conference held in Katowice, Poland in December 2018.

The 4E’s Project in India

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

As a manufacturer of ophthalmic equipment, Canon is dedicated to making advancements in the field of eye care to assist people with vision impairment. In India, where cataracts are a major cause of visual impairment, it is thought that 80% of such cases are preventable or treatable. Canon India opens vision centers in select villages to give eye examinations and provide treatment. A total of 1,845 people visited these centers in 2018, with 193 receiving free eyeglasses. A further 248 patients were referred for treatment in hospital, with 59 receiving minor surgery.

Sharing CSR Information Through Instagram

From July 2017, Canon began sharing the CSR activities of Group companies using the popular global social media platform Instagram, which is optimized for sharing photos. The photos posted on Canon’s official CSR Instagram account help convey the mood of our CSR activities in each region as well as the enthusiasm of participants. The links between each activity and the SDGs are indicated in the posts to help stimulate a sympathetic response to, and deeper understanding of, our CSR activities.

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Canon Sustainability Report 2019
In addition, mobile treatment centers, known as “eye checkup camps,” made a total of 11 visits to four villages to treat 897 people. Invitation pamphlets were distributed in each village to encourage people to attend to receive treatment. These various activities were recognized in the CSR Leadership Awards organized by UBS Forums, an organization that supplies platforms for leadership development for both individuals and industry.

In 1997 Canon Inc. has organized an annual Charity Book Fair to allow employees of the Canon Group in Japan to donate unwanted books, CDs, and DVDs for sale at an in-house bazaar. The company matches the proceeds generated by the sale, and these funds are donated to organizations supporting education and medical services in Asia. Approximately ¥11.4 million was donated to four NGOs/NPOs in 2018.

In 2018, the Tsuzuri Project created high-resolution facsimiles of select artworks owned by the British Museum. “Birds and Flowers of Autumn and Winter” was donated to Tanzan Shrine (Nara Prefecture) and is now permanently displayed there. “River Festival at Tsushima Shrine” was donated to the cities of Tsushima and Aisai (Aichi Prefecture) and was exhibited in both cities in turn. “Battles of Ichi-no-tani and Yashima, from Tales of the Heike” was donated to the National Center for the Promotion of Cultural Properties (NCPCP), part of the National Institutes for Cultural Heritage and went on display at the Tokyo National Museum.

An eye camp at a school in India

Support for Education in Asia
Canon is helping to support the education of the next generation across Asia.

In China, Canon funds the construction of Canon Hope Elementary Schools to provide local children in disadvantaged regions with educational opportunities. To date, ten schools have been built under this program. Each year, employees of Canon Dalian Business Machines assist with educational activities to broaden the knowledge of students from Hope Elementary Schools, including classes on environmental protection and tours of metropolitan cultural sites. The company also provides financial donations and other assistance. In 2018, activities were provided for Grade 4 students at four schools, and a total of approximately ¥810,000 was raised in donations for three schools.

In Vietnam, targeting schools in regions with lagging infrastructure development, Canon is involved in constructing classrooms and donating items such as desks and chairs. Employees regularly visit recipient schools to assist in the renovation of toilets, bathrooms and other facilities, and to present donations of school supplies. Canon Vietnam also provides scholarships to talented high school and university students from underprivileged families, and organizes bicycle races for students needing to commute long distances. These activities provide Canon employees who volunteer for such projects with valuable opportunities to deepen connections with the community.

Elsewhere, Canon employees can make donations under a matching gift program. For example, since

Light & Color Laboratory Educational Program
Canon Inc. hosts a children’s educational program, Light & Color Laboratory, in partnership with the Japan Science Foundation. The program aims to spark children’s interest in science and technology by providing a place where they can enjoy learning. It explains the science behind the optics and color technologies in Canon products via an entertaining show format featuring various experiments. In 2018, a total of 7,550 children participated in the program.

Preserving Japanese Cultural Assets for the Future Through the Tsuzuri Project
Canon and the Kyoto Culture Association (NPO) launched the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in 2007.

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

The project has been highly acclaimed for both preserving important Japanese cultural assets and making use of high-resolution facsimiles.

Supporting Research Activities that Contribute to the Sustainable Development of Humankind Through the Canon Foundation
The Canon Foundation was established in 2008 with the aim of contributing to the ongoing prosperity and well-being of humankind. Operating completely independent from Canon's business activities, the goal of the foundation is to promote research into science and technology and contribute to its broad development.

The foundation has established two research grant programs, the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, which are open to researchers working at universities and other public research institutions across Japan. Over the past 10 years, the foundation has disbursed a total of 147 research grants totaling ¥2.5 billion.

In 2018, the foundation disbursed 18 grants totaling ¥275 million, comprising 14 Creation of Industrial Infrastructure grants and four Pursuit of Ideals grants for food-related research. Research findings were presented on completion of the grant period, in June for Pursuit of Ideals and in July for Creation of Industrial Infrastructure grants.

The Canon Institute for Global Studies

Pursuing Ideals and in July for Creation of Industrial Infrastructure grants.

The Canon Institute for Global Studies is a non-profit private-sector think tank founded in 1997. The institute disseminates information and to expand its global activities. Focused on three main research areas—macroeconomics; natural resources, energy, and the environment; and foreign affairs and national security—the institute disseminates information and policy proposals based on scientifically valuable research. Symposia, conferences, lectures, and seminars are held to post results, and also to facilitate active discussions between researchers and policymakers among Japan and other countries.

Symposium on healthcare/reform system reform organized by Canon Institute for Global Studies

Canon Institute for Global Studies

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

In this age of globalization, the Canon Institute for Global Studies actively measures Japan’s current position within the global economy and the direction it should take in the future, and then to draw up strategic policy proposals based on analysis of present world situations. The institute brings together researchers with diverse backgrounds in business, academia, and government to exchange ideas and information and to expand its global activities. Focused on three main research areas—macroeconomics; natural resources, energy, and the environment; and foreign affairs and national security—the institute disseminates information and policy proposals based on scientifically valuable research. Symposia, conferences, lectures, and seminars are held to post results, and also to facilitate active discussions between researchers and policymakers among Japan and other countries.

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Reference: Please refer to the Canon Foundation website for the details of FY2018 research grants (https://www.canon-foundation.jp/eng/index.html).

Reference: The Tsuzuri Project
https://global.canon/en/tsuzuri/
The Tsuzuri Project (Cultural Heritage Inheritance Project) has been certified as “Tokyo 2020 Official Programme (Cultural Olympiad)” by the Tokyo 2020 Organising Committee.

Reference: The Tsuzuri Project created high-resolution facsimiles of select artworks owned by the British Museum. “Birds and Flowers of Autumn and Winter” was donated to Tanzan Shrine (Nara Prefecture) and is now permanently displayed there. “River Festival at Tsushima Shrine” was donated to the cities of Tsushima and Aisai (Aichi Prefecture) and was exhibited in both cities in turn. “Battles of Ichi-no-tani and Yashima, from Tales of the Heike” was donated to the National Center for the Promotion of Cultural Properties (NCPCP), part of the National Institutes for Cultural Heritage and went on display at the Tokyo National Museum.

By undertaking joint research with the NCPCP to support the creation of high-resolution facsimiles, and by organizing artwork displays and educational programs with the Tokyo National Museum, Canon hopes to afford many people the opportunity to see these cultural assets and experience a deeper understanding of Japanese culture.

Reference: The Tsuzuri Project
https://global.canon/en/tsuzuri/
The Tsuzuri Project (Cultural Heritage Inheritance Project) has been certified as “Tokyo 2020 Official Programme (Cultural Olympiad)” by the Tokyo 2020 Organising Committee.

Experience-life exhibition of Pine Trees (projection display using high-resolution facsimile)
Collected Data

Focusing on the following six areas, Canon’s social contribution activities seek to meet the needs of communities in countries and regions worldwide (as of December 31, 2018).

<table>
<thead>
<tr>
<th>Major Social Contribution Activities (not including those featured on P122-124)</th>
<th>Overview</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disaster Relief</td>
<td>Canon organizes fundraising activities to help those in regions affected by natural disasters worldwide. In 2018, we donated a total of about ¥31 million in response to disasters such as floods in western Japan and earthquakes in Hokkaido and Taiwan.</td>
<td></td>
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<tr>
<td>Disaster Recovery Support Programs</td>
<td>&quot;Fukushima Community Support&quot; and &quot;Smile for the Future Project&quot; are some of the programs aimed at aiding the suffering and rebuilding communities affected by the Great East Japan Earthquake.</td>
<td></td>
</tr>
<tr>
<td>Cooperation with UN Support Programs</td>
<td>Canon is a special sponsor of the UNHCR Refugee Film Festival, organized annually by UNHCR Representation in Japan and Japan for UNHCR. Canon also participates in &quot;WFP Walk the World,&quot; a charity walk in support of the activities of the Japan Association for the World Food Programme.↑1</td>
<td>↑1 The national partner of UNHCR in Japan. ↑2 The national partner of the World Food Programme (WFP) in Japan.</td>
</tr>
</tbody>
</table>

**Environmental Conservation**

**Environmental Outreach Classes**

Accredited by the Organising Committee of the Tokyo 2020 Olympic, and Paralympic Games as part of the “Tokyo 2020 Official Programme (Sustainability),” these classes teach the importance of recycling by using experiments to sort materials with different characteristics to help promote deeper understanding of environmental issues.

**Social Welfare**

**American Cancer Society**

Since 1998, Canon USA has been a supporter of the American Cancer Society initiative “Making Strides Against Breast Cancer” to raise funds for cancer research. Canon employees participate in walks and other fundraising activities.

**Local Communities**

**Canon Image Bridge Project**

This program involves children from across Asia creating “exchange cards” that include photographs they have taken, along with brief messages. Students from elementary schools in China and Japan took part in 2018 to commemorate the 40th anniversary of Treaty of Peace and Friendship between Japan and the People’s Republic of China.

<table>
<thead>
<tr>
<th>Education and Science</th>
<th>Overview</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canon Junior Photographers</td>
<td>This project organizes photography classes for children on the theme of nature with the aims of raising environmental awareness and fostering richer artistic sensibility.</td>
<td>URL: <a href="https://global.canon/en/jrf-photographers/">https://global.canon/en/jrf-photographers/</a></td>
</tr>
<tr>
<td>Internship Program for Students</td>
<td>This internship program aims to support the career development of students. Canon Inc. offered a total of approximately 1,700 internships to students on administrative, technical or specialist tracks in 2018.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Art, Culture and Sports</th>
<th>Overview</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Cosmos of Photography</td>
<td>This project aims to discover, nurture, and support up-and-coming photographers through exploration of the potential of photographic expression.</td>
<td>URL: <a href="https://global.canon/en/newcosmos/">https://global.canon/en/newcosmos/</a></td>
</tr>
</tbody>
</table>

Investors’ Interest in Sustainability Reporting

Business, investors and other stakeholders increasingly recognize sustainability as both a desirable outcome for society and a powerful framework for delivering economic long-term value. For example, in the last ten years, the interest in responsible investment has grown strongly, a trend which coincides with more global assets managed according to ESG (Environmental, Social and Governance) criteria and the increasing support of shareholders for ESG-related resolutions. Consequently, investors and other stakeholders are increasingly turning their attention to the sustainability reporting of global companies.

Canon has responded to this trend and is shifting towards more integrated reporting, which potentially gives a more coherent representation of the company’s performance in terms of both financial and other value-relevant information. This shift can be recognised in this report, not only in the report’s subtitle or in the editing policy (→P1). Compared to last year’s sustainability report, I see two important related changes: first, more information on the business strategy in the report; and second, a stronger interconnectedness between ESG factors and the business strategy. I focus my commentary on these two main changes and highlight why this information should be relevant for all interested stakeholders, not only for responsible investors.

More Information on Business Strategy

This year’s report shows an increased emphasis on financial aspects and business strategy, most prominently in the CEO’s Message with a more detailed elaboration of the progress in Phase V of the Excellent Global Corporation Plan and the business portfolio transformation (→P4-5). Other examples can be found in the financial highlights with an overview of key financial performance indicators (→P13) or the section on the strategies in the business units (→P19-22).

I greatly welcome this development, since information on the business strategy and portfolio evolution helps the reader to get a better understanding of the core business and the specific decision-making context of Canon. At the same time, I see that information on business strategy is strongly focused on the past periods or near future. In future reports, I would appreciate seeing more details on medium- to long-term goals and targets across economic, social and environmental topics. Canon managed to condense reporting content and reduce the length compared to last year’s report. References to detailed information provided separately could further support the consolidation in future reports.

**Stronger Interconnectedness of Information**

Companies integrating and connecting financial, economic, social and environmental aspects into their core businesses are likely to become more innovative and competitive and recognize new business opportunities. I highly appreciate Canon’s stronger presentation of such connections in this year’s report, for example, in the illustration of the value creation process at Canon (→P15-16) or the clearer illustration of Canon’s relationship to the Sustainable Development Goals (→P17-18). I would like to see even stronger prioritization and more graphical illustrations of the rationale for selection of material topics – such as the materiality matrix in the environmental section (→P62) – as not all material topics are of equal importance. This would also include more information on the strategy and management approach to Canon’s research and development activities to further advance its innovation capacity to contribute to both value creation and sustainability goals, such as climate protection or circular economy.

I am very grateful for the opportunity to be involved in the development process of Canon’s Sustainability Report. This year’s dialogue has been more interactive, involving Canon’s investor relations department for the first time, which I highly welcome. Based on my engagement and review of the report draft, I congratulate Canon and its reporting team for having again managed to significantly enhance the quality and relevance of its sustainability report, not only for investors. I look forward to Canon’s continued advancements towards increased corporate transparency and contributions towards sustainability.
Third-Party Review Process

Introduction
Over the many years that Canon has been providing sustainability reports to its stakeholders, the company has worked to develop its approach to reporting and its relationship with stakeholders. Since 2003, Canon has invited various external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Dr. Justus von Geibler has provided comment to Canon’s reporting every year since 2008. Via a series of video conferences and written comments, he provided input at several points during Canon’s report preparation process. The dialogues provide the basis for a degree of stakeholder engagement with Canon – on reporting, on the company’s performance, and on Canon’s relationships with stakeholders.

Basis for the Commentator’s Opinions
Canon has used the Global Reporting Initiative (GRI) to inform its report development for many years. Since 2018, Canon has incorporated the GRI Sustainability Reporting Standards (2016). This third-party commentary process is once again based on a portion of the GRI’s four Reporting Principles relating to Defining Report Content*.

* A more complete description and guidance is available at https://www.globalreporting.org/standards/g4-standards/download-content/g4-101-four-principles

About Dr. Justus von Geibler
Dr. Justus von Geibler works at the Wuppertal Institute, a leading international sustainability research organization. He co-leads the research unit Innovation Labs in the Sustainable Production and Consumption Division. Based on more than 20 years of professional experience in sustainable assessment and innovation, his research focuses on sustainability standards, sustainability innovations in value chains, stakeholder engagement and open innovation in companies and living labs. He is the author of several books and more than 100 scientific publications.

What Canon and the Commentator Discussed
Through the video conference process and written submissions, Dr. von Geibler and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

Third-Party Opinion

Table: Third-Party Opinion

<table>
<thead>
<tr>
<th>Topics</th>
<th>Third-Party Comment</th>
<th>Canon Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrating sustainability into long-term value creation</td>
<td>The move toward integrated reporting encourages and enables a strengthening of Canon’s views on value creation. This will be further strengthened by a deeper presentation of Canon’s decision-making to achieve financial, economic, social, and environmental outcomes. Canon’s discussion of the value creation process is a positive move in this direction, which can be strengthened in the future by continued reference to the Excellent Global Corporation Plan and other aspects of business strategy, along with more engagement with investors on sustainability and related goals and targets.</td>
<td>Through close communication with stakeholders, including this dialogue, Canon is working to ensure disclosures are aligned with the needs of stakeholders. Alongside internal reviews, we utilize surveys to gauge stakeholder interest in designing “Integrated reporting” framework. This year featured new sections such as “Value Creation Process” and “A History of Value Creation at Canon.”</td>
</tr>
<tr>
<td>Validating and refining the material topics around which the Canon report is framed</td>
<td>Canon has made helpful improvements in the characterization of its materiality themes. Not all materiality topics are of the same importance, and Canon can improve the meaningfulness of the material topics by improving their specificity and determining their priority linked to the company’s business activities. In moving to integrated reporting, the business relevance of materiality themes should be more evident.</td>
<td>We review our materiality themes, taking account of a range of factors, including Canon’s past activities, the business direction as in the medium-term business plan, and society’s position on relevant issues. We disclose our process in “Identifying and Reviewing Materiality.” (–P43) In addition to this, we have created a diagram to illustrate the connections between materiality themes and our business activities from a value-creation perspective in “Canon’s Value Creation Process.”</td>
</tr>
<tr>
<td>Linking to the Sustainable Development Goals (SDGs)</td>
<td>Canon continues to highlight its contributions to the SDGs, as the key global reference for sustainability. Canon should be encouraged to continue to commit its stakeholders about its role in helping to deliver the SDGs over the short-medium- and long-term – in collaboration with governments, civil society and peers in business. There is no single answer to understand the role of a commercial organization in delivering on the SDGs, but Canon would do well to share its thinking with stakeholders from an early stage.</td>
<td>In line with changes in our activities, we review annually the connection between the environmental and social impacts of our business activities and the SDGs. For example, technical development involves not only joint projects with educational and research institutions possessing the latest technology, but also collaborating with other firms in joint development projects. So we consider SDG 17 “Partnerships for the Goal” to be of the highest relevance to Canon’s activities. We also have updated the design of the report to aid identification of those SDGs where our activities have the greatest impact. Moreover, we have introduced the SDGs with links to materiality themes and those where our stakeholders expect Canon to make a meaningful contribution.</td>
</tr>
<tr>
<td>Increasing depth and detail of description of management approach</td>
<td>The sections describing Canon’s management approach are helpful by the inclusion of discussion of relevant risks for each of the specific areas. All sections on management approach should be specified in more detail with regard to goals and targets, specific policies and responsibilities, the means of evaluating performance – across economic, social, and environmental topics.</td>
<td>Whereas previous reports listed the discussion to environment-related risks and opportunities, this year we give a more comprehensive view of materiality themes at Canon. We will try to make further improvements based on the feedback we receive from this dialogue.</td>
</tr>
</tbody>
</table>

In addition, there was extensive discussion of the relevance of integrated reporting for Canon and how to uphold the principles of integrated thinking, management and performance, together with a long-term view of value creation. Dr. von Geibler’s full statement can be found in “Third-Party Opinions” (–P126).

About Sancoft
Sancoft is a sustainability consultancy that works with the world’s biggest brands to improve their environmental and social performance. Sancoft advises on sustainability strategy, resource management, ethical trade, human rights, sustainability reporting and stakeholder engagement. Judy Kuszewski is Sancoft’s chief executive. She is also chair of the Global Sustainability Standards Board, the independent governance committee of the Global Reporting Initiative responsible for GRI’s Sustainability Reporting Standards.
Canon has received third-party assurance from Lloyd’s Register Quality Assurance Limited (LRQA) for GHG emissions, energy consumption and water consumption data within Canon Sustainability Report 2019 for the year 2018.

LRQA Independent Assurance Statement
Relating to CANON Group’s GHG Emissions, Energy Consumption and Water Consumption Data within CANON Sustainability Report 2019 for the calendar year 2018

This Assurance Statement has been prepared for CANON INC in accordance with our contract but is intended for the readers of this Report.

Terms of engagement
Lloyd’s Register Quality Assurance (LRQA) was commissioned by CANON INC (“the Company”) to provide independent assurance on its GHG Emissions, Energy Consumption and Water Consumption Data for the calendar Year 2018 within CANON Sustainability Report 2019 (“the Report”) that is, from 1 January 2018 to 31 December 2018, against the assurance criteria below to a limited level of assurance and at the materiality of the professional judgement of the verifier using ISO 14064-1:2018. "Specification of 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 the Energy Consumption (TJ). Our assurance engagement covered the Company’s operations and activities in Japan and overseas and specifically the following requirements:

- Reviewing conformance with the Company’s reporting methodologies
  - Evaluating the accuracy and reliability of data for the selected environmental indicators listed below: 1
    - Scope 1 GHG emissions (tonnes CO2e)
    - Scope 2 GHG emissions, market based and location based (tonnes CO2e)
    - Scope 3 GHG emissions associated with Categories 1 to 15 (tonnes CO2e)
    - Energy consumption (TJ)
    - Water consumption (m³)

Our assurance engagement evaluated the data and information of the Company’s suppliers, contractors and any third-parties.

LRQA’s responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end-foots. The Company’s responsibility is for collecting, aggregating, analyzing and presenting all the data and information within the Report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LRQA’s Opinion
Based on LRQA’s approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements above
- Disclosed accurate and reliable performance data as no errors or omissions were detected

The opinion expressed is formed on the basis of a limited level of assurance and at the materiality of the professional judgement of the verifier.

Note: The excerpt 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 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.

Third-Party Assurance

LRQA’s approach
LRQA’s assurance engagements are carried out in accordance with our verification procedure and ISO 14064 Part 3. The following tasks though were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company’s data management systems to confirm that there were no significant errors, omissions or mis-statements in the Report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for Internal Verification.
- Interviewing with key people responsible for collecting the data and drafting the report.
- Sampling datasets and tracing activity data back to aggregated levels.
- Verifying the historical GHG emissions, energy consumption and water consumption data and records for the calendar year 2018.
- Visiting CANON INC’s head office in Tokyo, Hitachi plant in Kanagawa Prefecture, Japan and CANON HITECH (THAILAND) LTD. in Thailand to investigate whether the data management systems have been effectively implemented.

Observations
The Company should continue efforts for implementing quality assurance and quality control (QA/QC) systems for the GHG emissions, energy consumption and water consumption data management. This is particularly necessary to ensure effective internal verification processes at both the corporate and member company levels.

LRQA’s standards, competence and independence
LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14001 Greenhouse gas – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO/IEC 17025 Conformity assessment – Requirements for bodies providing audit and certification of management systems that are at least as demanding as the requirements of the International Standard on Quality Control and with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

LRQA is the Company’s certification body for ISO 9001 and System Certification of Carbon Footprint Communication Program. The verification and certification assessments are only work undertaken by LRQA for the Company and as such do not compromise our independence or impartiality.

Signed

Dated: 13 March 2019

Takahiro Ono
LRQA Lead Verifier
On behalf of Lloyd’s Register Quality Assurance Limited

10th Floor, Queen’s Tower A, 2-3-1 Shinjuku, Shinjuku, Tōkyō, JAPAN

LRQA reference: YK400511
### Major Awards and Citations

<table>
<thead>
<tr>
<th>Date of Award</th>
<th>Region</th>
<th>Award/Citation</th>
<th>Product or Award Detail</th>
<th>Presenter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>December 2015</strong></td>
<td>Japan</td>
<td>“Kurumin” authorization based on the Act on Advancement of Measures to Support Raising Next-Generation Children</td>
<td>Canon Inc. accredited for promotion of its lifeplan-based systems and support measures for those returning to work after taking childcare leave.</td>
<td>Ministry of Health, Labour and Welfare</td>
</tr>
<tr>
<td><strong>January 2018</strong></td>
<td>Japan</td>
<td>Ranked 1st among manufacturing companies in Nikkei Inc.’s 21st Environmental Management Survey (2nd consecutive year)</td>
<td>Resource recycling for “product to product,” etc.</td>
<td>Nihonkai Inc.</td>
</tr>
<tr>
<td><strong>January 2018</strong></td>
<td>Japan</td>
<td>Minister of the Environment Prize in the 6th Contest for Corporate Activities on Biodiversity</td>
<td>Canon Foviazo Project—Linking Our Dream to the Future</td>
<td>Contact for Corporate Activities on Biodiversity Committee</td>
</tr>
<tr>
<td><strong>February 2018</strong></td>
<td>Japan</td>
<td>The Seventh Morobodurutu Nippon Grand Award</td>
<td>“Aquilone ONENISENSES” Edition of Canon Medical Systems Corporation.</td>
<td>Ministry of Economy, Trade and Industry</td>
</tr>
<tr>
<td><strong>February 2018</strong></td>
<td>Americas</td>
<td>2018 Cepper MFP Line of the Year (3rd consecutive year)</td>
<td>Office multifunction device “imageRUNNER ADVANCE” series</td>
<td>Keypoint Intelligence</td>
</tr>
<tr>
<td><strong>March 2018</strong></td>
<td>Japan</td>
<td>EICA Chairman’s Prize, 14th EICA Awards</td>
<td>Contribution to reducing environmental impacts through cartridge collection and recycling service</td>
<td>Life Cycle Assessment Society of Japan (LCAS)</td>
</tr>
<tr>
<td><strong>April 2018</strong></td>
<td>Asia</td>
<td>The Excellent Corporation Award in the PFEA Award for companies that perform excellently in employee development and building trust between labor and management (3rd consecutive year)</td>
<td>Received by Canon Business Machines (Philippines) Inc. in recognition of its employee development system.</td>
<td>Philippine Economic Zone Authority</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>2018 TIPA Awards (24th consecutive year)</td>
<td>Digital SLR camera “EOS 6D Mark II,” mirrorless camera “EOS M50,” etc. (Total 6 products)</td>
<td>Technical Image Press Association (IPA)</td>
<td></td>
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<tr>
<td><strong>May 2018</strong></td>
<td>Japan</td>
<td>The Prime Minister’s Prize, 2018 National Commendation for Invention</td>
<td>Invention of image sensor that realizes phase detection autofocus (AF) (invention related to Dual Pixel CMOS AF)</td>
<td>Japan Institute of Invention and Innovation</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
<td>EPCA Awards 2018-2019 (30th consecutive year)</td>
<td>Digital SLR cameras “EOS 6D Mark II,” mirrorless camera “EOS M50,” single-focus medium telephoto lenses “EF70-200mm F2.8L IS USM,” etc. (Total 4 products)</td>
<td>European Imaging and Sound Association (EISA)</td>
<td></td>
</tr>
<tr>
<td><strong>August 2018</strong></td>
<td>Asia</td>
<td>CSR-DIW Continuous Award</td>
<td>Received by Canon Prachinburi (Thailand) Ltd. and Canon Hi-Tech (Thailand) Ltd. for being companies that cooperate with the community while aiming for sustainable development</td>
<td>Department of Industrial Works, Ministry of Industry, Thailand</td>
</tr>
<tr>
<td><strong>August 2018</strong></td>
<td>Asia</td>
<td>Green Industry Project “Green Industry Level 5 - Green Network”</td>
<td>Received by Canon Hi-Tech (Thailand) Ltd. as a company contributing to sustainable industrial development through continuous environmental activities.</td>
<td>Ministry of Industry, Thailand</td>
</tr>
<tr>
<td><strong>October 2018</strong></td>
<td>Asia</td>
<td>Thailand Labor Management Excellence Award 2018 (15th consecutive year)</td>
<td>Received by Canon Hi-Tech (Thailand) Ltd. for its efforts to build relationships between labor and management through corporate activities and the trust relationship between labor and management</td>
<td>Ministry of Labour, Thailand</td>
</tr>
<tr>
<td><strong>November 2018</strong></td>
<td>Asia</td>
<td>CSR Leadership Award</td>
<td>Received by Canon India Pvt. Ltd. for its “4Es Project,” which provides various support in Eye Care, Education, Environment, and Empowerment</td>
<td>UBS Forums</td>
</tr>
<tr>
<td><strong>December 2018</strong></td>
<td>Japan</td>
<td>Two awards including the Japan Institute of Invention and Innovation Chairman’s Award in the Fiscal 2018 Kantos Local Commendation for Invention</td>
<td>School Building/Remediation Project jointly undertaken by Pentel Co., Ltd. and Canon Marketing Japan</td>
<td>Association for Corporate Support of the Arts</td>
</tr>
<tr>
<td><strong>January 2019</strong></td>
<td>Japan</td>
<td>The Excellent Company Award, 10th JUSE Quality Management Organization Recognition Program (White 500) (3rd consecutive year)</td>
<td>Recognition of Canon’s internal quality management system structure and implementation activities</td>
<td>Union of Japanese Scientists and Engineers, Nihonkai Inc.</td>
</tr>
<tr>
<td><strong>February 2019</strong></td>
<td>Japan</td>
<td>The Certified Health and Productivity Management Organization Recognition Program (White 500) (3rd consecutive year)</td>
<td>Canon Inc. accredited as companies working strategically by considering employee health and productivity management from a management perspective</td>
<td>Ministry of Economy, Trade and Industry</td>
</tr>
<tr>
<td><strong>March 2019</strong></td>
<td>Japan</td>
<td>Tokyo Sports Promotion Company</td>
<td>Certified as a model company undertaking initiatives with particularly large social impact or ripple effects among companies taking steps to promote employees’ sporting activities or supporting the sports field.</td>
<td>Tokyo Metropolitan Government</td>
</tr>
<tr>
<td><strong>April 2019</strong></td>
<td>Japan</td>
<td>Tokyo Barrier-free Mindsets Leading Corporation</td>
<td>Accreditation as a model company supporting companies that are taking particularly effective initiatives in spreading and raising awareness of the “Barrier-free Mindsets.”</td>
<td>Tokyo Metropolitan Government</td>
</tr>
<tr>
<td><strong>March 2019</strong></td>
<td>Japan</td>
<td>Tokyo Sports Promotion Company</td>
<td>Certified as a model company undertaking initiatives with particularly large social impact or ripple effects among companies taking steps to promote employees’ sporting activities or supporting the sports field.</td>
<td>Tokyo Metropolitan Government</td>
</tr>
<tr>
<td><strong>April 2019</strong></td>
<td>Americas</td>
<td>ENERGY STAR® AWARD 2019 Partner of the Year - Sustained Excellence Award (2nd consecutive year)</td>
<td>Canon U.S.A. was awarded for its contribution to promoting energy saving</td>
<td>United States Environmental Protection Agency (EPF)</td>
</tr>
</tbody>
</table>
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 (JMIC)
- Japan Center for Economic Research (JCR)
- Economic Research Institute for ASEAN and East Asia (ERIA)
- Nippon Computer Security Incident Response Team Association (NCA)
- World Business Council for Sustainable Development (WBCSD)
- Responsible Minerals Initiative (RMI)
- Japan Intellectual Property Association (JP)A
- License on Transfer Network
- chemSHERPA
- Ink cartridge Szalogaeni Project

Credit Rating by Key Agencies
(As of December 31, 2018)
Recognized for its solid financial standing and consistent ability to generate cash flow, Canon Inc. has received a high rating from credit rating agencies.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Long Term</th>
<th>Short Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>AA-</td>
<td>A-1+</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Aa3</td>
<td>—</td>
</tr>
<tr>
<td>Rating and Investment Information, Inc.</td>
<td>Aa+</td>
<td>—</td>
</tr>
</tbody>
</table>

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 Tuszuri Project (Cultural Heritage Inheritance Project) (→P123)
- Environmental Outreach Classes (→P73)

Main Group Companies
We conduct business globally, with operational sites in more than 50 countries and regions.
*Company name: As of December 31, 2018

Japan (Consolidated subsidiaries 60)
- Canon Precision Inc.
- Canon Tokki Corporation
- Fukuhiro Canon Inc.
- Canon Medical Systems Corporation
- Canon Electric Tubes & Devices Co., Ltd.
- Canon Components, Inc.
- Canon Semiconductor Equipment Inc.
- Canon Chemicals Inc.
- Canon Electronics Inc.
- Canon FineChem Nisca Inc.
- Canon ANELVA Corporation
- Nagahama Canon Inc.
- Canon Machinery Inc.
- Oita Canon Materials Inc.
- Oita Canon Inc.
- Nagasaki Canon Inc.
- Miyakojima Canon Inc.
- Canon Marketing Japan Inc.
- Canon System and Support Inc.
- Canon IT Solutions Inc.
- Canon Medical Finance Co., Ltd.
- Canon Medical Systems Corporation
- Canon Medical Systems Manufacturing Asia Sdn. Bhd.
- Canon Medical Systems USA, Inc.
- Canon Financial Services, Inc.
- Canon Medical Systems UK, Inc.
- Canon Medical Systems Manufacturing Asia Sdn. Bhd.

Europe (Consolidated subsidiaries 171)
- Canon Breitag S. A. S.
- Oto Technologies B.V.
- Oto Printing Systems G.m.b.H. & Co. KG
- Axis Communications AB
- Canon Research Centre France S.A.S.
- Axis AB
- Canon Europe N.V.
- Canon Europe Ltd.
- Canon Rü LLc
- Canon (UK) Ltd.
- Canon Deutschland GmbH
- Canon (Schweiz) AG
- Canon Nederland N.V.
- Canon France S.A.
- Canon Middle East FZ-LLC
- Canon Italia S.p.A.
- Canon Medical Systems Europe B.V.
- Milestone Systems A/S

Asia and Oceania (Consolidated subsidiaries 95)
- Canon Precision Inc.
- Canon (China) Co., Ltd.
- Canon Hong Kong Co., Ltd.
- Canon Singapore Pte. Ltd.
- Canon India Pvt. Ltd.
- Canon Australia Pty. Ltd.

Americas (Consolidated subsidiaries 53)
- Canon Virginia, Inc.
- Canon U.S.A., Inc.
- Canon Canada Inc.
- Canon Solutions America, Inc.
- Canon Financial Services, Inc.
- Canon Medical Systems USA, Inc.

Reference: Canon Group Directory
https://global.canon/en/corporate/information/group/

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

Canon Group Directory
https://global.canon/en/corporate/information/group/

Website on the environment
https://www.canon-europe.com/sustainability/

Website on CSR

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

Website on CSR
https://www.canon.com/csr/about-canon/sustainability