

# CANON SUSTAINABILITY REPORT 2016





## Continuing to Work Together with Stakeholders around the World

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, religion or culture, harmoniously live and work together for the common good into the future. Canon is pursuing the realization of a sustainable global society based on the principle of *kyosei*.





### Editorial Policy for this Report

Canon publishes a Sustainability Report each year to share information with stakeholders on the company's approach and activities to achieve a sustainable society.

Taking into consideration stakeholder survey results, and referencing the principle of materiality advocated in the fourth version of the GRI Guidelines (G4), Canon selected holistic themes that it should address as materiality for this year's report.

The report introduces specific examples of Canon's efforts to address each of the selected themes. Other CSR-related information is comprehensively presented in chapters under the G4-based category headings Economy, Environment, Labor and Human Rights, Society, and Product Responsibility, as well as in the chapter titled Management Structure.

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#### About the cover photo

Canon is implementing the Canon Bird Branch Project to help conserve the ecosystems of wildfowl. The lush Shimomaruko Forest located at Canon's headquarters in Ota City, Tokyo plays host to bird watching parties, research studies, and ecosystem monitoring events as part of this project.



Shimomaruko Forest, which occupies about one third of the Canon's headquarters

**We aim to become a corporation that pursues new growth and contributes to building a better future.**



**Main Achievements over the Past Five Years**

During the five years of Phase IV of Canon’s medium- to long-term Excellent Global Corporation Plan (2011–2015), the world economy slowed and market conditions proved very challenging for Canon. We, however, viewed these circumstances as an opportunity for new growth and took steps to establish a solid financial base that would allow us to withstand a serious economic recession. In addition to utilizing our technological strengths and expertise to diversify operations in our existing businesses, such as the creation of a new market in the film industry with the Cinema EOS System lineup, Canon acquired Océ, Molecular Imprints, Milestone Systems and Axis to fuel new growth in the areas of commercial printing, next-generation semiconductor manufacturing and network cameras. We have also worked on strengthening our manufacturing capabilities through greater use of automation and robotics. As a result of these efforts, in 2015 we achieved our highest-ever gross profit ratio.

**Global Changes and Canon’s Vision for the Future**

As political and social uncertainty increases around the world, future economic growth is expected to be moderate. For example, growing social unrest fueled by such events as the ongoing debt crisis in Greece and other southern European countries, acts of terrorism and regional conflicts, compounded by the deepening refugee crisis and an increase in abnormal weather patterns and natural disasters, has affected Canon’s business operations around the world in various ways.

On the other hand, new markets are expected to emerge thanks to advancements in such technologies as the Internet of Things (IoT), where all manner of “things” communicate across the Internet, and artificial intelligence (AI). And, in light of the growing global population, as well as the increasing incidence of terrorism, conflict and natural disasters, social needs concerning safety and security are on the rise.

Canon is committed to contributing to the sustainable development of global society by adapting

its proprietary technologies and business models in response to the needs and social issues created by changes in society and the business environment.

### **Start of Phase V of the Excellent Global Corporation Plan**

This year marks the launch of Phase V of Canon's Excellent Global Corporation Plan. Under the basic policy "Embracing the challenge of new growth through a grand strategic transformation," we will reform our product portfolio to accelerate growth in B-to-B segments in addition to B-to-C segments, which had been our primary focus, with the aim of achieving net sales of five trillion yen by the end of 2020.

As part of our Phase V key strategy of reinforcing and expanding new businesses while creating future businesses, we have set our sights on "safety and security in daily life" as an area of growth based on its high compatibility with Canon's accumulated technologies and corporate culture. We plan to develop the network camera business, which we have built up through M&A, and the life science business as future core businesses.

Additionally, in the field of manufacturing—Canon's forte—we are establishing a new production system based on advanced automation technology utilizing industrial robots and AI to achieve a cost-to-sales ratio of 45% by 2020.

### **Meeting the Growing Expectations and demands of Society**

In recent years, the role of corporations has increased in importance amid growing societal expectations and ever-diversifying responsibilities. Canon adopted *kyosei* as its corporate philosophy in 1988, and since then we have worked to fulfill our responsibilities to society and build relationships not only with our customers and business partners, but also with countries, communities, nature and the global environment. Since the launch of our toner cartridge recycling program a quarter of a century ago, Canon has proactively carried out environmental assurance activities and promoted environmental consciousness throughout the entire lifecycle of its products.

In the sphere of CSR, we have continued to promote and support the activities of the Canon Foundation as well as various social and cultural programs, in addition to implementing initiatives to strengthen information security, compliance and governance from the perspective of risk management. Moreover, we have worked together with our suppliers to address such

contemporary issues as the monitoring and updating of environmental policies and labor management practices, and avoiding complicity in human rights violations in conflict-torn regions.

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs). Great expectations for achieving these goals have been placed not only on countries, but also on corporations, as contributing members of society. While the issues are wide-reaching and cannot be solved by any one corporation, the promotion of innovation and sustainable production systems advocated in the SDGs, as well as job creation, which I believe should be the mission of any company, align with the themes in Phase V of our Excellent Global Corporation Plan. Actions aimed at addressing and solving the various issues facing global society fulfill Canon's corporate philosophy of *kyosei*, and I am confident that such actions will also lead to sustainable growth for the Company.

### **Continually Tackling the Issues Facing Society and the Environment**

This report highlights a number of Canon's approaches and initiatives to address issues directly facing society and our planet. We believe that in addition to environmental assurance activities, focusing on network camera systems and life sciences as future businesses will contribute to both solving issues facing society today as well as achieving growth for the Canon Group. Additionally, the automated manufacturing technologies we are pursuing should lead to the spread of sustainable production in both developed and developing countries.

By effectively harnessing Canon's advanced technological strengths, global business deployment, and diverse, specialized human resources, we will continue our efforts to achieve the grand future envisioned by the SDGs and *kyosei*. We will also continue to pursue our goal of becoming a truly excellent global corporation worthy of your admiration and respect that continues to prosper for the next 100, and even 200 years.

We look forward to your continued support.



**Fujio Mitarai**  
**Chairman & CEO**  
**Canon Inc.**

## We carry out CSR activities globally following the Canon Group CSR Activity Policy

### Canon Group CSR Activity Policy

At Canon, we believe that in order to become a truly excellent global corporation that is admired and respected by our stakeholders around the world, we must not only advance our business activities but also contribute to the realization of a better society as a good corporate citizen.

In carrying out CSR activities, we capitalize on our advanced technological strengths, global business deployment, and diverse, specialized human resources. At the same time, we believe that these citizenship activities need to be shared and practiced across the entire Canon Group worldwide.

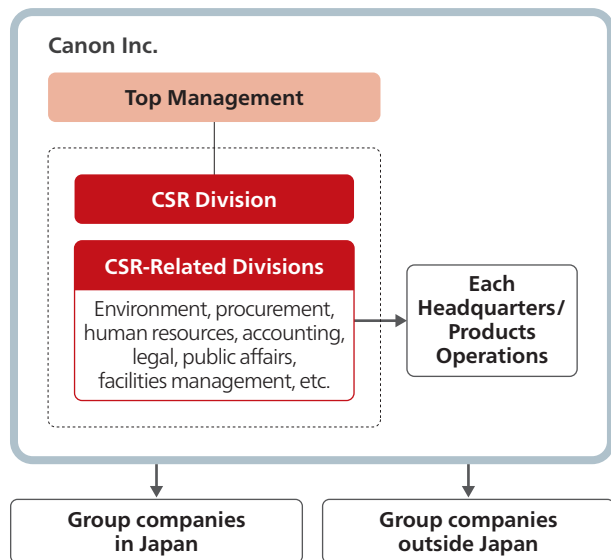
In 2012, we established the Canon Group CSR Activity Policy, defining clearly Canon’s stance and activities.

Following this policy, Canon shares the same core values group wide while pursuing citizenship activities that are specifically tailored to the individual countries and regions where it operates.

### CSR Promotion System

Canon implements CSR activities across the entire Canon Group. Our activities are planned and developed under the direction of top management, with the support of the

CSR division as well as other CSR-related divisions, such as environment, procurement, human resources, accounting, legal, public affairs, and facilities management. Approved activities are then put into action globally with the collaborative efforts of each headquarters, products operations, and Group companies.



## Canon Group CSR Activity Policy

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

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

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

### Key Activities

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

## Reinforcing CSR Activities

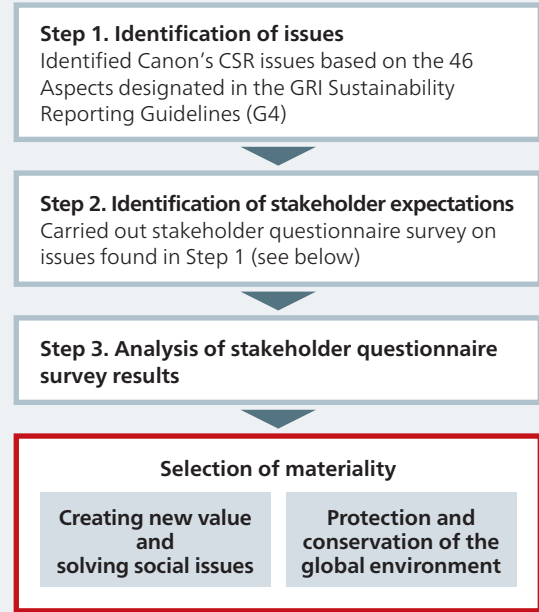
# We identify Canon's CSR materiality in order to respond faithfully to stakeholder expectations

The GRI Sustainability Reporting Guidelines (G4) used as the basis for preparing this report require companies to identify materiality in terms of CSR. Materiality refers to issues that reflect a company's significant economic, environmental, and social impacts, or that substantively influence the assessments and decisions of stakeholders.

In 2015, Canon conducted a questionnaire survey to ascertain stakeholder expectations. Analysis of the survey results alongside our past initiatives and medium- to long-term management plans led us to identify two holistic themes of materiality for Canon.

In the environmental field, Canon also identifies materiality at the Aspect level as stipulated in the GRI Sustainability Reporting Guidelines (G4) (see page 36). In future, we will continue to incorporate the views of stakeholders in order to identify more specific themes of materiality.

### Materiality Identification Process



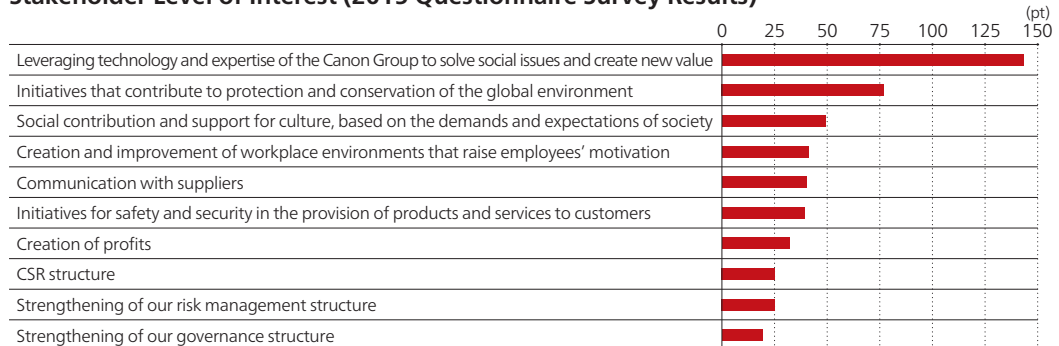
### Stakeholder Questionnaire Survey Outline

Canon strives to better understand stakeholder opinion in order to continually improve its CSR activities. One way we do this is through an annual questionnaire survey that asks stakeholders about their interests and expectations of Canon. In identifying materiality for this report, Canon used the results of a survey conducted in 2015.

### Survey Summary

- Method: Questionnaire survey
- Survey period: March to April 2015
- Target: Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia; Respondents: 82

### Stakeholder Level of Interest (2015 Questionnaire Survey Results)



# Canon's Growth Strategy and Sustainability

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

## Canon's Characteristics



## Key Strategies of Phase V of the Excellent Global Corporation Plan

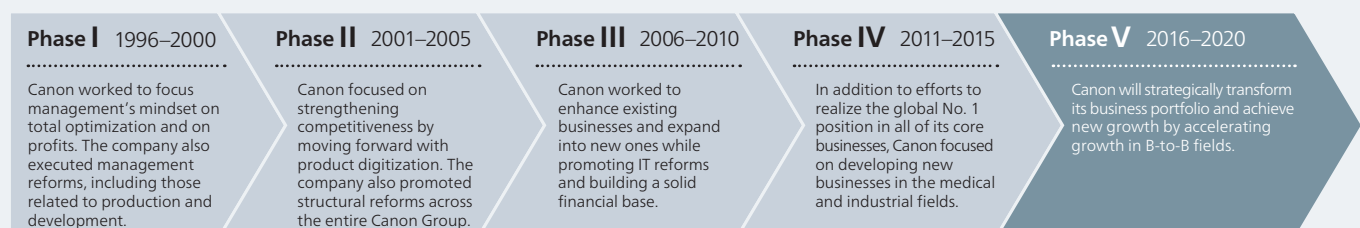
1. Establish a new production system to achieve a cost-to-sales ratio of 45%
2. Reinforce and expand new businesses while creating future businesses
3. Restructure global sales network in accordance with market changes
4. Enhance R&D capabilities through open innovation
5. Complete the Three Regional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

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

globalization of its business operations.

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

## The Excellent Global Corporation Plan





Materiality

## For Society

*Creating new value and solving social issues*

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

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

Materiality

## For the Earth

*Protection and conservation of the global environment*

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

# 2020

Management Targets

Net sales

¥ **5** trillion or more

Cost-to-sales ratio

**45** % or less

Operating profit ratio

**15** % or more

Net income ratio

**10** % or more

Shareholders' equity ratio

**70** % or more

(Based on exchange rates of US\$1= ¥125, €1=¥135)

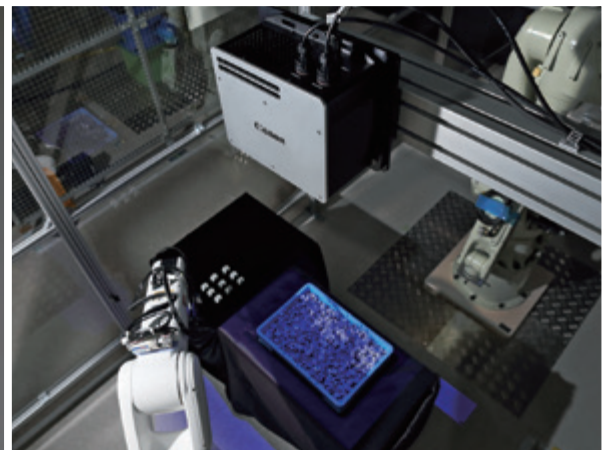


# For Society

*Creating new value and solving social issues*

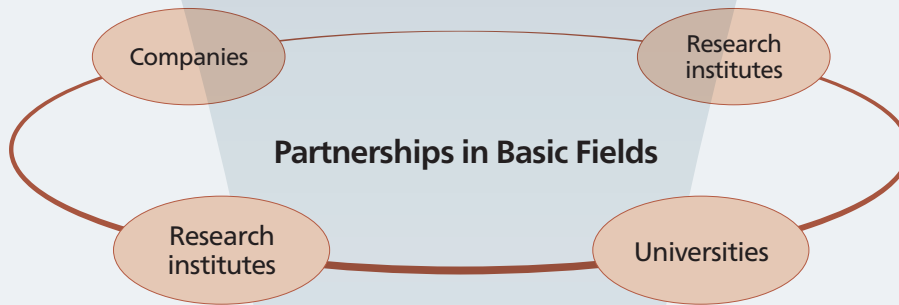
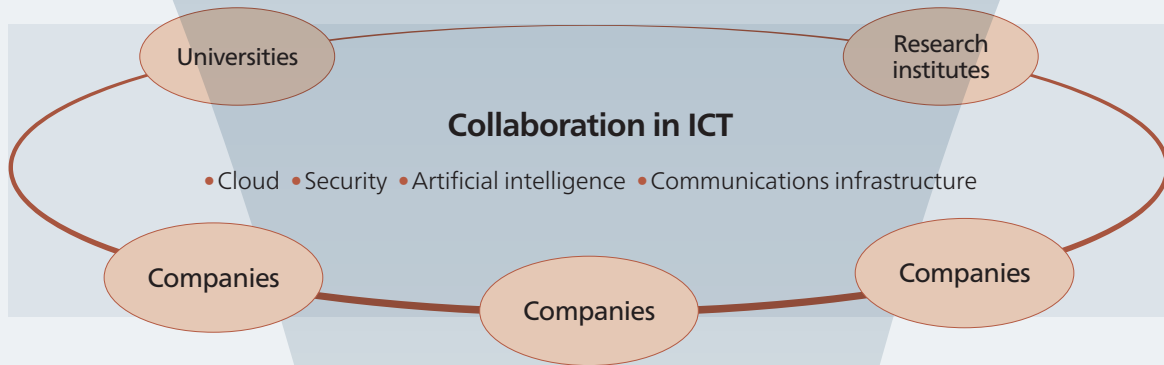
## Responding to the Needs of the Global Society with Our Technologies, Products and Solutions Services

Canon constantly works to develop new technologies, products, and solutions services that fill the needs of customers and provide solutions to social issues. During development, we continually refine our proprietary imaging technologies and also incorporate open innovation. This includes working with universities and research institutions to create products and services that deliver value to the world.

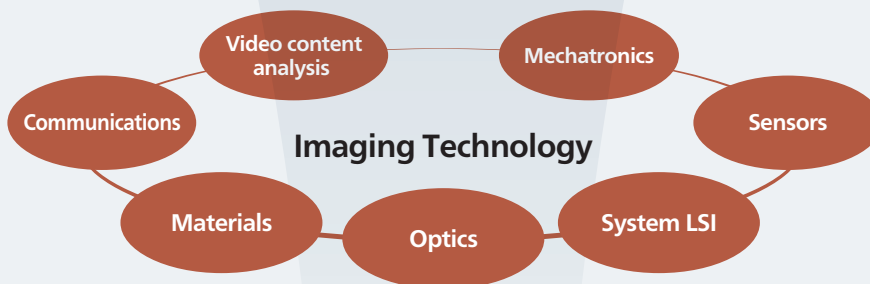


# Creating New Value / Solving Social Issues

## Creation of new products and solutions services



## Canon



### Global Social Issues

- Climate change
- Environmental pollution
- Natural disasters
- Biodiversity
- Job creation
- Water resource and sanitation maintenance
- Poverty and hunger
- Gender equality
- Participation of women in society
- Quality education
- Peaceful society

### Customer Needs

- Enriched lifestyles
- Health promotion
- Usability
- Universal design
- Increased safety
- Comprehensive customer support
- Increased efficiency and productivity

# For Society

Creating new value  
and solving social  
issues

## Contributing to a Safe and Secure Society

# Network Cameras Supporting the Security of People, Cities and Living

### Issues and Approach

In response to the rising number of terrorist attacks and increased incidents of crime around the world, as well as the unprecedented damage and suffering wrought by natural disasters, people are increasingly voicing their desire for a safer and more secure society. Through advancements in digital technology and the evolution of networks, network cameras that can transmit and record in real time remotely are helping to solve these issues. In recent years, demand has continued to grow for network cameras that constantly monitor a city's safety and infrastructure. The market for network cameras is growing at approximately 20% per annum, and by 2018 this market is expected to be worth 2 trillion yen.

Canon network cameras incorporate optics, imaging sensors, imaging engines, video analysis software, and various other technologies developed over the course of its long history as a camera manufacturer. Canon also offers Network Visual Solutions, covering numerous fields, from crime prevention and surveillance to video big data using network controls and cloud-based services developed from Canon's business machines.

Furthermore, Canon acquired Axis (Sweden), a global leader in network cameras, and Milestone Systems (Denmark), a major provider of video management software, as part of its commitment to deliver solutions that address the various needs of customers. We are also working to further develop technologies to enable surveillance that both provides security and protects people's privacy. One example is a function to display individuals outside of the preset area as indistinguishable silhouettes.



Privacy-conscious surveillance system currently under development



Building monitoring room



The British Library, with its collection of approximately 150 million works, welcomes more than 1.6 million visitors annually. Canon network cameras are serving to protect the treasures within its walls.

## Case Study

### Helping Improve Security inside the British Library with an Advanced Surveillance System

The British Library houses a vast collection of books, newspapers, magazines and other literary works. To protect this collection, prevent crime and maintain security, the library has installed 250 surveillance cameras since 1997 and has continued to strengthen its security system. At issue, however, was the fact that after years of use, many of the cameras had reached the end of their service life, and that those original cameras only offered a limited field of view and limited visibility in the low-light conditions of the exhibit spaces. Moreover, remodeling work to install additional cameras on interior walls was very difficult given the historical value of the library itself.

Canon's full HD (high definition) network camera system turned out to be the solution to improving security while also maintaining the integrity of the library's historical structure. The network camera offers a wide field of view and high resolution, which means it can capture clear images even when installed on high ceilings. It can also record clear video in low-lit areas, such as the corners of exhibit rooms. Additionally, the camera serves to prevent crime thanks to a motion-sensor function that triggers the camera to record when motion is detected in a preset area.

Canon's network cameras are helping to protect important literary works that should be passed down to future generations.

## Contributing to a Better Tomorrow for All

# The World of Next-Generation Healthcare Made Possible with Canon's Cutting-Edge Medical Imaging Technologies

### Issues and Approach

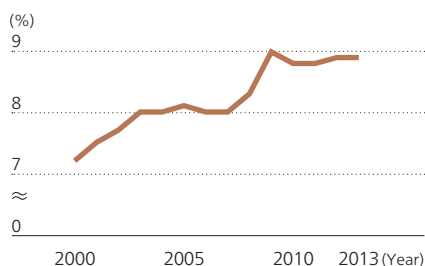
Major technological innovations being achieved in medicine today are fulfilling people's desire to live a long, healthy life. In this pursuit, a large number of medical institutions and companies are advancing efforts in various fields, including the analysis of genetic information, the development of regenerative medicine, and the digitization of medical devices and medical information, to name but a few. Meanwhile, soaring health spending and insurance costs resulting from the aging of society and the onset of lifestyle diseases have become major social issues for many countries around the world. This has placed even greater expectations on preventive medicine as a means for early detection and early treatment.

Since developing an indirect X-ray camera effective in diagnosing tuberculosis during the epidemic in the 1940s, shortly after the company's founding, Canon has gone on to develop a number of medical devices utilizing its diagnostic imaging technologies, including retinal cameras and digital radiography equipment. Such devices have proved to be a great support to the frontlines of medicine, contributing to the early detection and early treatment of diseases.

Given the expected spread of precision medicine in which treatment and prevention methods are tailored to each individual patient, in the United States, a world leader in the healthcare industry, research and development is being advanced on genetic testing systems and reagent cartridges. In 2015, Canon BioMedical, Inc. was established as an integrated biomedical business covering R&D, production and marketing. As a world headquarters for the biomedical business, Canon BioMedical plans on expanding operations not only within the United States but also to Europe and other parts of the world.

Canon will in 2016 launch in Japan its Healthcare Information Platform, a new cloud-based solution that links medical-imaging data with patient information to facilitate the integrated management and sharing of medical image data. By making it easier for medical institutions to share and manage images, Canon seeks to assist people living in areas with few medical facilities to gain access to early detection and specialized treatment of illnesses.

**Health Spending as a Share of GDP (OECD Average)**



Source: OECD Health Statistics 2015





Canon U.S. Life Sciences is developing reagents and genetic testing systems for research

### Case Study

## Identifying the Optimal Treatment Options for Each Individual Using Genetic Testing Technologies

Genetic diagnosis involves identifying the cause of an illness or determining the risk of developing an illness by analyzing genetic (DNA) information, the “blueprint” for life. In the United States, where genetic diagnosis is widely employed, test results from specialized testing centers are already being used to help determine approaches to take in treating diseases.

Canon U.S. Life Sciences, Inc. is developing a prototype genotyping platform and test reagent cartridges, utilizing Canon’s CMOS sensor and inkjet printer technologies to quickly and accurately detect genetic mutations. Canon’s DNA testing system is expected to shorten hands-on time from a whole day or more to only a few hours, and also to dramatically lower testing costs. Furthermore, it would also be possible to encourage from an early stage lifestyles that reduce the risk of onset of age-associated genetic disorders. For such reasons, these solutions are also stirring up anticipation from a preventive medicine standpoint. Canon U.S. Life Sciences is collaborating with universities and other research institutes, such as the University of Florida and the University of Utah, to conduct applied research on more precise devices and test reagents, with the aim of finalizing product specifications suitable for clinical use.



A prototype genotyping platform for research is currently under development

## Contributing to the Next Generation of Manufacturing

# Canon is Changing the Production Floor with Its Proprietary Technologies

### Issues and Approach

The declining working-age population is considered to be a major issue of the future facing not only developed countries and their aging societies, but developing countries as well. The question of how to secure a sufficient number of workers to ensure that products and services can be delivered without loss of quality is of prime concern to companies today, prompting them to seek out new systems of production that optimize the skills and abilities of an increasingly smaller workforce.

In response to this issue, Canon is introducing automation technologies that include industrial robots and artificial intelligence to bring about structural changes on the production floor. Canon believes these changes will facilitate the shift of human labor from simple tasks to value-added work that requires a higher degree of decision-making.

For example, Canon developed 3-D machine vision systems that automates the picking process of randomly piled parts, which until now was a weak point of industrial robots, by utilizing its leading-edge image-recognition, information-processing and optics technologies. This new system is transforming the production floor.

Canon also developed MREAL, a solution featuring mixed reality technologies that delivers a new visual experience by seamlessly merging the real world with virtual computer-generated (CG) images in real time. This makes it possible to conduct full-scale simulations and evaluations for those working on the front lines of design and manufacturing. Companies will thus be able to develop products without prototypes and shorten development lead times while also cutting costs and raising resource efficiency. Canon will continue to pursue such innovations with the goal of creating new value on the production floor.

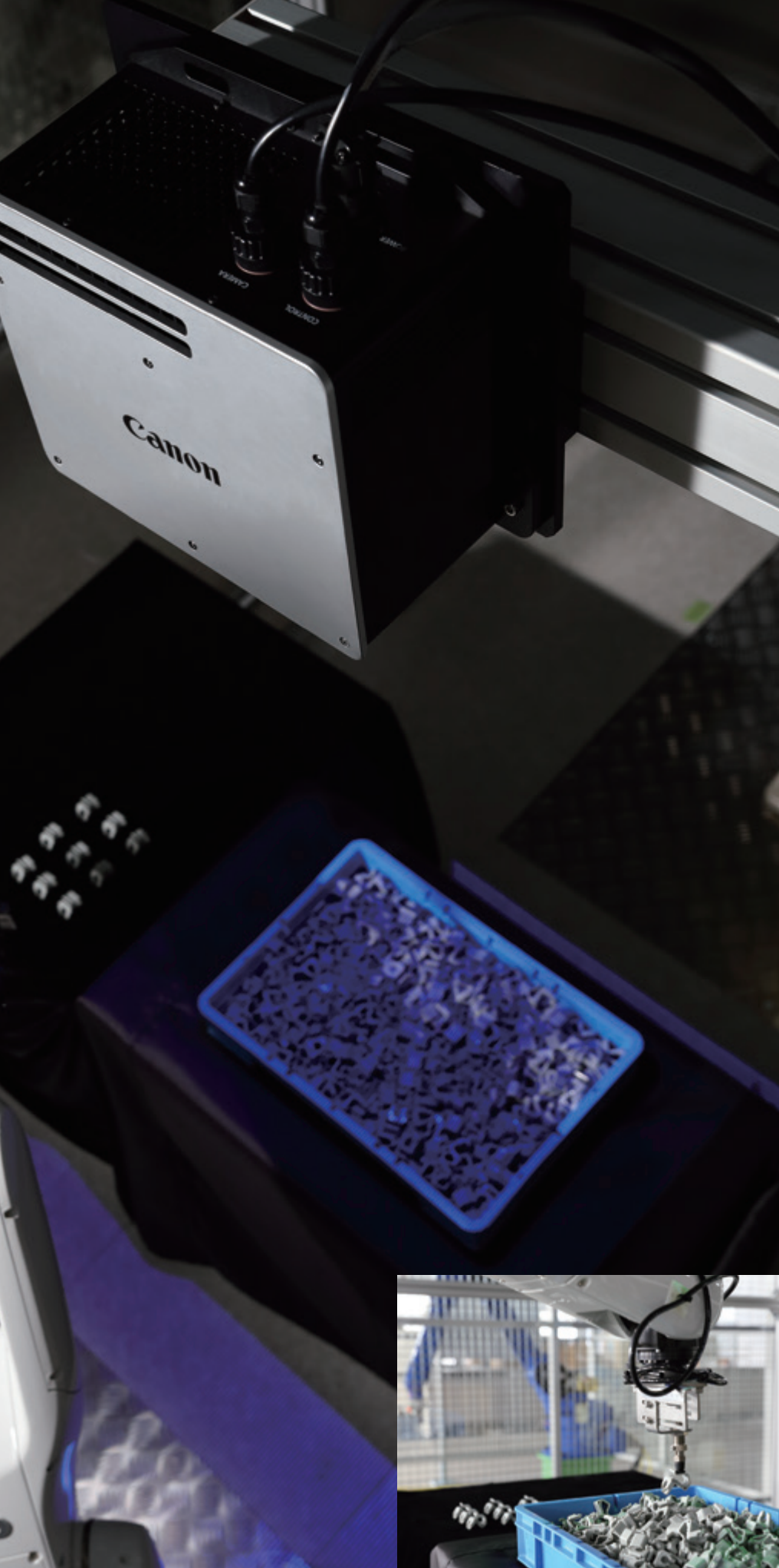
**Working-Age Population (15-64) as Percentage of Total Population** (%)

	2014	2025	2050
Japan	61.2	57.9	50.9
United States	66.2	62.4	60.4
Canada	68.0	62.7	58.8
U.K.	64.6	62.5	58.7
Germany	65.7	61.8	54.7
France	63.5	60.6	57.6
Italy	64.5	62.0	53.1
Russia	70.8	66.2	62.4
China	72.8	69.2	61.3
India	65.9	67.6	67.8
Brazil	68.6	69.0	62.2

Source: Created from data found in the *Databook on International Labour Statistics 2015* published by the Japan Institute for Labour Policy and Training





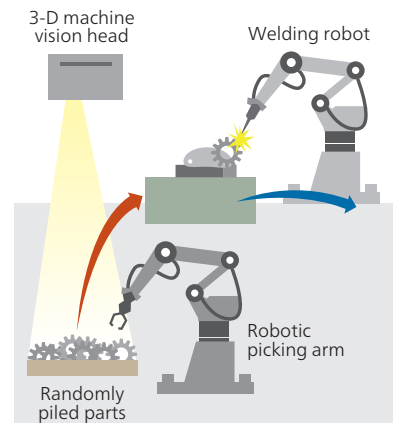


**Case Study**

**3-D Machine Vision Systems Solve Issues of Automated Production Lines**

Industrial robots have become an integral part of manufacturing today. However, picking work that involves selecting an individual part from randomly piled parts on a pallet or in a box requires people to reposition the parts to make it easier for robots to work. This situation created a bottleneck, hindering efforts to streamline processes and further advance automation.

To address this issue, Canon developed machine vision systems featuring a 3-D recognition function that enables industrial robots to pick up randomly piled parts faster and with greater precision. By combining the system, which acts as the robot's "eyes," with existing robotics technology, industrial robots will be able to identify the positioning and orientation of randomly piled parts with greater precision, making parts supply work faster and more efficient. In 2015, new products were added to the lineup that makes it possible to pick up even smaller parts. These new products will be widely introduced for lines that handle small parts, such as those used in the electronics industry. Canon will continue to meet the needs of its customers in various industries that utilize automation in manufacturing, and to support advancements resulting in greater precision and higher quality on the production floor.



Randomly piled parts are picked up and supplied to the welding process

Canon's 3-D machine vision systems enable industrial robots to carry out picking work faster and with greater precision



# For the Earth

*Protection and conservation of the global environment*

## Providing Solutions for Environmental Issues as Pressing Global Challenges

Canon seeks to contribute to solving the various environmental issues facing humankind. To that end, we established an Environmental Vision based on the Canon Group Environmental Charter with the aim of realizing a society that promotes both enriched lifestyles and the global environment. Canon has also set Mid-Term Environmental Goals, and works continuously and systematically to minimize the environmental impact of its products throughout their lifecycle.



## Environmental Issues

- Extreme weather
- Desertification
- Resource depletion
- Water/food shortages
- Air pollution
- Water pollution
- Soil pollution
- Ecosystem destruction
- Extinction risk
- Deforestation

## Canon Group Environmental Charter

Maximization of Resource Efficiency

## Canon Environmental Vision

Realizing a society that promotes both enriched lifestyles and the global environment

### Mid-Term Environmental Goals

**Overall goal:** Lifecycle CO<sub>2</sub> emissions improvement index per product

**Product goal:** Raw materials & use CO<sub>2</sub> emissions improvement index per product

**Operational site goal:** Improvement of energy consumption basic unit at operational site



## Canon's Vision of a Sustainable Society

A low-carbon society

A circular economy

Hazardous substance elimination,  
pollution prevention

A society in harmony with nature

## Contributing to a Low-Carbon Society

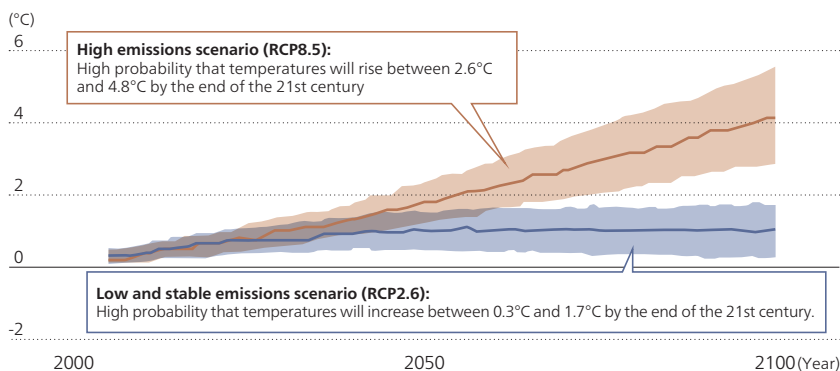
# Developing Environmentally Conscious Products to Prevent Global Warming

### Issues and Approach

The crisis of global warming, which causes extreme weather events and natural disasters, such as large-scale floods and typhoons, is being experienced worldwide. In light of this, an international climate deal, known as the Paris Agreement, which aims to hold the increase in global average temperature to well below 2°C above pre-industrial levels was adopted at the 21st Conference of the Parties (COP21) to the United Nations Framework Convention on Climate Change held in Paris in 2015. This international agreement will see signatories establish and pursue national climate action plans as their part in preventing global warming.

Canon has established and is working to fulfill its Mid-Term Environmental Goals, which include lowering lifecycle CO<sub>2</sub> emissions per product. These goals form a basic framework for Canon to understand and reduce its environmental impact throughout the product lifecycle, from raw materials and parts manufacturing to production, transport, use, and recycling. In particular, Canon is working to develop environmentally conscious products that emit less CO<sub>2</sub> during use, as this is the stage in which, due to the nature of its products, emissions are proportionally high, as is customer demand for energy savings. At the same time, during the raw materials and parts manufacturing stage, which accounts for a large share of product lifecycle CO<sub>2</sub>, we are working to reduce the amount of materials used by designing products that are more compact, and to reduce energy consumption during resource extraction and processing.

### Predictions based on Global Average Surface Temperature Change (relative to 1986–2005)



Source: Prepared based on the IPCC Fifth Assessment Report Summary for Policymakers





The imageRUNNER ADVANCE C3300 series, realizing a significantly lower lifecycle CO<sub>2</sub> footprint

Case Study

**Environmental Frontrunner A3 Color Multifunction Devices (MFDs) Lifecycle CO<sub>2</sub> Emissions Cut by Over 20%**

Within Canon's diverse product lineup, customer demand for energy-saving performance is highest for office products, such as multifunction devices (MFDs). For this reason, Canon calculates CO<sub>2</sub> emissions from the development and design stages in an effort to improve the environmental performance of MFDs and achieve its environmental goals.

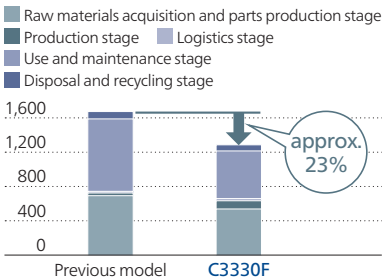
Canon's imageRUNNER ADVANCE C3300 series of A3 color MFDs, launched in May 2015, employ on-demand fixing technology and other energy-saving features to lower their TEC value\*<sup>1</sup> to 1.2kWh\*<sup>2</sup>, which is among the lowest in the same product category of the industry. Regular maintenance parts were also made more durable, and housing parts were designed to be thinner while still maintaining the necessary rigidity. Moreover, by reducing the number of screws and other parts, we have also lowered CO<sub>2</sub> emissions associated with raw materials and parts manufacturing. These combined efforts helped to lower CO<sub>2</sub> emissions throughout the lifecycle of the imageRUNNER ADVANCE C3300 series by approximately 23% compared to previous models.

With sights set firmly on achieving a low-carbon society, Canon will continue to develop products that are both highly functional and environmentally conscious.

\*<sup>1</sup> **TEC (Typical Electricity Consumption) value:** An environmental indicator for the typical amount of electricity consumed by a product while in normal operation during a one-week period.

\*<sup>2</sup> Model with continuous copying speed of 30 sheets/minute in both color and monochrome (A4 landscape). The TEC value of models with a speed of 20 sheets/minute is 0.8kWh.

**Reduced CO<sub>2</sub> Footprint of imageRUNNER ADVANCE C3300F**



## Contributing to a Circular Economy

# Pursuing Maximization of Resource Efficiency to Generate the Most Value from the Least Resources Possible

### Issues and Approach

The increased demand for natural resources caused by the expanding global economy has given rise to several issues, including the depletion of natural resources such as crude oil and minerals, as well as an increase in waste. In response, there is a growing movement to use resources more effectively and in a more sustainable manner. For example, the roadmap toward a resource-efficient, circular economy was developed by the European Commission.

Within this environment, Canon is working to maximize resource efficiency by providing greater value using fewer resources to fulfill its responsibility as a major manufacturer that uses large quantities of resources. For example, Canon engages in the remanufacturing of used office-use MFDs, that is, rebuilding a product, using a combination of reused, repaired and new parts, to the same level of quality as a brand-new item. Canon was also among the first in the industry to establish a collection and recycling system for used products and consumables. In particular, Canon launched a toner cartridge recycling program in 1990 and has promoted recycling-conscious product design ever since. As part of its recycling commitment, Canon focuses on closed-loop recycling in which recycled materials are repeatedly used for the same products to extend the usage period of resources. Going forward, Canon will continue to advance its recycling technologies through technical innovation, while also improving its recycling ratio and recycling efficiency.

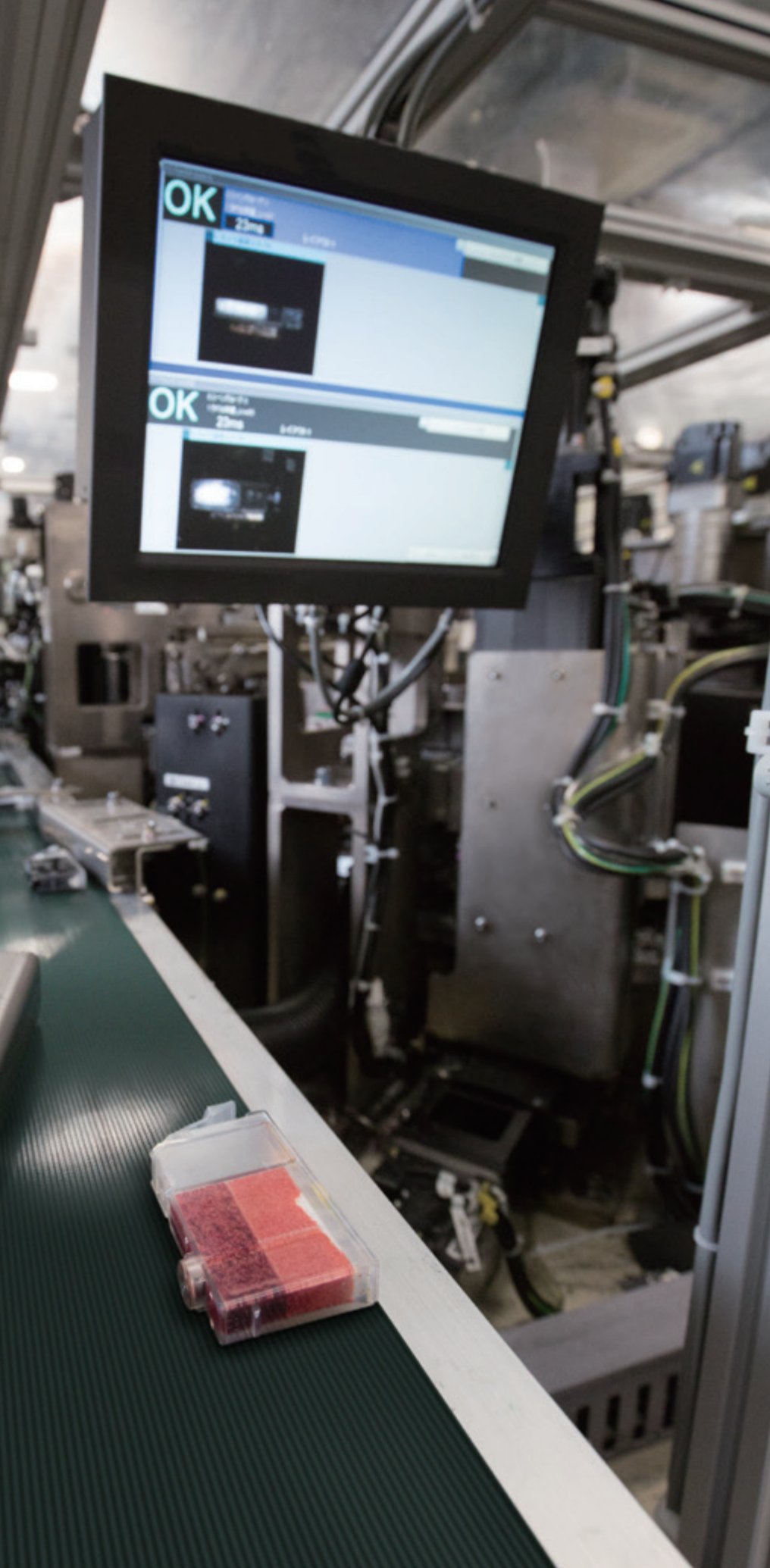
### Reserves of Major Resources in The World

Mineral		Reserve-production ratio (years)
Mineral resources	Iron ore	56.0
	Copper ore	38.5
	Zinc ore	14.9
	Lead	18.9
	Tin	17.8
	Silver	20.9
	Gold	18.7
Fossil fuels	Oil	52.5
	Natural gas	54.1

Source: U.S. Geological Survey *Mineral Commodity Summaries 2016* used for mineral resources. Reserve-production ratio calculated by dividing confirmed reserves by 2015 production volume.

Source: BP Statistical Review of World Energy June 2015 for fossil fuels.





CARS-I automated recycling system for ink cartridges

## Case Study

### Canon Recognized for Longtime Efforts in Recycling Consumables

Aiming to contribute to greater resource recycling, Canon has continued to strengthen its efforts in recycling consumables. Canon's Toner Cartridge Recycling Program, which marked its 25th anniversary in 2015, has garnered high praise for its activities from many sources. For example, Canon Europe Ltd. was recognized for the program with a Gold award at the International Green Apple Awards, and a People's Choice Award at The Circulars 2016.

Canon has also been collecting and recycling ink cartridges used in various devices, such as inkjet printers, for the past two decades, and the program is currently operated in more than 30 countries and regions. In 2014, Canon Ecology Industry Inc., Canon's recycling hub in Japan, began operation of an automated recycling system for used ink cartridges called CARS-I (Canon Automated Recycling System for Ink Cartridges). This system uses an integrated and automated line to efficiently process collected ink cartridges, from separation by model type to disassembly, crushing, and cleaning. The introduction of CARS-I has enabled Canon not only to significantly boost its recycling processing capacity but also increase its material recycle yield.

Canon will continue to refine and advance its technologies to increase its recycling capacity even further.



Ink cartridges collected through the Ink Cartridge Satogaeri (Homecoming) Project in Japan before processing by CARS-I

# For the Earth

Protection and conservation of the global environment

## Eliminating Hazardous Substances and Preventing Pollution

### Reinforcing Systems for Proactively Managing Chemical Substances to Further Stricter Regulations

#### Issues and Approach

Today, air, water, and soil pollution caused by chemical substances have become global social issues. Out of concern for public health and safety, laws and regulations to reduce the environmental impacts of chemical substances are being developed and tightened. One example is the Strategic Approach to International Chemicals Management (SAICM) adopted at the first International Conference on Chemicals Management (ICCM), which was attended by government organizations from 103 countries and regions. This action plan for sound management of chemicals worldwide by 2020 involves measures to support risk reduction, strengthening knowledge and information, strengthening of institutions, law and policy, enhancing capacity building, addressing illegal traffic, and improved general practices.

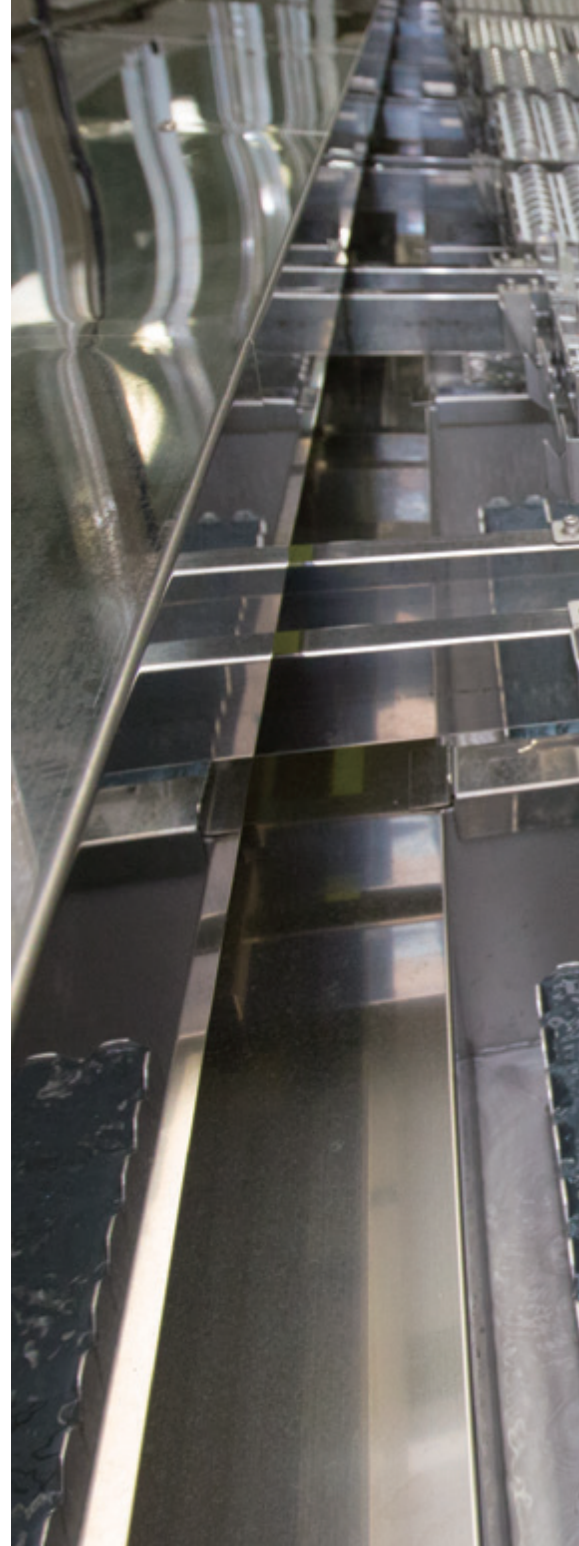
Canon uses chemical substances throughout the product manufacturing process, and in the products themselves. Canon therefore works proactively to not only ensure thorough compliance with current regulations but also to get ahead of tightening restrictions governing the management of chemical substances. Canon takes various measures to eliminate the hazardous substances contained in products and used during the production process. Such measures include finding alternative substances, reducing usage and emissions, and pursuing possibilities for rendering these substances harmless. Canon has also established Green Procurement Standards and stepped up efforts to manage chemical substances throughout the entire supply chain.

#### History of International Regulation Tightening for Chemical Substances

1992	Agenda 21 adopted at the Earth Summit
2002	Johannesburg Plan of Implementation developed at the World Summit on Sustainable Development
2003	Rotterdam Convention (regulation on the export of hazardous chemical substances) takes effect
2004	Stockholm Convention (regulation on persistent organic pollutants) takes effect
2006	SAICM adopted at the 1st ICCM EU RoHS Directive*1 (directive on the restriction of the use of hazardous substances) is implemented
2007	EU REACH Regulation*2 (regulation on the registration, evaluation, authorization, and restriction of chemical substances) is implemented
2009	Japan's Revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law) is promulgated Basic principles for the revised Toxic Substances Control Act (TSCA) in the United States are announced

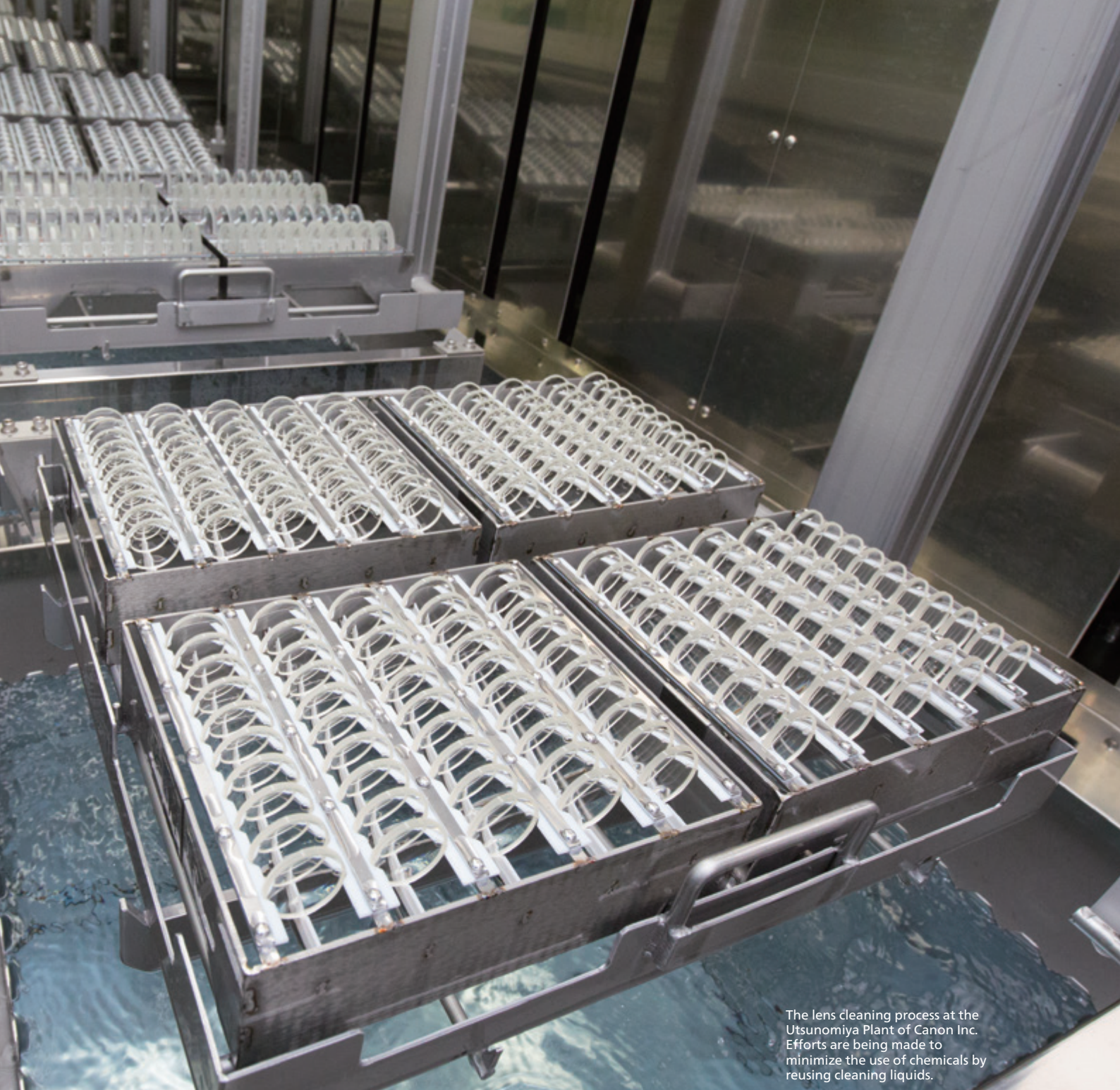
\*1 **RoHS Directive:** Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The directive is contained in the laws of all EU member states.

\*2 **REACH Regulation:** Registration, Evaluation, Authorization and Restriction of Chemicals. The regulation applies directly to all EU member states.



Wastewater filtration system at the Utsunomiya Plant of Canon Inc.





The lens cleaning process at the Utsunomiya Plant of Canon Inc. Efforts are being made to minimize the use of chemicals by reusing cleaning liquids.

## Case Study

### Introduction of Integrated Chemical Management System and Thorough Management of Chemical Substances in the Manufacturing Process

While complying with chemical regulations expanding globally, most notably the EU RoHS Directive and REACH Regulation, Canon in 2011 implemented its own system of managing chemical substances in the development and procurement stages. Our Integrated Chemical Management System determines whether a chemical is acceptable for use in a part or product and tabulates information on the quantity of each chemical used and released during the manufacturing process. This system is linked to other systems to form a mechanism for preventing the purchase and use of prohibited substances. Currently, approximately 3,000 types of chemical substances may be

used in our manufacturing processes are closely managed as either "A. Prohibited substances," "B. Emission-reduction substances," or "C. Regulated substances," based on regulatory information from each of the countries and regions around the world where we operate.

Canon diligently manages the use of chemical substances in its manufacturing processes. For example, the Utsunomiya Plant of Canon Inc. is working to reduce the amount of chemical substances used in the lens cleaning process by using recycling systems to reuse certain cleaning liquids. At the same time, Canon is making its workplaces safer and tightening measures to prevent chemical leakages.

# For the Earth

Protection and conservation of the global environment

## Contributing to a Society in Harmony with Nature

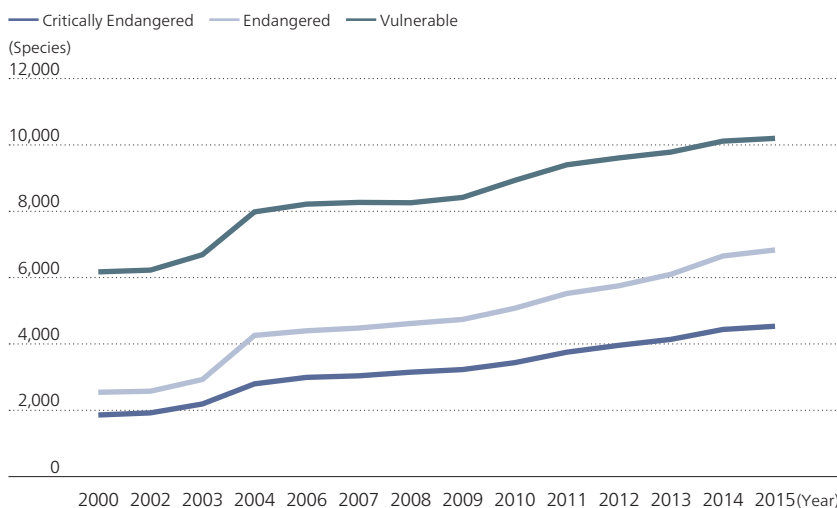
# Implementing Biodiversity Conservation Activities Mindful of Ecosystems

### Issues and Approach

People and society are supported by natural capital that includes water, air, soil, and flora and fauna. Given the accelerated pace of extinctions taking place, in order to continue utilizing nature's bounty for generations to come, it is critical that biodiversity be protected globally. At the tenth meeting of the Conference of the Parties (COP10) to the Convention on Biological Diversity held in 2010, countries adopted the Aichi Target as a long-term target up to 2050 along with other action targets leading up to 2020. Corporations are expected to implement voluntary initiatives as well.

Given the environmental impacts of Canon's business activities, we too recognize the importance of acting to protect biodiversity. Canon has therefore established a Biodiversity Policy (see page 63), including a Basic Policy and Action Guidelines, based on the belief that biodiversity conservation is critical to achieving a sustainable society. Our multifaceted approach includes, but is not limited to, "utilization of Canon technologies and products for biodiversity conservation," "biodiversity initiatives centered on operational sites," and "contributions to the realization of a community rich in biodiversity."

#### Rate of Extinction (Number of Species that Become Extinct in One Year)



Source: Prepared based on the IUCN Red List of Threatened Species, Version 2015.2



Nest box set up at the Canon's headquarters



Wildfowl survey in the Shimomaruko Forest at Canon's headquarters

### Case Study

## Launch of the Canon Bird Branch Project to Protect Wildfowl Utilizing Green Spaces within Our Operational Site

The lush green area within Canon's corporate headquarters complex, called Shimomaruko Forest, contains an abundance of wildlife, including such birds as the titmouse, Japanese white-eye and spotbill duck, as well as butterflies, dragonflies, and many other insect species, despite its urban setting. Utilizing this environment, Canon launched the Canon Bird Branch Project in 2015 with the aim of contemplating "the cycle of life" together with stakeholders.

This ecosystem conservation initiative is focused on the

theme of birds, which, occupying the top spot in the ecosystem pyramid, are a symbol of the cycle of life. Currently, we are carrying out various activities, including setting up nest boxes and surveillance cameras as well as observing and studying wildfowl species under the guidance of the Wild Bird Society, and holding ecosystem tour events, among others. In the future, these projects will be used as a model for the Canon Group worldwide to help protect and conserve ecosystems wherever possible.

# CSR Reporting

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



## Economy



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- Job Creation P31
- Economic Contributions to Local Communities P32
- Data Summary P34

## Environment



### P35

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**Labor and Human Rights**  


**Society**  


**Product Responsibility**  


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- Art, Culture and Sports [P99](#)

**P101**

- Management Approach [P102](#)
- Quality Management [P103](#)
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The Friendship School Chain Project, helping to construct schools and donate school supplies in Vietnam (see page 33)



# Economy

As a multinational corporation, Canon is committed to paying taxes in the countries and regions where it operates, and to returning profits to employees, shareholders, and other stakeholders in an appropriate manner as part of its efforts to fulfill its social responsibilities.

## Canon Group Sales in 2015

**Europe**  
**1,074.4**  
 billion yen

**Japan**  
**714.3**  
 billion yen

**The Americas**  
**1,144.4**  
 billion yen

**Asia/Oceania**  
**867.2**  
 billion yen

## Management Approach

### Important Issues from an Economic Perspective

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

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

Based on this, Canon considers the payment of taxes in obedience to the laws of the countries and regions where it operates as its most basic and important social responsibility. Canon also strives to build ongoing relationships with suppliers in the supply chain and pay them on time; provide employment opportunities and offer good wages and benefits; offer a stable dividend to shareholders; contribute to the development of local communities through sustained donations and support activities; and participate in citizenship activities. Among these, Canon considers the following two themes to be of particular importance.

### Job Creation

Canon employs close to 190,000 people worldwide, we understand that the economic impacts of this on local communities are wide-reaching.

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

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

### Economic Contributions to Local Communities

Within the countries and regions where Canon operates, there are some areas where schools, hospitals, and other social infrastructure are underdeveloped due to the poor economic situation. Canon thus, focuses on providing assistance to areas in need that goes beyond its basic obligation of paying taxes, believing that its business activities will further help local communities achieve sound and sustainable development. Utilizing its monetary, human, technology and product resources, Canon supports the development of facilities and infrastructure in such fields as education and healthcare in order to improve the standard of living locally.

### Main Policies

Theme	Main Policies
Job Creation	<ul style="list-style-type: none"> <li>• Actively hire local people to work at production sites worldwide (see page 31)</li> <li>• Appoint local people to executive management positions at Canon Group companies worldwide (see page 31)</li> <li>• Assist people with disabilities to participate in society more fully through expanded employment opportunities (see page 31)</li> </ul>
Economic Contributions to Local Communities	<ul style="list-style-type: none"> <li>• Contribute to the local economy through proper payment of taxes (see page 32)</li> <li>• Take part in volunteer activities, provide donations, and assist with the construction of infrastructure in poor, economically challenged areas (see page 32)</li> <li>• Provide research grants to universities and research institutes through the Canon Foundation (see page 33)</li> </ul>

## Job Creation

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

### 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 4,700 people locally, and Canon Business Machines (Philippines) employs approximately 3,700 local residents (as of December 31, 2015).

Canon guarantees that the employees it hires are paid a wage higher than the local minimum wage.

#### Comparison of Canon’s Minimum Wage to Local Minimum Wage (As of December 31, 2015)

		Japan	United States	China
Local minimum monthly wage		136,050 yen	1,257 dollars	1,680 renminbi
Canon	Standard minimum monthly wage	161,900 yen	2,442 dollars	2,410 renminbi
	Ratio compared to the local minimum wage	119%	194%	143%

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

### Promoting Internationalization of Executive Management

Following our corporate philosophy of *kyosei*, Canon seeks to grow and prosper together with all of the countries and regions of the world, building better ties as we move forward with globalization.

Canon therefore appoints appropriate personnel, regardless of nationality, as presidents, executive officers, and managers of subsidiaries in each country and region where we operate.

#### Ratio of Internationalization in Canon Group Companies Outside Japan (As of December 31, 2015) (%)

	The Americas	Europe	Asia (excluding Japan)
Presidents	30.0	94.6	30.0
Managers	91.0	97.0	84.0

### Supporting the Participation of People with Disabilities in Society

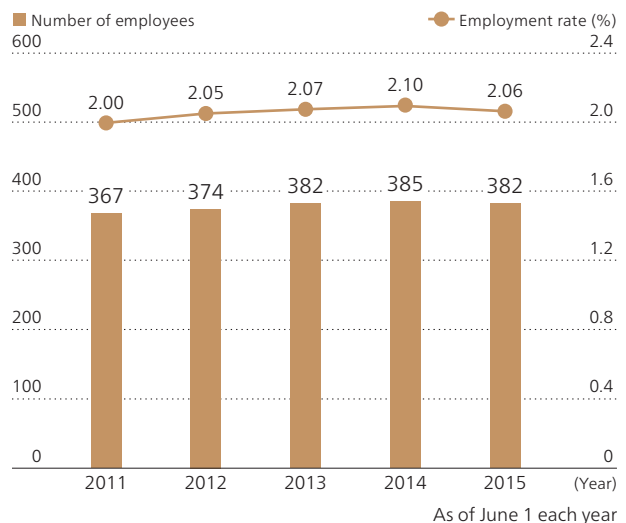
Respecting the ideal of normalization\* advocated by the United Nations, Canon actively employs persons with disabilities at its subsidiaries in Japan.

For example, at Canon Inc., 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 that people with disabilities can be assigned, while also checking to make sure people with disabilities are settling into and becoming active members of their assigned workplace. Starting in 2015, Canon incorporated hands-on workplace learning experience into the selection process to ensure that new hires can contribute quickly after they are hired and assigned to a workplace.

#### \* The principle of normalization

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

#### Number and Percentage of Disabled Employees(Canon Inc.)





## Economic Contributions to Local Communities

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

#### Proper Paying of Taxes

Canon believes that, as a multinational corporation with operations spanning the globe, the proper payment of taxes in the countries and regions where it operates is one of its most fundamental and important responsibilities to society. Accordingly, Canon abides by the following principles with regard to tax matters.

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

#### Providing Assistance in Poverty-stricken Areas

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

##### The 3E's Project in India

Canon India carries out the 3E's Project in cooperation with a local NGO, Charities Aid Foundation (CAF) India. The project provides various forms of assistance in the fields of eye care, education and environment to less-privileged villages in the vicinity of the Canon India office.

As a manufacturer of ophthalmic equipment, Canon is dedicated to making advancements in the field of eye care, in particular by facilitating comprehensive eye screening to help those with vision impairments. Cataracts are a major cause of visual impairment in India,



Eye exam using a Canon retinal camera

and yet 80% of these cases can be prevented or treated. To bridge this gap, Canon constructs vision centers in selected villages and provides examinations while also facilitating treatment. Moreover, Canon encourages villagers to have eye examinations by setting up eye check-up camps and distributing informative pamphlets. In 2015, a total of 140 camps were conducted, during which approximately 13,000 people received eye examinations.

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

Starting in 2016, this project will be renamed the 4E's Project to reflect the addition of empowerment to its goals.

##### "Adopt a School" Project in Africa

Canon Middle East supports the Adopt a School project run by the NGO Dubai Cares. Through this project, the company assists with the construction of primary schools in Senegal in West Africa.

This project aims to spread quality primary education in developing countries. In support of this, Canon Middle East matched the donations of employees and the proceeds from an in-house charity auction of Canon products to help fund the construction of a school. Canon employees also assisted construction work locally as volunteers. Additionally, Canon Middle East launched the

Canon Books4Cause campaign to create a library for the newly built primary school. Through this campaign, which involved setting up book-donation corners at the company's offices and showrooms and advertising on Facebook, some 3,000 books were collected and donated.

The primary school was completed in 2015, and now about 100 children are learning there. Canon Middle East is committed to the long-term support of education and will continue to carry out locally rooted activities toward this end.



The Adopt a School project, supporting the construction of a school in Senegal

### “For the Next Generation” Activities in Vietnam

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

The Friendship School Chain Project, one of the most well known of these activities, works to construct classrooms and donate desks and chairs to schools in rural areas where infrastructure development is slow moving.

Project volunteers regularly visit recipient schools to help with infrastructure building, such as the repair of toilet and hand washing area, and to present donations



The Friendship School Chain Project supporting children in Vietnam

of school supplies. Over the eight years since its launch in 2007, the project has spread to 53 schools in 21 provinces.

Canon Vietnam also provides scholarships to talented high-school and college students from underprivileged families, loans bicycles to students who have to commute long distances, and conducts environmental classes at primary schools.

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

### Supporting Research Activities through the Canon Foundation

Canon established the Canon Foundation in 2008 with the aim of contributing to the ongoing prosperity and well-being of humankind through a wide range of support activities for both organizations and individuals engaged in research, projects and education in various academic fields, most notably science and technology. The Canon Foundation has established two research-grant programs, known as the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, both of which are open to researchers working at universities and other public research institutes throughout Japan.

In 2015, we held the third Pursuit of Ideals symposium in June, and the fourth Creation of Industrial Infrastructure research results presentation in July, providing opportunities for subsidized researchers to report on achievements made to date. Thirteen projects were selected for Creation of Industrial Infrastructure grants in 2016, while four were chosen for Pursuit of Ideals grants examining the theme of Food. A total of 247 million yen in grants was awarded.



The third Pursuit of Ideals symposium

## Data Summary

### Key Financial Data

		2011	2012	2013	2014	2015
Net sales	Billions of yen	3,557.4	3,479.8	3,731.4	3,727.3	3,800.3
Operating income	Billions of yen	378.1	323.9	337.3	363.5	355.2
Net income attributable to Canon Inc. stockholders	Billions of yen	248.6	224.6	230.5	254.8	220.2
(Basic) Net income attributable to Canon Inc. stockholders per share	Yen	204.49	191.34	200.78	229.03	201.65
Total assets	Billions of yen	3,930.7	3,955.5	4,242.7	4,460.6	4,427.8
Stockholders' equity	Billions of yen	2,551.1	2,598.0	2,910.3	2,978.2	2,966.4
Return on equity (ROE)* <sup>1</sup>	%	9.6	8.7	8.4	8.7	7.4
Return on assets (ROA)* <sup>2</sup>	%	6.3	5.7	5.6	5.9	5.0

**\*1 Return on equity**

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

**\*2 Return on assets**

Based on net income attributable to Canon Inc.

### Dividends to Stockholders

		2011	2012	2013	2014	2015
Dividend per share	Yen	120	130	130	150	150
Total dividend amount	Billions of yen	145.0	151.0	148.8	164.7	163.8
Dividend payout ratio	%	58.3	67.2	64.6	64.6	74.4

### Employee Compensation (Canon Inc.)

		2011	2012	2013	2014	2015
Average annual salary per employee	Thousands of yen	7,660	7,590	7,560	7,700	7,870
Total annual salary	Billions of yen	195.5	190.0	189.0	192.5	195.9

### Corporate Income Taxes

		2011	2012	2013	2014	2015
Taxes on pre-tax net income	Billions of yen	120.4	110.1	108.1	118.0	116.1
Effective tax rate on pre-tax net income	%	32.2	32.1	31.1	30.8	33.4



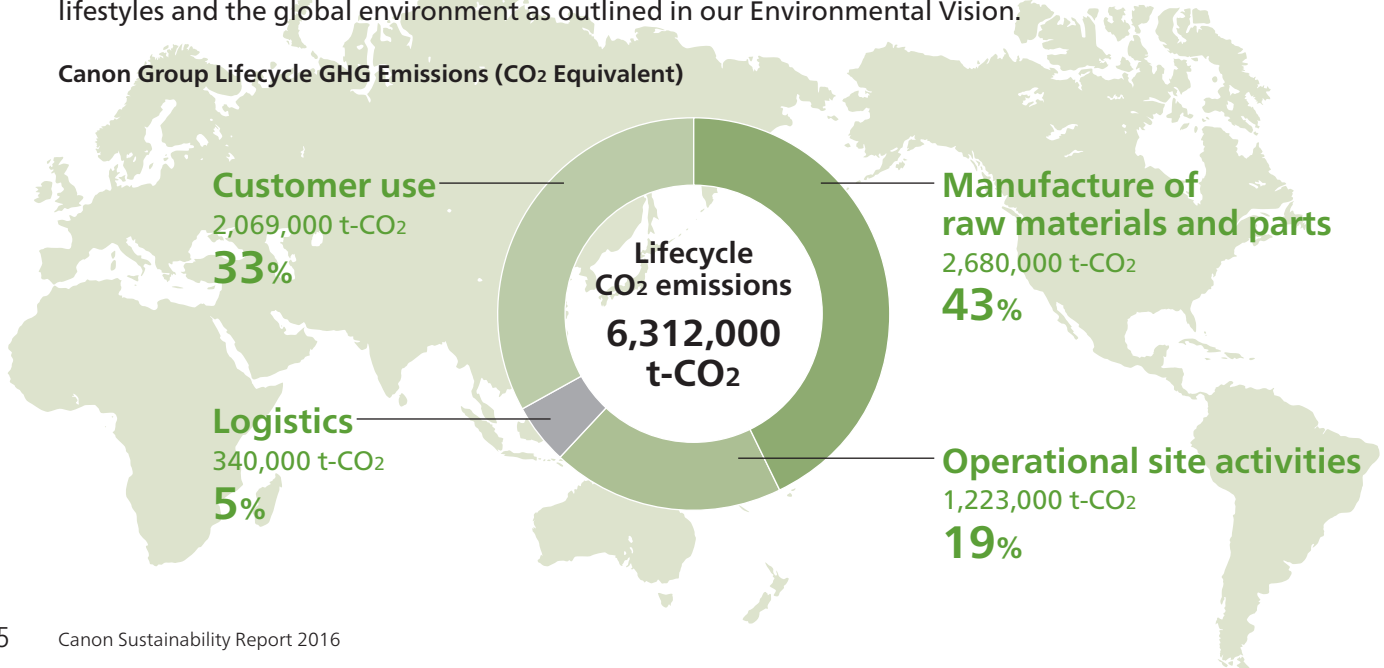
The Canon Automated Recycling System for Toner Cartridge (CARS-T) at Canon Ecology Industry (see page 56)



# Environment

With business operations around the world, Canon is very aware of the impact that its activities have on the environment. We carry out environmental assurance activities according to specific companywide environmental goals in order to realize a society that promotes both enriched lifestyles and the global environment as outlined in our Environmental Vision.

## Canon Group Lifecycle GHG Emissions (CO<sub>2</sub> Equivalent)



# Management Approach

## Materiality and Environmental Aspects

Today, companies face a wide range of environmental issues. To ensure that environmental assurance activities are carried out effectively and efficiently, companies must clarify the priority of issues to be addressed, considering both the risks and the opportunities based on an understanding of the characteristics of their business activities as well as the impact they have on the environment. Canon conducts the following analysis in order to determine materiality.

First, we reviewed about social trends related to global environmental issues and then organized the environmental aspects of materiality as they relate to Canon’s business activities. Next, we assigned priority to these environmental aspects from two perspectives, namely, the relative interest of stakeholders and the relative impact on Canon’s business operations. To determine the relative interest of stakeholders, we conducted a global survey on items that interest stakeholders in terms of the environment. And, to ascertain the relative impact on Canon’s business activities, we evaluated the risks and opportunities expected with each of the environmental aspects, and then assigned a priority ranking to each one.

Through the survey we found out that stakeholders are most interested in energy consumption during product use,

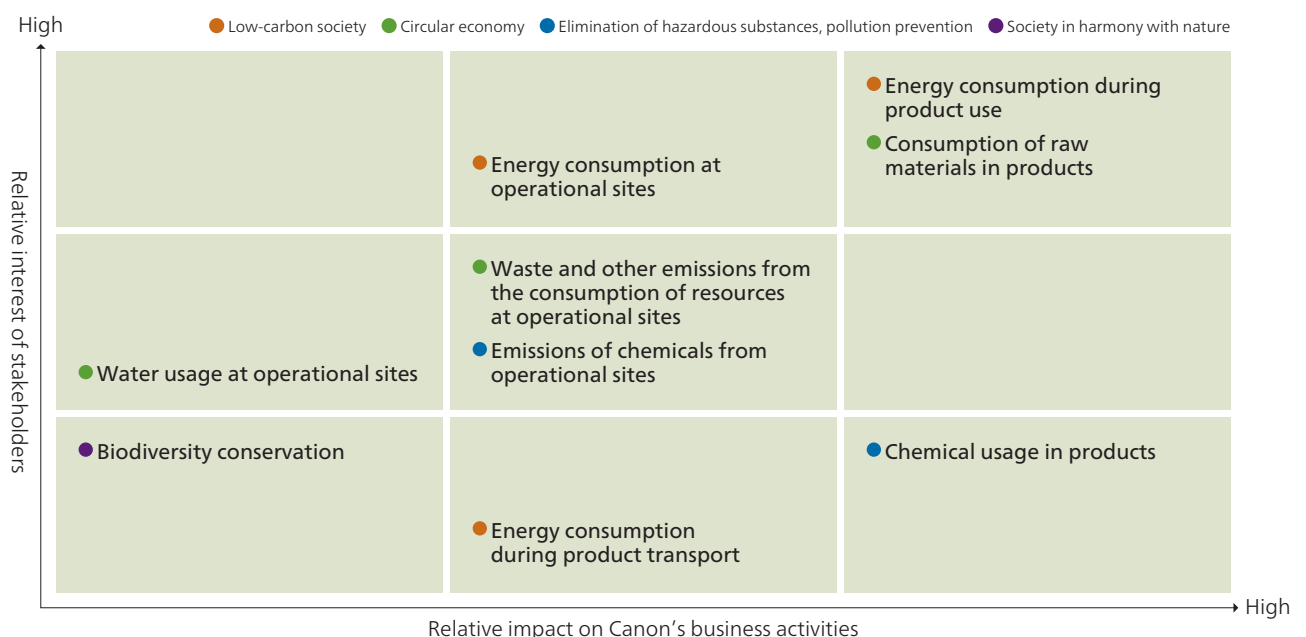
followed by resource consumption of products and energy consumption at operational sites. As these aspects are important to Canon’s business activities as well, we decided to incorporate them into the Mid-Term Environmental Goals to work toward reducing environmental impacts in each stage of the product lifecycle.

Meanwhile, despite regulations on chemicals becoming more rigorous, stakeholder interest in chemical usage in products is relatively low compared to the aspects mentioned above. Nevertheless, we have set the impact level of chemicals to high based on the recognition that as a company supplying products and services, Canon must comply with these regulations. Also, we recognize that curtailing waste and emissions into the air and water from our operational sites is important for the surrounding local communities, and for this reason, we have established and are working toward achieving goals and emissions standards.

As for biodiversity conservation, there are elements that are directly and indirectly related to various aspects of our business. Therefore, although the impact is relatively low, Canon understands that this is an area in which it must press on with continuous efforts.

Based on this materiality analysis, we established four forms of materiality and will work toward addressing these issues as we move forward. These four forms are: (1) contributing to a low-carbon society; (2) contributing to a circular economy; (3) eliminating hazardous

### Materiality Matrix



substances and preventing pollution; and (4) contributing to a society in harmony with nature.

### Contributing to a Low-Carbon Society

As the threat of climate change from global warming increases, international frameworks aimed at realizing a low-carbon society are being established, incorporated in the Sustainable Development Goals (SDGs), which include the targets related to climate change and energy announced at the United Nations Sustainable Development Summit 2015, and the Paris Agreement reached at COP21.

Risks related to climate change include stricter regulations on energy efficiency and rising investment costs of energy efficiency to keep pace with these regulations. Opportunities include increased interest in the energy consumption of products leading to more and more people choosing to purchase energy-efficient products, and the growing trend of making factories more energy efficient leading to lower factory costs. Priority activities to contribute to the realization of a low-carbon society based on a balanced awareness of both these risks and opportunities include (1) reducing energy consumption during product use; (2) reducing energy use by operational sites; and (3) reducing energy use during the transport of products.

### Contributing to a Circular Economy

Action to realize a circular economy by efficiently using and actively reusing limited resources is spreading around the globe given concerns over the depletion of energy and mineral resources and the proper disposal of waste. For example, the SDGs include targets for sustainable production and consumption (Goal 12). Manufacturers now need to encourage the development of lighter and more compact products to curtail the use of resources, give due consideration to recycling from the development and design stages, and establish systems for collecting and recycling products after they are sold and used.

Given this trend, risks related to resource depletion and the proper disposal of waste include rising parts and materials procurement costs caused by soaring resources' prices, and impacts on the stable procurement of water caused by natural disasters and extreme weather resulting from climate change. At the same time,

recycling-conscious product design and the development of recycling technologies lower our dependence on natural resources and reduce waste while also providing the opportunity for stable resource procurement and reduced operating costs. Priority activities to contribute to the realization of a circular economy based on this awareness include (1) resource-efficient product design; (2) reducing waste output at operational sites; and (3) effective use of water at operational sites.

### Eliminating Hazardous Substances and Preventing Pollution

Many of the myriad chemical substances found in the products we use may negatively affect the air, water and soil as well as people's health. In Europe, regulations on chemical substances contained in products, such as the RoHS directive and REACH regulation, have been made stricter, and this trend is now spreading to other regions as well. And, regulations on chemical emissions are also being tightened. Against this background, targets connected with the appropriate management of chemical substances and waste and the reduction of emissions have also been set within the SDGs.

Risks related to chemicals include the cessation of product shipments due to non-compliance with regulations and the rising risk of contamination from prohibited chemicals somewhere in the supply chain. Opportunities include maintaining product competitiveness by providing peace of mind and safety, positive impacts on brand value, and lower management costs, including in the supply chain. Based on this awareness, priority activities to eliminate hazardous substances and prevent pollution include (1) eliminating regulated chemicals used in products; and (2) reducing chemical emissions from operational sites.

### Contributing to a Society in Harmony with Nature

The loss of biodiversity caused by climate change and over-development is growing more serious. The Aichi Biodiversity Targets adopted at COP10 require companies to take part in the effort as well. Recognizing that biodiversity is an essential element for building a sustainable society, Canon carries out activities around the world based on its Biodiversity Policy.

## Environmentally Conscious Management

The Canon Group continually and systematically develops human resources and reinforces systems for carrying out environmental assurance activities.

### Environmental Goals and Results

Canon believes it is important to clarify the priority ranking of initiatives when setting environmental goals based on a correct understanding of the potential impacts they have on its business activities and the environment. In addition to its own business activities, such as development, production, and sales, Canon seeks to understand the overall picture of environmental impacts through all stages of the product lifecycle, from the manufacture of raw materials or parts by suppliers to transport to retailers and use by the end customer. Canon visualizes this in the form of material balance, categorized into input and output. Analysis based on these results indicates the extent of environmental impacts in each of these stages.

To reduce these impacts across the entire lifecycle, we convert each type of environmental impact to CO<sub>2</sub> and set as the overall goal for our Mid-Term Environmental Goals a 3% improvement per year in the lifecycle CO<sub>2</sub> emissions improvement index per product. We have incorporated this overall goal into our companywide goals, business goals and operational site goals using lifecycle assessment (LCA) methodology, resulting in environmentally conscious designs and production with due consideration for the entire lifecycle of a product.

Furthermore, we have established a goal for products of 3% improvement per year in the raw materials & use

CO<sub>2</sub> emissions improvement index per product, and a goal for operational sites of 1.2% improvement per year in energy consumption rate per basic unit at operational sites. Production sites have established targets for waste, water and chemicals as operational site goals.

### Results under Canon’s Mid-Term Environmental Goals

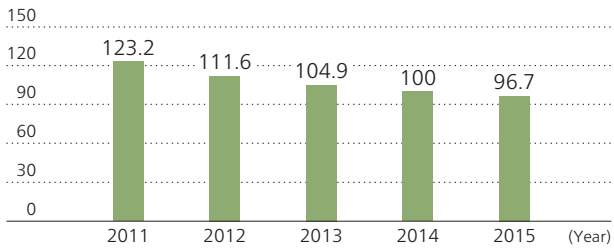
The overall goal for 2015 was an annual improvement of 3% for the lifecycle CO<sub>2</sub> emissions improvement index per product, which we achieved with a 3.3% improvement.

Improvements were realized thanks to efforts to make office equipment more compact and lightweight in the raw materials and parts manufacturing stage, energy-saving measures implemented in the production process as part of operational site activities, improved loading efficiency resulting from changes in containers used in the logistics stage, and greater energy savings realized from office equipment and industrial equipment in the customer use stage. Those efforts also helped us to achieve the goal for products of 3% improvement per year in the raw materials & use CO<sub>2</sub> emissions improvement index per product, which is closely linked to these activities.

Moreover, for the operational site goal related to energy consumption rate per basic unit at operational sites, a 1.9% improvement was achieved, surpassing the goal of 1.2% per year, thanks to the above-mentioned activities.

	2015 Environmental Goals	2015 Results	2016–2018 Mid-Term Environmental Goals
Lifecycle	Lifecycle CO <sub>2</sub> emissions improvement index per product Annual improvement of 3%	Annual improvement of 3.3% over 2014	Lifecycle CO <sub>2</sub> emissions improvement index per product Annual improvement of 3%
Production	Raw materials & use CO <sub>2</sub> emissions improvement index per product Annual improvement of 3%	Annual improvement of 3.0% over 2014	Raw materials & use CO <sub>2</sub> emissions improvement index per product Annual improvement of 3%
Operational Sites	Improve energy consumption basic unit at operational sites Annual improvement of 1.2%	Annual improvement of 1.9% over 2014	Improve energy consumption basic unit at operational sites Annual improvement of 1.2%
	2015 Environmental Goals	2015 Results	2016 Environmental Goals
	Improve total waste generation per basic unit at operational sites by 1% (compared to 2014)	1.1% increase over 2014	Improve total waste generation per basic unit at operational sites by 1% (compared to 2015)
	Improve water usage per basic unit for production by 1% (compared to 2014)	2.7% increase over 2014	Improve water usage per basic unit for production by 1% (compared to 2015)
	Improve emission of controlled chemical substances per basic unit by 1% (compared to 2014)	1.1% improvement over 2014	Improve emission of controlled chemical substances per basic unit by 1% (compared to 2015)

**Lifecycle CO<sub>2</sub> Emissions Improvement Index per Product**



Note: 2014 results set as 100

**Results of Other Operational Site Goals**

As for improving the total waste generation per basic unit at operational sites, we did not achieve our goal of a 1% improvement (reduction) over 2014. While we worked on numerous measures, such as eliminating waste in production processes, which led to a slight reduction in total waste generation compared to 2014, increases in waste at some of our operational sites caused overall efficiency to deteriorate, resulting in an increase of 1.1% compared to 2014.

In terms of improving water usage per basic unit for

production, water usage declined compared to 2014 thanks to efforts to reuse wastewater, but inefficiencies in facilities at some operational sites caused the water usage per basic unit to rise 2.7% over 2014, falling short of the goal. We have already taken measures that have resolved this issue.

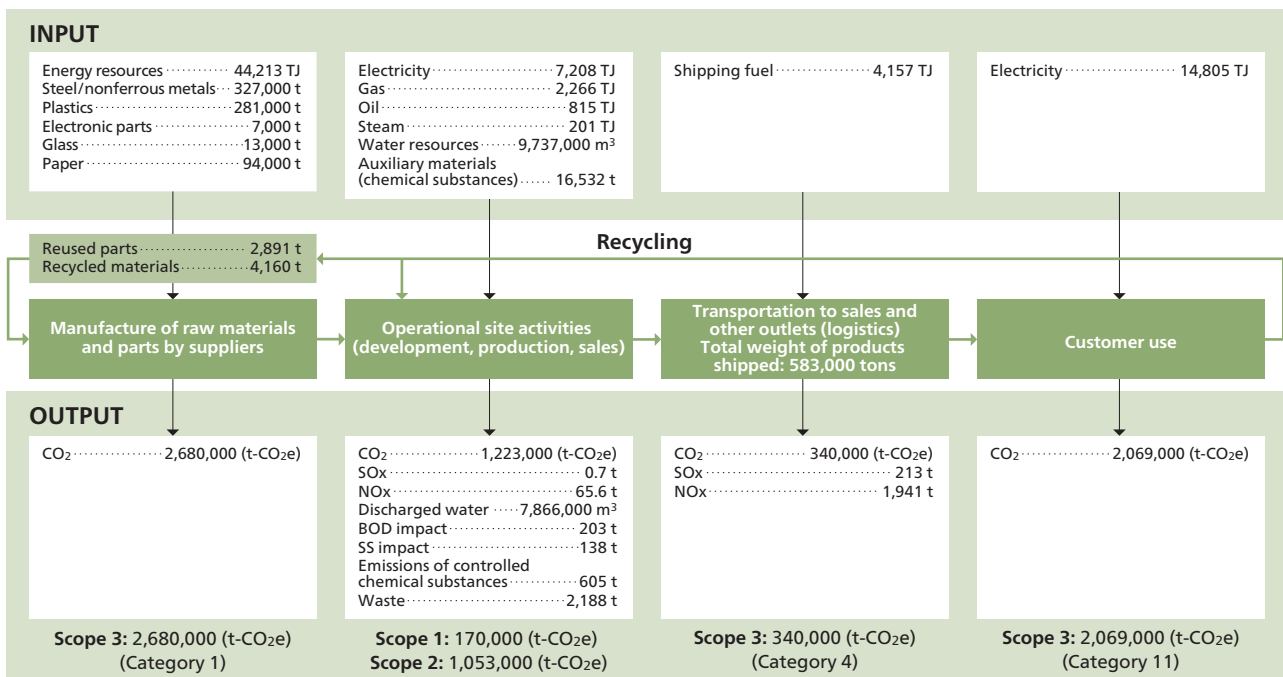
As for improving the emission of controlled chemical substances per basic unit, we achieved an improvement of 1.1% over 2014, attaining our goal of a 1% improvement, thanks to changes in painting jigs and improvements in spraying methods.

**Environmental Regulation Violations and Response to Complaints**

In 2015, Canon did not have a single legal violation or accident that seriously impacted the environment. The Canon Group also did not incur any fines. Complaints about foul odors and loud noises emitted from operational sites and so on were received, and appropriate measures were taken to address these complaints.

**Overview of Environmental Impacts**

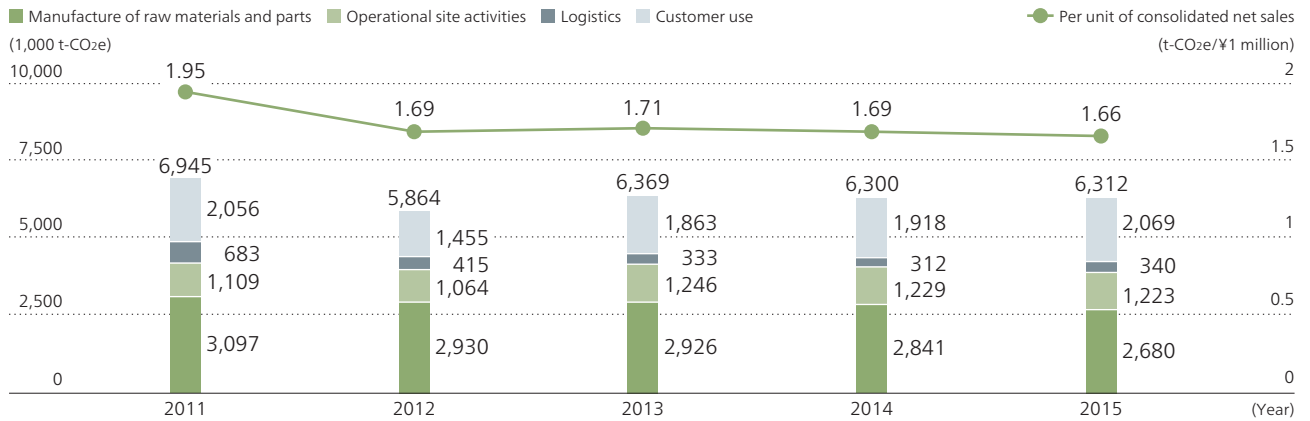
**2015 Material Balance**



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



**Lifecycle GHG Emissions (CO<sub>2</sub> Equivalent)**



**Note:** Sales outlets (worldwide) of marketing companies included in data count have been expanded starting in 2013.

Total lifecycle CO<sub>2</sub> emissions in 2015 were approximately 6.31 million tons, an increase of approximately 12,000 tons (approximately 0.2%) compared to 2014. There was a particularly large increase in CO<sub>2</sub> emissions during the customer use stage. This was due in large part to increased sales of industrial equipment, which has a large environmental impact during the customer use stage, despite advancement in the development of more energy-efficiency products.

**Basic Approach to CO<sub>2</sub> Calculations**

Canon compiles data for greenhouse gases designated under the Kyoto Protocol (revised version). Past data may be revised due to improvements in the precision of data calculations. We use CO<sub>2</sub> emission factors for electricity for each region and year. In Japan, the factors are published by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan. Outside Japan, they are published by the International Energy Agency. (Please refer to Operational Sites Covered in the Environmental Section (page 72).) For figures on customer use, electricity consumption of products shipped in a given year is calculated based on the average lifespan and output capacity, and converted to the CO<sub>2</sub> equivalent using the same factors stipulated above. Other CO<sub>2</sub> emission factors use coefficients from the Carbon Footprint Communication Program of the Japan Environmental Management Association for Industry (JEMAI).

**Third-Party Verification of Greenhouse Gas Emissions (converted to CO<sub>2</sub>)**

Third-party verification has only been obtained for CO<sub>2</sub> emissions occurring in 2015 from quantitative data appearing in the above graphs "Lifecycle GHG Emissions (CO<sub>2</sub> Equivalent)" and "2015 Material Balance."

**Scope 3 GHG Emissions in 2015**

(1,000 t-CO<sub>2</sub>e)

Category	Scope	2015	Method
1	Purchased goods and services	2,680*	Calculated by multiplying the volume of each material input by the emission factor for each material/process.
2	Capital goods	745	Calculated by multiplying the total amount of each category of purchased capital goods by the emission factor for each category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	97	Calculated by finding the total for fuel and electricity usage at each operational site and then multiplying it by the emission factor from fuel extraction to burning and power generation.
4	Upstream transportation and distribution	340*	Logistics from the supplier to Canon manufacturing sites is calculated by finding the average transport distance and transport volume and then multiplying this by the emission factor for transportation. Logistics from manufacturing site to customer is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	1	Total of waste generated for each material at each operational site is calculated and multiplied by the emission factor of end-of-life treatment by material.
6	Business travel	82	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method.
			For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor of fuel consumption. For accommodations, the total payment amount is converted to the average number of accommodation nights and added after multiplying by the emission factor of accommodations.
7	Employee commuting	204	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method.
			For commute by personal vehicle, the total payment amount is converted to fuel usage and then added after multiplying by the emission factor of fuel consumption.
8	Upstream leased assets	—	CO <sub>2</sub> emissions from leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transportation and distribution	53	Average transport distance and weight of distributed products is calculated for each region and multiplied by the emission factor of transportation.
10	Processing of sold products	0	Weight of parts at distributor is multiplied by the emission factor of product assembly to calculate the impact of product assembly.
11	Use of sold products	2,069*	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	216	Sold products are categorized by material and then emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	—	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	—	Not applicable
15	Investments	—	Not applicable
Total		6,488	

\* Data verified by a third party

## Canon's Approach to Environmental Assurance

Within the Canon Group Environmental Charter, which forms the basis for our environmental assurance activities, maximizing resource efficiency based on the concept of EQCD\*, which achieves both environmental assurance activities and economic activities, is a major focus area. Additionally, the goal of realizing a society that promotes

both enriched lifestyles and the global environment is cited as a goal for the future within Canon's environmental vision Action for Green. To achieve this goal, we are working with customers and business partners to carry out environmental assurance activities across the entire Canon Group.

At the same time, Canon understands that meeting rising demand in the marketplace for environmentally conscious products represents an opportunity to create

### Canon Group Environmental Charter

#### Corporate Philosophy : Kyosei

Achieve corporate growth and development while contributing to the prosperity of the world and the happiness of humankind.

#### Environmental Assurance Philosophy

In the interest of world prosperity and the happiness of humankind, pursue maximization of resource efficiency, and contribute to the creation of a society that practices sustainable development.

#### Fundamental Policies for Environmental Assurance

Seek to harmonize environmental and economic interests in all business activities, products and services (the EQCD concept); offer products with lower environmental burden through innovative improvements in resource efficiency, and eliminate anti-social activities that threaten the health and safety of mankind and the environment.

#### EQCD Concept

- E** : Environment (environmental assurance)  
Companies are not qualified to manufacture goods if they are incapable of environmental assurance.
- Q** : Quality  
Companies are not qualified to market goods if they are incapable of producing quality goods.
- C** : Cost  
Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.
- D** : Delivery

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

products that have a competitive edge. It is based on this thought that Canon constantly works to develop innovative technologies that can lead to the creation of high value-added products with advanced functions and reduced environmental impacts.

**\* EQCD concept**

An approach that aligns both environmental and economic activities based on a balance achieved between environment (E), quality (Q), cost (C), and delivery (D).

**Canon Environmental Vision**  
***Action for Green***

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

To this end, Canon offers greater value using fewer resources throughout the entire product lifecycle  
— Produce, Use, Recycle —  
to achieve highly functional products with minimal environmental burden.

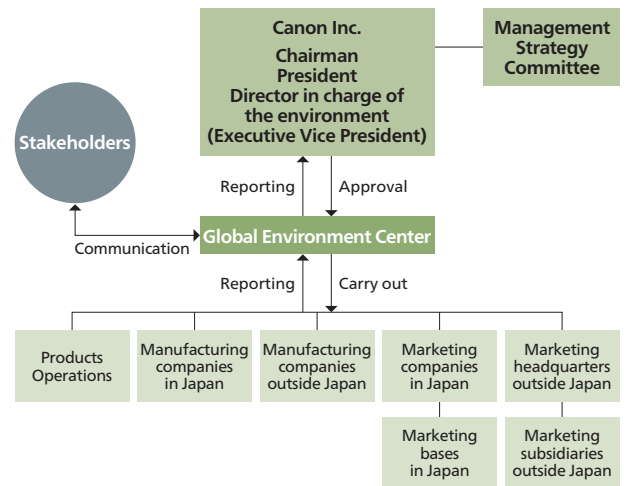
Canon continues to expand these activities with its customers and business partners.

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

**Global Environmental Promotion System**

Canon is building a global environmental promotion system, led by Canon’s Global Environment Center and supervised by the Executive Vice President of Canon Inc., who serves as the director in charge of the environment, to ensure that Group companies throughout the world approach environmental assurance activities in a unified way.

**Global Environmental Promotion System**



**Environmental Management System**

Canon has established an environmental management system (EMS) covering its operational sites inside and outside Japan as a system for continually improving the quality and efficiency of environmental assurance activities. This system promotes environmental assurance activities (Do), which are linked with activities of each division (products operations, operational sites, and Group companies). In turn, we set annual and mid-term environmental goals (Plan) and establish a specific Environmental Action Plan and important measures, which are reflected in our business activities. We also carry out environmental audits to check the process, performance and issues to be addressed at each division as well as conduct environmental performance evaluations to assess our environmental performance (Check) and then work to continually improve and enhance our environmental assurance activities (Act). At the same time, continual improvement and reinforcement is realized by implementing the PDCA cycle for environmental assurance activities of each division, with the results in turn connected to the environmental assurance activities of the entire Canon Group. The Global Environment Center ensures the smooth implementation of this system by gathering information on environment-related laws and regulations, establishing policies and rules for the entire Group, and planning and managing evaluation methods for environmental assurance activities.

Manufacturing and sales companies inside and outside Japan are obtaining ISO 14001 integrated certification in order to objectively evaluate the effectiveness of their

EMS using a third party. As of December 2015, integrated certification covers Canon Inc. as well as 126 Group companies in 40 countries and regions around the world.

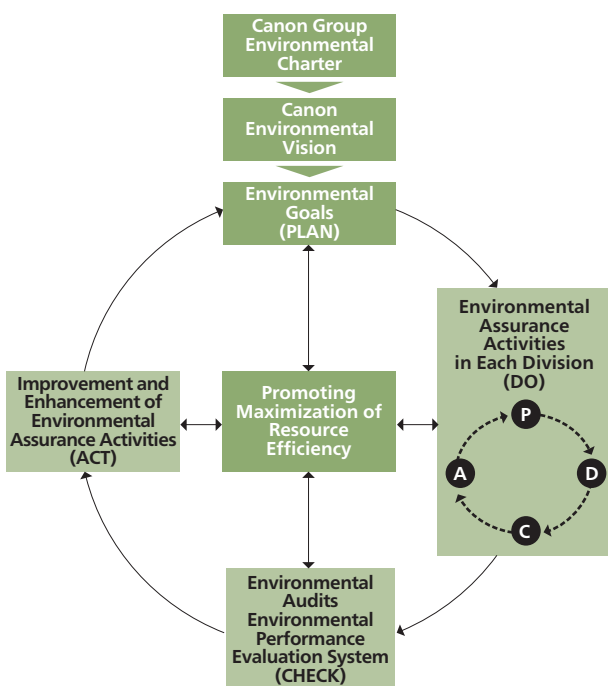
Within this system, the head of the center oversees the environmental assurance activities of the entire Group as the management representative of the Canon Group environmental management system, and reports on their progress to the Chairman, President, and Executive Vice President of Canon Inc. in management reviews.

There are also divisions and personnel responsible for supervising the promotion of environmental assurance activities in products operations and at operational sites and major Group companies. Their duties include checking the status of progress toward achieving the environmental goals set by the Global Environment Center, evaluating compliance with various internal environmental assurance rules, and ensuring that environmental management is being thoroughly executed. Important decisions concerning environmental policy and goals are deliberated and approved by the Management Strategy Committee.

ISO 14001 was revised in September 2015 and by the end of 2015 Canon had completed all necessary changes, with plans calling for integrated certification under the new standards to be obtained by the end of 2017.

**Reference: ISO 14001 Certifications Obtained**  
<http://www.canon.com/environment/produce/data/iso14001.html>

**Canon's Environmental Management System**



**Product Development System Using LCA Methodology**

Each division pursues activities to achieve the environmental goals within the PDCA cycle of the environmental management system.

As part of such activities, lifecycle assessment (LCA) methodology has been introduced in the product development stage to help reduce environmental impacts throughout the product lifecycle in an effort to achieve the goal of bettering the lifecycle CO<sub>2</sub> emissions improvement index per product. For that purpose, Canon has established an LCA development management system that can centrally manage all processes from product development to information disclosure. This system ensures that CO<sub>2</sub> emissions can be calculated from the development and design stages, which in turn makes possible continual improvement toward achieving our environmental goals.

Using this system, we are pursuing environmentally conscious designs that take into account the entire product lifecycle, including energy-efficient designs for low energy consumption during use and resource-efficient designs for lighter and more compact products and easier recycling. At the same time, product designs comply with the energy-efficiency regulations in each region, including the EU ErP Directive\*. Canon is also working to obtain the right to display various environmental-labels on its products.

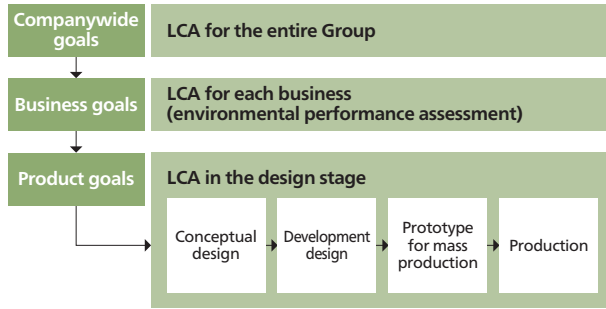
**\* EU ErP Directive**

The Directive on Energy-related Products requires the introduction of eco-design that considers a product's entire lifecycle. It extends the scope of the ErP Directive, which targeted the actual energy consumption of products, to include products that influence energy consumption, such as windows, thermal insulation materials and water-saving valves.



Environmentally conscious design using LCA methodology

**Flow Chart of Environmentally Conscious Design Using LCA Methodology**



**System for Managing the Environmental Information of Products**

Canon built, and continues to manage, a system that compiles basic environmental information related to the environmental characteristics of its products at each stage, from product planning, development and design to prototype creation, quality assurance, manufacturing, and sales, on the company intranet so that it can be shared within the Group.

All information pertaining to country/region-specific regulatory requirements is managed by its Regulatory Information Database, which is shared by all divisions through the Regulatory (including Eco-Label) IT System and the Product Data Management (PDM) System.

Product design divisions utilize the product information accumulated in these systems to ensure full compliance with laws and regulations.

We also evaluate environmental responses through

Product Environment Assessments carried out at three stages; namely, product planning, prototyping, and reliability evaluation. The environmental responses of suppliers is managed in the Global Supplier Information System and then utilized throughout the supply chain.

This basic environmental data as well as data on chemical content in products and parts are managed by the Integrated Chemical Management System and the Online Survey System. This linkage makes it possible to share environmental data about products, materials, packaging materials, and information on environmental evaluations of suppliers within the Group.

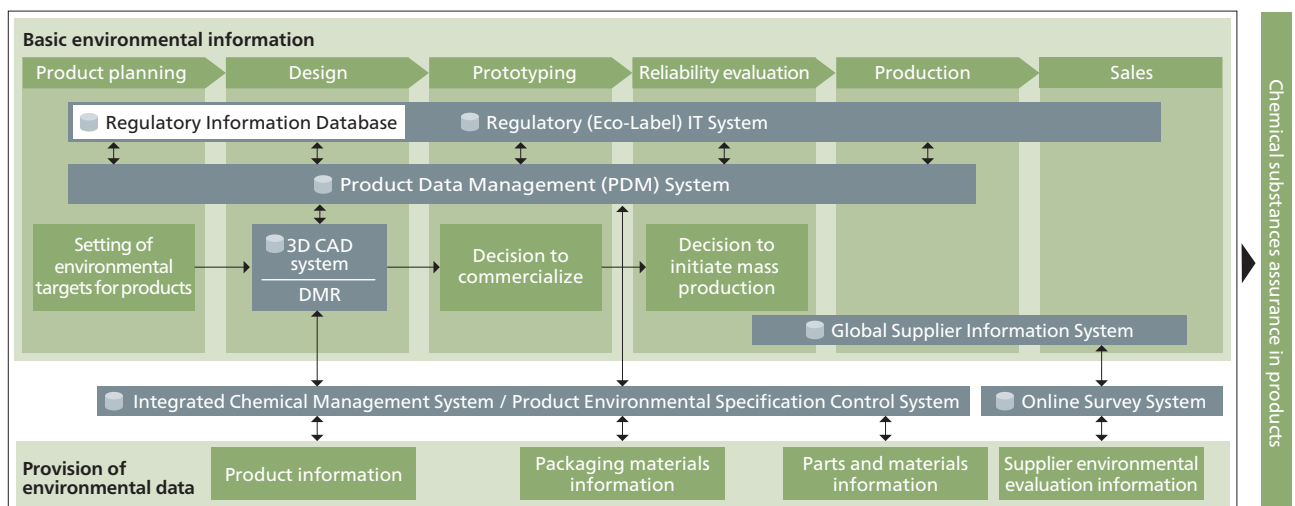
Canon's compliance with environmental and chemical regulations, as well as our efforts to acquire eco-labeling worldwide, is based on our Product Chemical Substance Assurance System, which uses the data systems described above.

**Environmental Assurance Activities Related to Suppliers**

Canon has established Canon Green Procurement Standards, which designate suppliers' obligations to the environment to ensure that chemical substances are managed appropriately across the entire supply chain. Suppliers must comply with these standards in order to do business with Canon.

Specifically, we regularly monitor suppliers' compliance from the two perspectives of structures and initiatives for environmental activities and management of chemical substances contained in delivered parts and materials. If a

**System for Managing the Environmental Information of Products**



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

As for structures and initiatives for environmental activities, Canon Green Procurement Standards require suppliers to establish and operate an environmental management system that prevents air, water, and other forms of pollution and contributes to activities to reduce environmental impacts. Every year we conduct environmental surveys to check on the status of suppliers' efforts. We also check to see if the supplier has established a goal for reducing CO<sub>2</sub> emissions and if any relevant activities are being carried out.



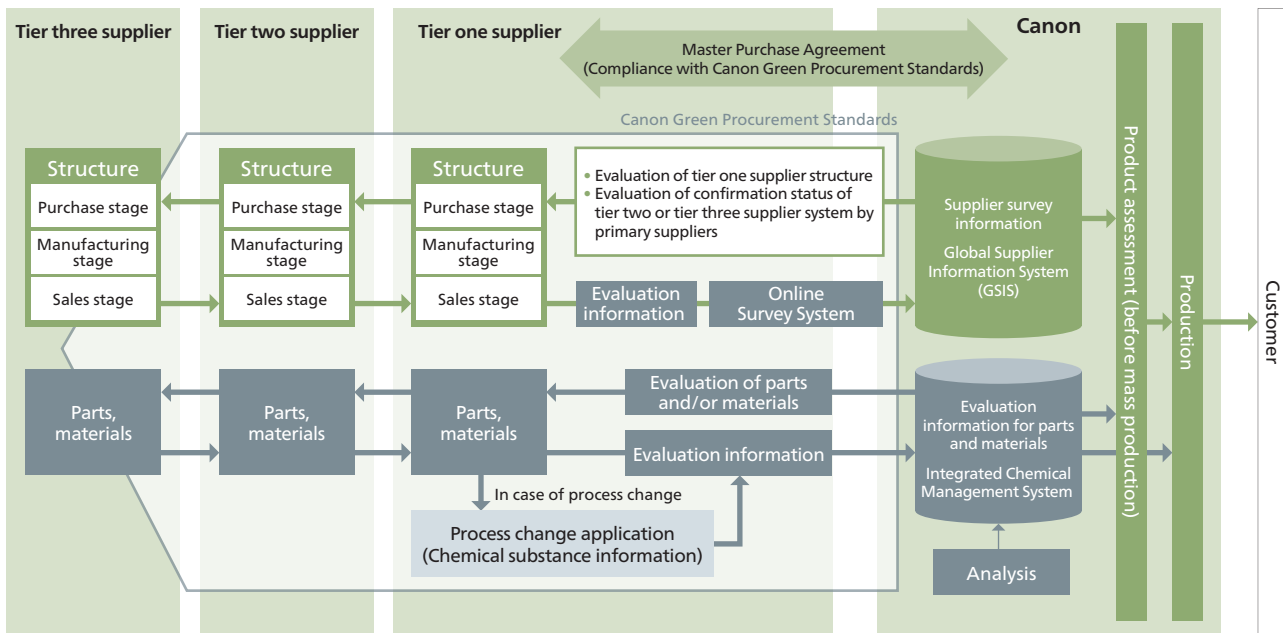
Canon Green Procurement Standards ver. 11.1

Information about the environmental compliance of suppliers as well as parts and materials is stored in the Global Supplier Information System (GSIS) and the Integrated Chemical Management System. By conducting product assessments prior to mass production using this data, we are able to rigorously control the chemical substances used in our products.

We also conduct regular in-house analysis for chemical substances, such as lead, which, while banned by us, are still used and have the potential to get mixed in during manufacturing processes.

We regularly re-examine the chemical substances we should monitor and how we monitor them, based on revisions to industry standards and regulatory trends regarding the environment, and then reflect these changes in Canon Green Procurement Standards.

### Management System for Chemical Substances in Products



### TOPICS Supplier Management Initiatives in China

In recent years, China has tightened its environmental regulations. In its 13th Five-Year Plan released in 2015, the control and restriction of air, water, and soil pollutants was raised as a major issue, and the need to address this issue continues to grow. Companies are required not only to prevent pollution from their own sources, but also to work to eliminate pollution throughout their supply chain.

At Canon, we monitor the appropriateness of our supply chain's response in China based on discussions with the Institute of Public & Environmental Affairs (IPE), an environmental NGO based in China.

For example, Canon China checks to make sure that the vendors it contracts with to dispose of waste do so properly based on information published by IPE.

**Two Perspectives of Checking Suppliers' Environmental Compliance**

**Checking structures and initiatives for environmental activities**

- Environmental management system for business activities
- Performance of business activities
- Management system for chemical substances in products
- System of chemical substance management in the supply chain

**Checking management of chemical substances contained in delivered parts and materials**

- Determine chemical substances contained in the parts and/or materials handled by suppliers
- Check compliance with the EU RoHS Directive and other regulations

**Environmental Regulation Compliance Management**

Canon takes various actions to ensure it complies with environmental laws, regulations and standards. For example, when selecting potential locations for new operational sites, Canon carries out surveys of the environmental infrastructure and the surrounding environment, and conducts soil and groundwater assessments that take into consideration the land-use history.

To respond to legislative changes worldwide, Canon utilizes its network of regional headquarters to constantly monitor and analyze how its products and the activities of operational sites are and will be affected by current and upcoming laws. This information is gathered by the Global Environment Center, which, after analysis, determines the action to take. These actions serve to ensure thorough understanding by design and development divisions of individual products operations.

**Environmental Performance Evaluation System**

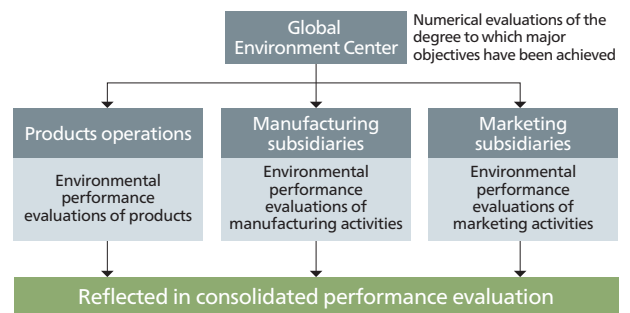
Canon utilizes environmental performance evaluations as part of its consolidated performance evaluations to assess management conditions at individual products operations and Group companies. Environmental performance evaluations are carried out by the Global Environment Center, based on the achievement level of the initiatives cited in the environmental goals. These environmental evaluations account for approximately 10% of the overall consolidated performance evaluation.

Evaluation indicators include compliance with laws

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

We will continue to revise and improve the system to raise the level of our environmentally conscious management.

**Environmental Performance Evaluation Process**



**Environmental Audits**

Canon's environmental audits assess compliance with laws and regulations as well as with the Canon Group Environmental Common Rules\*. They also evaluate the operation of the Group's internal EMS and chemical substance assurance system, with the aim of achieving continuous improvements.

The audits are conducted based on the Canon Group Audit Policies, and comprise three types. Headquarters environment audits are performed by the Global Environment Center whereas operational site environmental audits and product environmental audits are conducted by the audit division of operational sites and products operations. Mutual cross-site audits are also carried out in certain locations. Audit results 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 2015, no serious problems were found in these audits. Additionally, auditor training was carried out seven times by the Global Environment Center. Support was also given on two occasions for operational site environmental audits. In future, we will continue to boost the level of audits through the implementation of such measures.

**\* Canon Group Environmental Common Rules**

These standards stipulate reference values and other criteria. Canon's standards are stricter than existing environment-related legal and regulatory requirements for 16 common fields of environmental assurance, such as water, soil and groundwater quality. Our goal in setting these standards is to ensure thorough compliance with all laws and local ordinances.

## Environmental Education

Canon has promoted environmental education aimed at gaining the understanding and recognition of all Group employees on the importance of environmental assurance and encouraging voluntary action in their daily work.

Canon takes a two-pronged approach to environmental education (see page 67), providing awareness training and specialized training. Awareness training aims to impart basic environmental knowledge to all employees. Specialized training aims to develop key personnel in environmental assurance activities with specialized knowledge concerning environmental management.

We continually update and revise education programs based on societal changes involving environmental issues and advancements in technology. In 2015, we enhanced our compliance training program on product assessments and commodity surveys in order to maintain and improve the level of legal compliance related to product environment assurance. As a result, a total of 1,886 employees took part in awareness training and 2,257 in specialized training.

## Environmental Communication

Canon takes every opportunity and uses a variety of media to present environmental information and other non-financial information to stakeholders. In addition, we actively focus on environmental communication activities, which include environmental education outreach programs at local primary schools, providing information to assist customers with their environmental activities, posting environmental messages on our website, disclosing information on eco-labels and other environmental information, and operating a dedicated hotline for inquiries about the environment.

In 2015, we supported environmental education through outreach programs in local communities, hosted booths at various exhibitions inside and outside the company, and worked on activities alongside NGOs. We also carried out similar efforts outside of Japan. For example, Canon Middle East asked for ideas through social media about how to solve environmental issues, targeting schools across the UAE through a collaborative project with a local environmental organization and a media company. Proposals were received from 33 schools, with the top proposal determined by a vote involving more than 30,000 social media users. The winning school

received a sustainable garden constructed onsite.

### Reference: Environmental Communication

<http://www.canon.com/environment/communication/index.html>



Tree planting at the winning school

Canon’s environmental assurance activities have received high accolades from outside the company. As a result, Canon has been recognized with a number of awards in various regions.

### Examples of major awards received in each region

- Japan: The Akagi Plant of Canon Electronics and Oita Plant of Oita Canon received awards at the 34th National Plant Greenery Promotion Conference (see page 65)
- Europe: Canon Europe received awards from an international environmental organization and an economic organization (see page 57)
- United States: Canon USA received The ENERGY STAR® Partner of the Year Award and Excellence Award from SmartWay® Transport Partnership (see pages 49 and 51)
- China: Canon China received the 2015 China Green Environment Award (see page 59)

## Risk Communication

Canon believes in the importance not only of risk management, such as environmental pollution prevention measures, but also risk communication. We explain risks and their management to stakeholders, particularly neighborhood residents near operational sites.

Canon has hotlines in place to discuss environmental and safety management issues with local governments and authorities. Complaints made to these hotlines are addressed appropriately and major problems are reported to Canon’s top management through the Global Environment Center.



## Contributing to a Low-Carbon Society

### Canon strives to reduce CO<sub>2</sub> emissions during the entire product lifecycle in order to address global warming.

#### Initiatives Aimed at Realizing a Low-Carbon Society

As part of its efforts to reduce CO<sub>2</sub> emissions across the entire lifecycle, Canon is working to create products that are more energy efficient. To this end, we are engaging in various initiatives to reduce CO<sub>2</sub> emissions attributed to electricity consumption during customer use, in addition to developing products using Life Cycle Assessment (LCA) methodology. Canon is also working to reduce CO<sub>2</sub> emissions by improving energy efficiency at its operational sites as well.

#### Initiatives in Product Development

##### Examples of Product Development Utilizing LCA Methodology

Canon uses its LCA development management system to incorporate LCA methodology into product development.

The imageRUNNER ADVANCE C3300 series of office multifunction devices helps to reduce environmental impacts in various ways as a result of using LCA

methodology in its design.

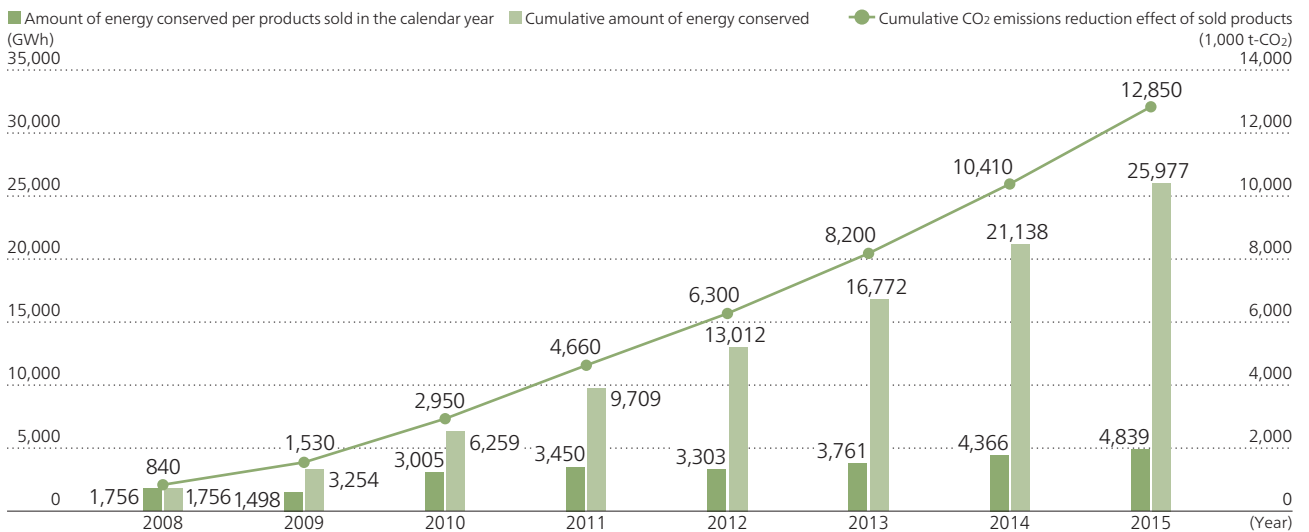
For example, in addition to a thinner housing that maintains the same rigidity as previous models, the unit is smaller and lighter in weight because it uses fewer screws and other parts. Also, energy consumption was reduced by lowering the fixing temperature of the toner as a result of such measures as employing fixing film with a low heat capacity. Furthermore, by making regular maintenance parts more durable we were able to reduce the amount of maintenance materials required. As a result, CO<sub>2</sub> emissions throughout the lifecycle of this product were lowered by approximately 23% compared to previous models.

Canon also uses the Carbon Footprint of Products (CFP) program (see page 49) run by Japan's Ministry of Economy, Trade and Industry to assist efforts to reduce CO<sub>2</sub> emissions during product use.



The imageRUNNER ADVANCE C3300 series office multifunction devices

#### Energy-Conservation Effects of Office Products



**Note: Target products:**

- Electrophotographic multifunction devices and laser printers (exc. production printers).
- Energy-conservation effect using the average energy consumed by products sold in 2007 as a baseline.
- Cumulative yearly effect assumes that products sold in each year are used for 5 years.

**Note:** CO<sub>2</sub> emissions factors are calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies (Japan) and the International Energy Agency (outside Japan).

## Energy Conservation during Use

### Reducing the Amount of Energy Consumed during Product Use

A large proportion of the environmental impact through the lifecycle of Canon’s products is due to customer use.

Thus, in order to reduce energy consumption during product use we have set goals by product segment for industry-leading power-saving achievements, and we are moving forward with measures to achieve them.

In 2015, improvements were realized for office products as well as consumer products; however, an increase in sales of industrial equipment caused CO<sub>2</sub> emissions from customer use to reach 2.069 million tons, representing an increase of approximately 7.9% compared to the previous year.

### Technologies Contributing to More Energy-Efficient Products

Canon employs advanced energy-conservation technologies such as induction heating (IH)\*<sup>1</sup> and on-demand fixing\*<sup>2</sup> in its office products, which include multifunction devices (MFDs) and laser printers.

We are working to further advance our energy-saving technologies to build upon our achievements in significantly shortening printer startup times and attaining greater thermal efficiency. Through these technologies, we estimate that cumulative CO<sub>2</sub> emissions from customer use were reduced by approximately 12.85 million tons

over the previous eight years, from 2008 to 2015.

We have also increased the energy efficiency of inkjet multifunction printers by improving a transition system to low-power mode and supplying power only to necessary functions during specific operation.

**\*<sup>1</sup> IH fixing technology**

An electromagnetic induction heater induces an eddy current when magnetic flux passes through metal coils, causing the fixing roller to emit heat. In this way, overall heat efficiency is improved and energy consumption is reduced.

**\*<sup>2</sup> On-demand fixing technology**

The use of a ceramic heater that heats up quickly and a fixing sleeve that transfers heat efficiently and allows for localized heating of the fixing point and instantaneous heat transfer. No excess electricity is consumed in standby mode, enabling a shorter warm-up period.

**Reference: Canon’s environmentally conscious technologies**  
<http://www.canon.com/technology/now/element/env.html>

### Supporting the Environmentally Conscious Actions of Customers

#### Visualizing CO<sub>2</sub> Emissions Using the Carbon Footprint of Products\*<sup>1</sup> (CFP) Program and Carbon Offset

Canon has promoted the acquisition of CFP certification as part of the Japan Environmental Management Association for Industry (JEMAI)’s CFP communication program since 2012. Additionally, we introduced the “Carbon Offset Products Making Use of Carbon Footprint”\*<sup>2</sup> Program promoted by Japan’s Ministry of Economy, Trade and Industry for remanufactured multifunction devices in which products effectively

TOPICS

### Canon U.S.A. wins the ENERGY STAR® Partner of the Year Award

Canon U.S.A. received the Partner of the Year—Product Brand Owner Award at the 2016 ENERGY STAR Awards, organized by the U.S. Environmental Protection Agency (EPA), for the company’s contributions to reducing greenhouse gas emissions through the energy efficiency of its products. This marks the second time since 2010 that Canon U.S.A. has received this award, and when including other awards, it represents Canon U.S.A.’s 10th ENERGY STAR award.

**\* ENERGY STAR Program**

A government-backed energy conservation program established by the U.S. Environmental Protection Agency (EPA), dedicated to helping consumers save money and protect the environment. Only products that meet superior energy efficiency specifications can be labeled with the ENERGY STAR logo.



Photo from the awards ceremony ©EPA ENERGY STAR

achieve zero net emissions of CO<sub>2</sub>. In January 2016, we expanded the scope of these efforts from the “Refreshed series” of remanufactured multifunction devices to include all models in the imageRUNNER ADVANCE series of products marketed in Japan.

Certain companies and local governments in Japan are required to report their CO<sub>2</sub> emissions to the jurisdictional government authorities in accord with the Act on Promotion of Global Warming Countermeasures of Japan. By choosing to use Canon’s multifunction devices, they are now able to report CO<sub>2</sub> attributed to electricity consumption during product use as a reduction of their own emissions to the jurisdictional government authorities\*<sup>3</sup>.

Since 2010, Canon has offset the CO<sub>2</sub> emissions caused by transportation of collected used cartridges and recycling operations. In 2015, we introduced the Carbon Offset Products Making Use of Carbon Footprint Program for our cartridge collection and recycling program in Japan. By offsetting CO<sub>2</sub> emissions caused by collection and transport as well as the recycling process at recycling hubs, our recycling program is now virtually carbon neutral.

Canon will continue with these efforts in the future to help customers further reduce their CO<sub>2</sub> emissions.



The CFP mark

**\*1 Carbon Footprint of Products**

A program to help people visualize (indicate) the greenhouse gases emitted during the entire lifecycle of a product, from raw materials procurement to disposal and recycling, by converting the quantity of greenhouse gas emissions into a CO<sub>2</sub> equivalent.

**\*2 Carbon Offset Program:** A carbon offset occurs when a product or organization offsets all or part of the greenhouse gas (GHG) emissions that it cannot reduce in one area with GHG emission reductions in another.

**\*3** Canon carries out the offset and implements this initiative based on customers’ request.

**Updating GREEN NAVI, a Website Supporting Environmentally Conscious Action by Customers**

Canon established the GREEN NAVI website to support environmentally conscious action, and constantly shares content that helps customers to reduce their environmental impact in Japan.

In 2015, we updated the website in Japan, adding a carbon-offset calculator for multifunction devices to enable customers who purchase one of our multifunction devices to easily check the extent to which they can reduce environmental impact.

Additionally, the layout of the



GREEN NAVI website ver. 2

site was changed to accommodate smartphones and tablet devices, improving readability and also enabling easy access without a personal computer.

**Proposing Climate Neutral Printing to Support Customers in Lowering CO<sub>2</sub> Emissions**

Canon Europe is carrying out a project to help customers improve the sustainability of their business operations through Canon’s services and technologies.

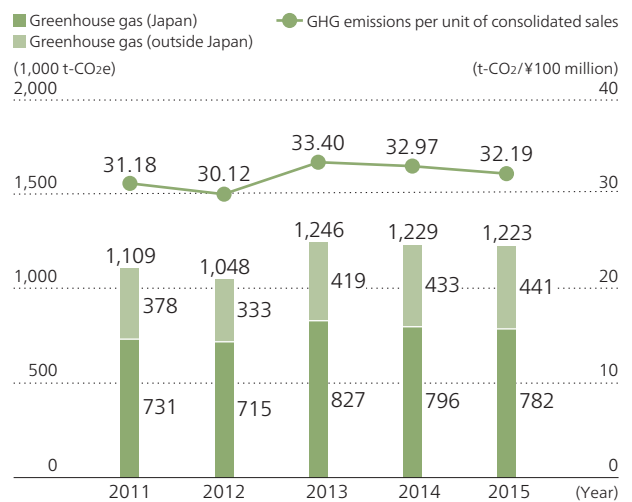
As part of this project, Canon Europe is offering a climate neutral printing service that offsets the CO<sub>2</sub> produced when printing with multifunction devices or other products.

**Initiatives at Production Sites and Sales Offices**

**Reducing Greenhouse Gas Emissions at Production Sites**

Canon’s environmental, development and manufacturing divisions are working together to improve energy efficiency while maintaining quality in order to lower the company’s CO<sub>2</sub> emissions.

**Greenhouse Gas Emissions at Production Sites and Sales Offices**



\* Canon’s calculation of total greenhouse gas emissions Calculation of energy-derived greenhouse gas CO<sub>2</sub>, and the non-energy derived greenhouse gases, PFCs, HFCs, SF<sub>6</sub>, N<sub>2</sub>O, methane and NF<sub>3</sub>. The conversion to CO<sub>2</sub> 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 are used for site activities in regions outside Japan. As there is a delay between compilation and disclosure of data, CO<sub>2</sub> conversion coefficients are adjusted retroactively.

\* Sales outlets (worldwide) of marketing companies included in data count have been expanded starting in 2013.

CO<sub>2</sub> emissions fluctuate based on changes in production volume, so we set clear reduction parameters for the appropriate basic unit, or intensity, based on the unique characteristics of each production site.

Actions to reduce emissions are carried out jointly by Canon Inc.'s production site management division and the production sites. In 2015, in addition to conventional activities to reduce energy usage, newly opened production sites rationalized air pressure, utilized steam effectively, rationalized cold water temperatures, and introduced high-efficiency equipment in an effort to improve overall energy efficiency. Furthermore, production sites outside Japan joined the effort by using waste heat, making air-conditioning operations more efficient, and reducing wasted air by streamlining the operations of compressors, among other measures.

As a result, greenhouse gas emissions from 2015 were reduced by approximately 0.5% compared to 2014, totaling 1,223,196 tons. In 2016, we will continue with our efforts to reduce CO<sub>2</sub> emissions.

Additionally, we have worked hard to reduce GHG emissions other than CO<sub>2</sub> as well, and by 1999 we successfully eliminated perfluorocarbons (PFCs), hydrofluorocarbons (HFCs) and sulfur hexafluoride (SF<sub>6</sub>), which had been used as cleaners, solvents and aerosol propellants.

### Initiatives to Make Sales Offices More Energy Efficient

At Canon, we are working to make offices around the world more environmentally friendly. Sales companies are working to use buildings and sites in a more environmentally conscious manner.

Canon U.S.A.'s new headquarters building obtained LEED®\* Gold Certification, while Canon Australia's new headquarters building obtained 5 GREEN STAR status.

In May 2015, the Canon Experience Center, a new service center established by Canon U.S.A. in the state of California, obtained LEED Gold certification. The Canon Experience Center achieved this designation by recycling waste materials, planting native vegetation that reduces irrigation, and designing a facility that is highly energy efficient. This marks the third property of Canon U.S.A. that has received LEED certification.

\* **Leadership in Energy and Environmental Design (LEED)**  
LEED® is the preeminent program for the design, construction, maintenance and operations of high-performance green buildings.

### Utilizing Renewable Energy

Canon is promoting the use of energy sources that have a lower environmental impact, such as switching from kerosene to electricity and LNG, and the use of renewable energy sources, including solar power generation.

For example, nearly all of the electric power purchased by the three Group companies of Océ (The Netherlands) located in Europe and North America and the three main operational sites of Axis Communications AB (Sweden) is some form of renewable energy. Océ-Technologies B.V. (The Netherlands) introduced a geothermal energy system that uses the temperature difference between groundwater and outdoor air to power chillers and heaters.

Also, Canon USA is striving to utilize renewable energy systems through such means as introducing a solar energy (PV) generation system at its warehouse in Atlanta. In 2015, Canon India expanded the PV generation system at its distribution warehouse in an effort to increase its use of renewable energy.

### Initiatives in Logistics

Canon has continually made efforts to promote modal shifts, improve load efficiency, and reduce transport distances with the goal of reducing CO<sub>2</sub> emissions associated with logistics. In recent years, we have carried out new measures, which include consolidating our distribution centers and using round-trip container transport. We have also worked to reduce CO<sub>2</sub> emissions attributable to international transportation as well as carriage within regions outside Japan by all of our Group companies worldwide.

Outside of Japan, in addition to reducing CO<sub>2</sub> emissions during transport, Canon is actively working to raise environmental consciousness at its distribution bases. For example, Canon Europe incorporated the goals of greater energy efficiency and CO<sub>2</sub> emissions controls into the facilities of the Western European Distribution Campus (EDC), which was opened in 2015 in the Netherlands as one of Canon's largest distribution bases. And, vegetation planted at EDC is the same as that found in the local ecosystem. These considerations were recognized with a "Very Good" score from BREEAM\*.



The Excellence Award plaque

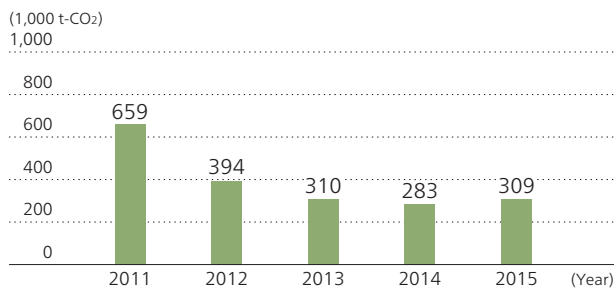
Along with its Atlanta warehouse acquiring LEED® certification, Canon U.S.A. was recognized in 2015 for its efforts to reduce environmental impact during product transport within the United States with an Excellence Award in the SmartWay® Transport Partnership organized by the U.S. Environmental Protection Agency (EPA).

Canon will continue to carry out initiatives to reduce environmental impact from logistics.

**\* BREEM**

Building Research Establishment Environmental Assessment Method. An evaluation method used for the environmental performance of buildings created and implemented by the Building Research Establishment of the U.K.

**Logistics-Related CO<sub>2</sub> Emissions**



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

**Initiatives to Reduce CO<sub>2</sub> through More Efficient Logistics**

Canon’s production sites, which supply products to markets worldwide, are mainly located in Japan and other parts of Asia. As international and region-to-region shipping increases, we are working hard to reduce CO<sub>2</sub> emissions during transportation by shortening shipping distances, providing direct delivery from production sites, and changing transport routes in addition to improving load efficiency.

**Promoting Modal Shifts**

Canon strives to reduce transport-related CO<sub>2</sub> emissions\* through modal shifts, within Japan and overseas, from road and air transportation to a combination of ship and rail, which have a lower environmental impact.

In March 2015, we established a rail transport route using maritime containers for imported parts being sent from the Kanto area around Tokyo to Aomori Prefecture on the north tip of Honshu. By reducing the use of long-distance trucks, we were able to reduce CO<sub>2</sub> emissions by 18 tons annually (approximately 1,800kg on average per month for the 10-month period from March).

Outside Japan, we used trans-continental rail services from Europe to China for products shipped from Océ (Netherlands) to Canon China, which reduced the amount of maritime and air freight shipments.

\* Setting air shipment at 100, the ratio for CO<sub>2</sub> emissions due to transport for truck/maritime/rail are 15/4/2.



Canon is reducing its CO<sub>2</sub> emissions from transport by switching to rail, which has less of an impact on the environment

**Major Initiatives for Optimizing Logistics and Resultant CO<sub>2</sub> Emission Reductions**

Major Initiatives in 2015	CO <sub>2</sub> Reduction (t)
Reduced the number of containers used by switching to taller containers (high cube containers) for shipping products from Vietnam to Europe	281.6
Reduced air transport volume by switching to maritime transport for parts shipped from China to Japan	36.1
Reduced the number of containers used by consolidating shipments of parts from Japan to China	15.8
Shortened shipping distances within China by consolidating products and outsourced items for shipments originating in China	15.0
Shortened international shipping distances by sending parts directly from China to plants in Europe instead of through Japan	10.6

## Contributing to a Circular Economy

### Canon focuses on recycling and reducing resource consumption in an effort to realize a recycling-oriented society.

#### Initiatives Aimed at the Realization of a Circular Economy

As it works to utilize limited resources more effectively and reduce waste, Canon is making great strides with its products in terms of recycling-conscious design, resource efficiency through smaller and lighter products, and the recycling of used products. We are also working hard to reduce the amount of water used and waste generated at operational sites involved in manufacturing.

#### Initiatives in Product Development

##### Recycling-Conscious Design

The trend toward recycling and reusing resources is growing in response to concerns over the depletion of natural resources. Over the years Canon has worked hard from the development and design stages to create products that can easily be disassembled for collection and recycling after use.

To guide our product development efforts, we formulated the Environmentally Conscious Design Guidance, which we utilize from product planning to development and design. We revise the guidance every several years, and in 2014 we incorporated new guidelines to reinforce compliance with the EPEAT® as environmental-label program. In 2015, revisions focused on the measures to comply with raised targets for recycling and reuse rates cited within the EU’s revised WEEE Directive\*1.

Specifically, we now require products to be designed to achieve a 70% recycling rate\*2 as stipulated in the EU’s WEEE Directive. Also, products are designed to be easily disassembled in compliance with the facilitation of dismantling\*3 as required by the WEEE Directive.

**\*1 Waste Electrical and Electronic Equipment Directive**

This EU directive requires manufacturers to recover or recycle devices after use to prevent environmental pollution caused by waste electrical and electronic equipment.

**\*2 Recycling rate applies to products falling under WEEE Directive Category 3 (IT and Telecommunications Equipment) and Category 4 (Consumer Equipment).**

**\*3 Facilitation of dismantling**

Ease of breaking down main products into their constituent parts as designated by the WEEE Directive for the disassembly process.

##### Increased Resource Efficiency in Product Development

The development and design divisions have introduced 3D CAD systems with the aim of reducing resource loss incurred during prototype creation. In addition to utilizing support tools that use digital data to evaluate such functions as ease of assembly and disassembly, usability, safety, and drive mechanisms, they also make use of product information from other systems to reduce the number of prototypes and reduce the resource consumption.

##### Making Products Smaller and Lighter

Canon aims to achieve the industry’s smallest and lightest products by product segment in an effort to reduce energy and resource usage from the manufacture of raw materials and parts.

We focus on making our products smaller and lighter from the development stage in order to use fewer resources and also achieve functions and usability that exceed that of previous models. These efforts involve overcoming design challenges in terms of form and upgrading function.

For example, by adopting the compact design of Canon’s unique AISYS optical system, the REALiS 4K500ST (XEED 4K500ST) power projector is the world’s smallest and lightest\* 5,000lm class projector with resolution greater than 4K while maintaining high illumination and high resolution.



REALiS 4K500ST (XEED 4K500ST)

\* Source: Canon survey as of January 12, 2016

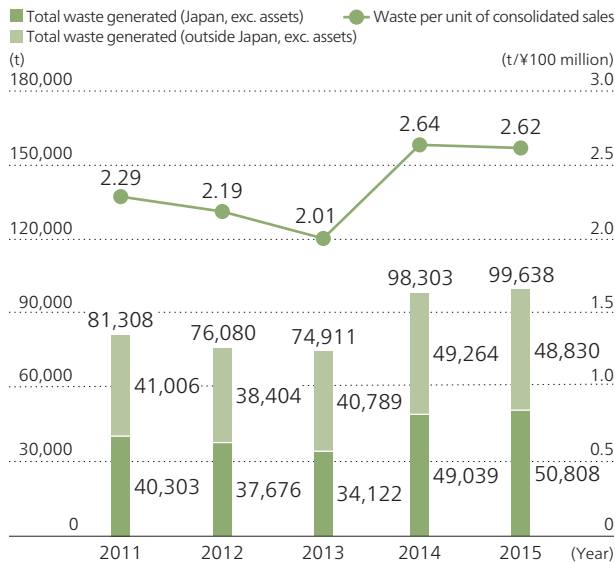
#### Initiatives at Production Bases

##### Reducing Waste

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

In 2015, we continued to work toward reducing waste materials in the production process and reducing the use of packaging materials by introducing returnable boxes for use with suppliers and switching from parts suppliers outside of Vietnam to domestic suppliers located in Vietnam. However, total waste generation amounted to

### Total Waste Generated



\* The scope was expanded to include marketing companies' sales offices after 2014 (Japan/outside Japan).

99,638 tons, a 1.4% increase compared to 2014. Data for 2014 has been revised retroactively because there was a significant increase in the scope of calculation to include more sales offices of marketing companies.

In 2016, we will continue with our activities to reduce waste.

### Reducing Water Usage

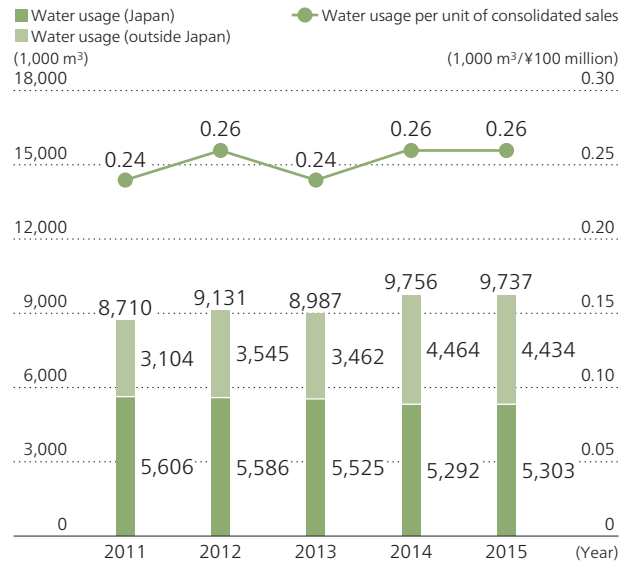
Approximately 40% of the water resources used by Canon are utilized during manufacturing processes. Water-based cleaning is very effective in processes that require advanced cleaning capabilities, such as lens and semiconductor manufacturing, and the stable procurement of quality water in adequate amounts is essential for this. We are thus working to develop and implement water-recycling technologies and to reduce our use of water and discharge of wastewater. These activities are squarely in line with our policy to reduce water usage and use water with maximum efficiency in order to get the most out of limited water resources.

Canon effectively utilizes only water approved by local authorities to ensure that its use does not affect water resources. There were no problems reported in 2015.

We also comply with wastewater standards stipulated by each local authority, and in areas where these standards are quite rigorous we have introduced closed-loop systems that do not discharge any wastewater.

In 2015, we continued with these same efforts as well

### Use of Water Resources



\* The scope was expanded to include marketing companies' sales offices after 2014 (Japan/outside Japan).

as worked to optimize the number of lens cleaning machines in operation and to reduce pure water usage by recovering the wastewater from cleaning liquids. As a result of these actions, in 2015 water usage was lowered approximately 0.2% compared to 2014 to 9.737 million m³. Data for 2014 has been revised retroactively because there was a significant increase in the scope of calculation to include more sales offices of marketing companies.

In 2016, we will continue with our efforts to reduce water usage and wastewater.

### Water Risk Assessment

Qualitative risks such as water pollution and quantitative risks in regions facing water shortages are becoming major issues around the world. According to the World Resources Institute (WRI)\*'s water risk map "AQUEDUCT," none of Canon's production sites are located in a region considered to be extremely high risk.

Nevertheless, Canon continues to work toward minimizing the water stress, both qualitative and quantitative, that its business activities have on various regions by thoroughly managing compliance with wastewater standards of operational sites and thoroughly reducing water usage at operational sites, based on an understanding of the importance of the aforementioned issues.

\* World Resources Institute

WRI is an independent institution based in the United States that conducts policy research and provides technical assistance concerning environmental and development issues around the world.

## ■ Closed Wastewater Treatment System

Canon has introduced a closed wastewater treatment system for reducing wastewater volume and the use of water.

For example, Canon Inc.'s Utsunomiya Plant has incorporated processes to separate and treat wastewater from production processes. Water used for cleaning that contains small amounts of dirt or debris undergoes advanced treatment using activated carbon adsorption, ion exchange resins, reverse osmosis membranes, and UV oxidation, while water that contains large amounts of dirt or debris from polishing and other processes is recycled as production wastewater after undergoing advanced treatment through aggregation and separation in the pre-treatment process.

Wastewater that is difficult to recycle because it contains large amounts of solids or oils is reduced in volume using a vacuum distillation and condensation system, which reduces the volume of the waste to be disposed.

By introducing and using these wastewater treatment systems, Canon strives to protect water resources and river environments.

## Initiatives in Distribution

### Toward Smaller, Lighter Packaging

Canon is working toward smaller, lighter products and packaging from the design stage in order to reduce its use of resources related to packaging during distribution.

For instance, the PIXMA series of multifunction inkjet printers were reduced in size through improvements to the paper feed mechanism, while its stronger exterior body requires less package cushioning. Compared to the 2010 MG5200 series models, the MG5700 series models, released in 2015, were approximately 7% smaller in size and 22% lighter in weight. Smaller product boxes are also used to make transport more efficient.

Also, we continue to promote smaller packaging boxes for digital cameras as well. The PowerShot ELPH 360 HS released in 2016 features a significantly smaller packaging box than the PowerShot ELPH 350 HS released in 2015, achieving an approximate 54% reduction in volume.

## Contributing to Customers' Resource Efficiency with Canon Products

Canon focuses on product development that reduces the use of resources by using advanced imaging technologies.

These products are then proposed to customers from a broad range of industries.

For example, MREAL is a solution featuring mixed reality technologies that seamlessly merges the real world with the virtual world. This solution helps to reduce the number of prototypes customers make during the design and development stage, enabling companies to shorten development lead times while also cutting costs and raising resource efficiency. MREAL is able to reproduce computer-generated (CG) images and 3D CAD design data that is normally checked using drawings or on computer screens in life-size dimensions, making it feel like the product is actually there in front of you. This improves communication between developers, prevents confirmation errors, and streamlines verification work, which in turn reduces the number of prototypes. This technology is being used by customers in manufacturing industries, including automotive, railway, construction, and other industries.

### Reference: The evolution of MREAL

<http://global.canon/en/v-square/index02.html>



Experiencing MR imaging using a head-mounted display

## Collecting and Recycling Products

### Collecting Used Products and Recycling System

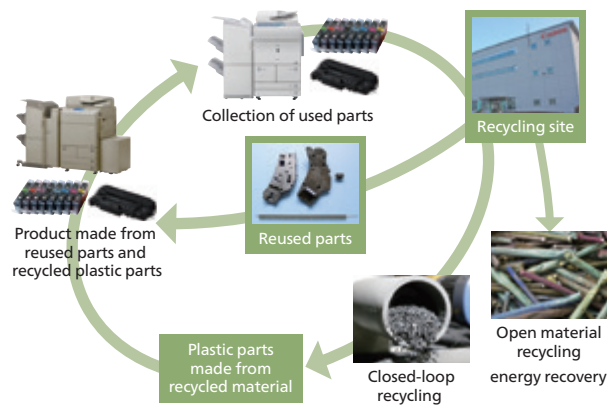
To foster a recycling-oriented society and utilize limited resources effectively, Canon has established collection and recycling systems for used products in Japan, Europe, the Americas, Asia and Oceania.

Canon encourages product-to-product recycling and collected products are rebuilt under manufacturing scheme or parts in the products are reused as it is for other used such as conventional productions or service parts. Parts that cannot be reused are recycled for their materials. We employ closed-loop recycling for reuse in the same Canon products, material recycling for wide-reaching applications, and energy recovery in which the resulting heat is reused for other purposes. This enables



Canon to get the most out of resources and not let any part go to waste.

**Flow of Canon's Circular Economy**



**Remanufacturing Multifunction Devices**

Canon has promoted the remanufacturing of multifunction devices in Japan, the Americas and Europe since 1992.

In Japan, remanufactured multifunction devices are sold as the Refreshed series, which meets the equivalent quality standards as brand new products.

In 2014, we released three new models of remanufactured color multifunction devices in the imageRUNNER ADVANCE series, namely, the C5051F-R, C5035F-R, and C2030F-R. In 2015, we began selling 6065-R, a remanufactured model of monochrome multifunction device. The weight ratio of the reused parts is 80.9% in the product gross weight of the 6065-R.



The imageRUNNER ADVANCE C2030F-R

**Promoting Reuse and Recycling of Products and Parts**

The reused products and parts were amounted 2,891 tons in 2015 by promoting remanufacturing and closed-loop recycling. Even the products and parts, are difficult to reuse, have also been recycled as the material in Canon.

**Plastics Recycling**

It is often difficult to make plastic materials recycled because their physical properties would be spoiled after long time use. So, with considering the required strength and moldability for individual use, many kinds of plastic materials have been recycled to meets required quality with

optimal recycling process. As a result of these efforts, in 2015, we were able to remove 4,160 tons of plastics from collected products and reuse them again in other products.

In addition to recycling its own products, Canon also proactively uses recycled material procured from the market. For example, Océ in the Netherlands uses polycarbonate recycled from used beverage containers as material for printer parts.

**Recycling Efforts in Each Region**

Canon constantly works to increase its recycling capacity through continual improvements made to facilities at its recycling sites in each region.

Canon Ecology Industry has reused the collected toner containers for multifunction devices. Collected toner removed from containers is recycled as a reducing agent for iron through a partnership with a steelmaker. In 2015, we automated the removal of toner and cleaning of containers, achieving a completely clean workplace in the process. As a result of these efforts, we were able to reduce waste by about 640 tons in 2015.

Canon Virginia in the United States became the first manufacturer to receive R2 certification\*, being recognized for its efforts to comply with laws and regulations regarding raw materials waste and promoting efforts in product refurbishment and recycling. In 2015, Canon Virginia completed work on a proprietary technology for pelletizing toner previously collected for waste-to-energy. Thanks to this technology, the company is now able to conduct the entire material recycling process in-house. As a result, the material recycling has helped to lower CO2 emissions from waste-to-energy while also curbing resource usage.

**\* R2 certification**

A certification system run by the U.S. Environmental Protection Agency (EPA) for recycling businesses involved in the promotion of proper recycling practices.

**Collection and Recycling of Consumables**

Canon has also established and carries out collection and recycling system for consumables, including toner cartridges and ink cartridges. Canon also cooperates with recycling-promotion activities, following the laws and regulations of each country on small rechargeable batteries as well as containers and packaging materials after sale.

**Toner Cartridge Recycling**

In 1990 Canon became the first in the industry to launch a toner cartridge recycling program.

Returned used toner cartridges are sorted by model,

and their parts and materials are either reused or recycled. Used cartridges are currently collected from 24 countries and regions throughout the world for recycling (consumption area recycling) at four bases\*1 in the United States, France, China, and Japan.

We currently employ a closed-loop recycling\*2 system for producing new toner cartridges using recycled parts and plastics through this system, which are then sold globally. Additionally, rather than be sent to landfills, parts and materials not reused or recycled directly by Canon are instead reemployed as effective resources.

In 2015, Canon Ecology Industry (Japan) commenced operations of an automated recycling system called CARS-T\*3. This system results in a more comfortable work environment while also significantly improving processing volume and greatly enhancing the purity of recycled plastics.

Through such initiatives, as of 2015 we have achieved a

cumulative reduction in the use of new resources of approximately 246,000 tons, and a reduction in CO2 emissions of approximately 526,000 tons. We plan to further improve the program through such innovations as development of a more efficient collection system to reduce associated environmental impact, and new technologies that facilitate long-term recycling business development.

- \*1 Toner cartridge recycling sites
  - Japan: Canon Ecology Industry
  - United States: Canon Virginia
  - France: Canon Bretagne
  - China: Canon Dalian Business Machines

\*2 **Closed-loop recycling**  
Materials obtained from Canon products collected from the market are reused in Canon products and parts built to uncompromised quality standards.

\*3 **CARS-T**  
Canon Automated Recycling System for Toner Cartridge

**Reference: Toner Cartridge Recycling Program special microsite**  
<http://www.canon.com/environment/cartridge-sp/>

TOPICS

**Canon Europe Receives Awards from an International Environmental Organization and an Economic Organization**

Canon’s toner cartridge recycling program has over the years received high praise from outside organizations, and in its 25th year of operation, the program was recognized with two separate awards.

In November 2015, The Green Organization\*1, a non-profit organization (NPO) in the U.K., presented Canon Europe with a Gold Award at “The Green Apple Awards for Environmental Best Practice 2015.” This award recognizes companies, groups, and individuals engaging in outstanding environmental activities. In 2015, there were again more than 500 candidates from all over the world, and Canon Europe was the only company in the electronics industry to receive an award.

In January 2016, Canon Europe also received the top prize in the People’s Choice Award category of “The Circulars 2016,” run by the Young Global Leaders of the World Economic Forum\*2 with the support of Accenture. The awards ceremony was held at the same time as the World Economic Forum annual meeting in Davos where world political and economic leaders gather.

\*1 **The Green Organization**  
An international NPO based in the U.K. established in 1994 to promote global environmental conservation.

\*2 **World Economic Forum**  
An international non-profit foundation based in Geneva, Switzerland established in 1971 to improve world affairs.

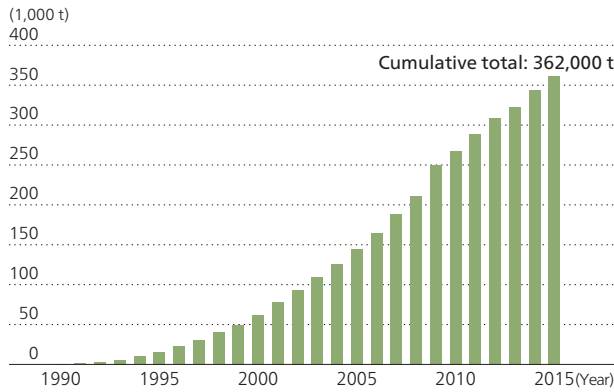


“Green Apple Awards” presentation ceremony

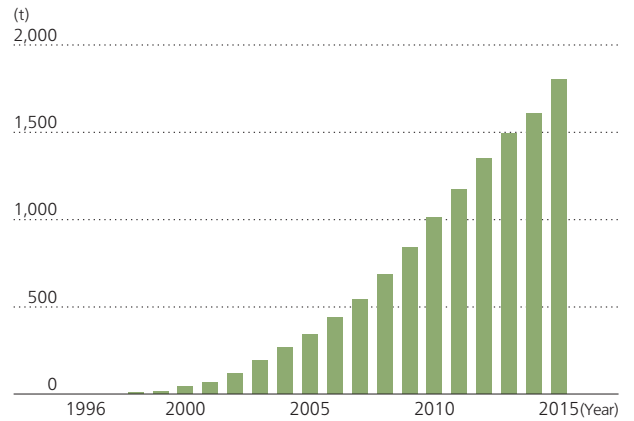


“The Circulars 2016” presentation ceremony

### Used Toner Cartridge Collection Volume (Cumulative)

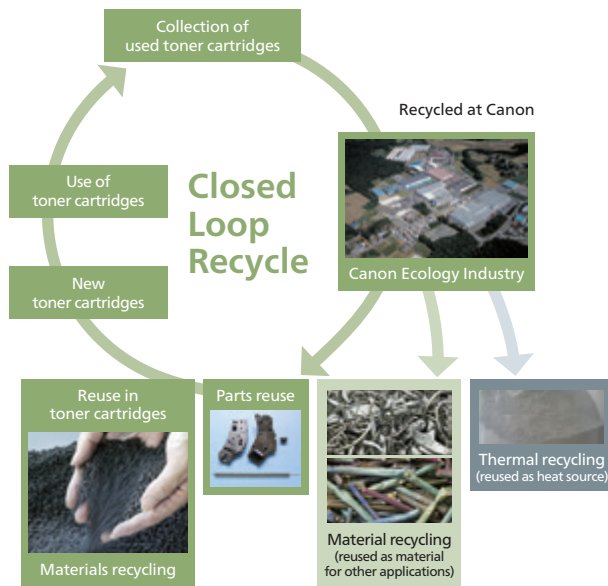


### Used Ink Cartridge Collection Volume (Cumulative)

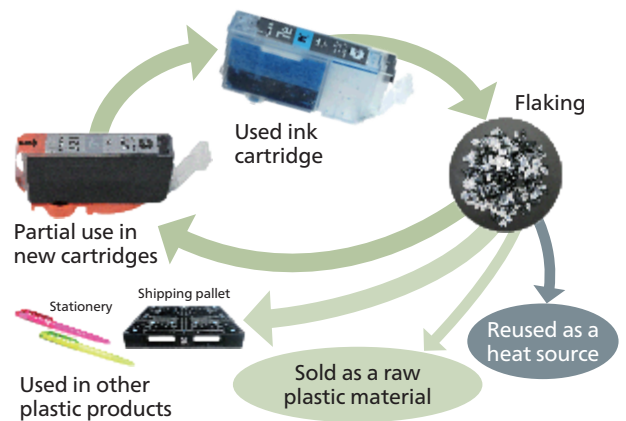


**Note:** Data scope is worldwide. Figures include cartridges for large-format inkjet printers and compact photo printers.

### Closed-loop Recycling of Toner Cartridges



### Ink Cartridge Recycling



### Initiatives in Japan

In Japan, ink cartridges are collected from a wide range of avenues, such as through distributors of Canon products, the activities of the Bellmark campaign at schools, and the Ink Cartridge Satogaeri (Homecoming) Project implemented jointly by printer manufacturers.

Ink cartridges collected through these channels are recycled into plastics by Canon Ecology Industry. The company effectively processes ink cartridges using an integrated, automated line called CARS-I\* (see page 22) that encompasses all phases of recycling, from sorting collected products by model type to disassembly, pulverization and washing. These recycled plastic raw materials are then sent to Canon's manufacturing plants, where they are used



The CARS-I automated line for ink cartridge recycling

### Ink Cartridge Recycling

Canon introduced used ink cartridge collection and recycling in 1996. As of March 31, 2016, collection and recycling is being carried out in 31 countries and regions throughout the world.

to make inkjet printer parts (closed recycling). They are also utilized inside and outside the company in various plastic products, including shipping pallets, construction materials and stationery, and reused as heat sources.

As of 2015, a combined total of approximately 460 tons of recycled material had been reused within the Canon Group.

**\* CARS-I**

Canon Automated Recycling System for Ink Cartridge

**Initiatives Outside Japan**

Canon also recycles used ink cartridges at locations outside Japan. Collected cartridges are reused as materials or recycled to reduce waste. As of March 31, 2016, we conducted collection and recycling in 30 countries and regions (excluding Japan) throughout the world.

Collection methods are tailored to each country and region. In addition to collection boxes set up in mass retail outlets and other related businesses, shopping malls, companies, schools, stations, and Canon service centers and showrooms, used ink cartridges can also be returned to Canon by mail in certain regions, ensuring that the method of return is convenient for customers.

**Recycling of Small Rechargeable Batteries**

Canon has worked to recycle small rechargeable batteries around the world. In Japan, Canon has become a

member of the Japan Portable Rechargeable Battery Recycling Center (JBRC) on the basis of the Law for the Promotion of Effective Utilization of Resources and joins in industry-wide collection and recycling promotion activities. We also urge consumers through our website and other means to return their used batteries for recycling.

Likewise in the United States, Canon has become a member of the Rechargeable Battery Recycling Corporation (RBRC) and joins in collection and recycling promotion activities.

**Recycling Containers and Packaging Materials After Sale**

In accordance with relevant laws and ordinances, Canon provides appropriate labeling on containers and packaging materials encouraging customers to separate these materials for recycling after purchase.

Canon has become a member of the Japan Containers and Packaging Recycling Association, a public interest incorporated foundation, to cooperate in the recycling of these items. Outside Japan, we participate in similar schemes in each country and region to contribute to the promotion of recycling activities locally.

Canon also works to minimize the amount of containers and packaging materials it uses in order to reduce the amount of discarded materials.

**TOPICS**

**Canon China Receives the 2015 China Green Environment Award for Its Collection Activities**

Canon China has set up collection boxes for used ink cartridges at a host of locations, including branch companies and stores, service centers, and service stores. As a result, many consumers in China are now more aware of resource collection and reuse.

As a result of these efforts, Canon China won the 2015 China Green Environment Award at the China Business Annual Meeting on Enterprise Competitiveness organized by China Business Journal Company\*. Canon China was selected for this honor because of its contributions to improving consumers' environmental awareness and its activities aimed at solving resource-recycling and environmental-protection issues facing Chinese society.



The award plaque

**\* China Business Journal Company**

An organization administered by the Chinese Academy of Social Sciences. It publishes China Business Journal, one of China's most prominent financial news and information magazines.



Used ink cartridge collection point

## Eliminating Hazardous Substances and Preventing Pollution

**Canon is working to carefully manage and reduce emissions of chemical substances to prevent adverse effects on the environment and people's health.**

### Proper Management of Chemical Substances

In regard to chemical substances contained in products and chemical substances used in the production process, Canon has put in place an optimal management system to address not only compliance with laws and regulations, but also the effects these substances have on people and the environment.

### Management of Chemical Substances in Products

Canon has built a Groupwide environmental assurance system for managing chemical substances in products. Our product development is based on in-house standards that take into consideration major laws and environmental-labeling requirements around the world. Specifically, our management system classifies chemical substances into three types: "prohibited substances," which cannot be used in products; "limited use substances" for which alternatives should be found so that they can be eliminated in the future; and, "controlled substances," the amount of which should be monitored. We prevent prohibited substances from being used in products by utilizing this information during the product development stage. As for raw materials and parts procured from suppliers, these substances are listed in our Green Procurement Standards, which are made known to suppliers, ensuring that only raw materials and parts compliant with these standards are purchased and used.

### Understanding the Latest Information about the Risks of Chemical Substances in Products

Research and studies are being carried out around the world to minimize the risk of chemical substances on the environment and people's health, and Europe, in particular, has taken the lead in tightening its regulations on chemical substances contained in products. These regulations have also been implemented in other regions,

spreading to other countries and regions mainly in Asia.

Canon strives to gain an understanding of the latest information about the risks posed by chemical substances in products at an early stage and take action. Our thorough management ensures that we sell products that are safer for the environment and people in every country and region where Canon products are used.

For example, four phthalate compounds were added to the list of restricted substances of the EU RoHS Directive\* in 2014. We have already begun using alternatives for these substances before the revision takes effect in 2019.

#### \* RoHS Directive

Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The directive is put into the laws of all EU member states.

### Contributing to Unified Industry Mechanisms for Managing Chemical Substances

In order to effectively manage chemical substances without fail, it is important that management systems for the supply chain and mechanisms to evaluate and monitor these systems be implemented according to industry-wide global standards. Over the years, Canon has participated in such efforts and contributed to the creation of common rules for the industry.

For example, with regard to supply chain management, we have worked together with various companies to unify mechanisms of information sharing within the supply chain based on our Green Procurement Standards, which were among the first in the industry. In 2014, we participated in the common chemSHERPA\* scheme for conveying information about chemical substances contained in products through a survey on the standardization and international expansion of information conveyance sponsored by Japan's Ministry of Economy, Trade and Industry.

Canon will continue to cooperate toward creating unified mechanisms for business and industry.

#### \* chemSHERPA

Chemical information SHaring and Exchange under Reporting Partnership in supply chain. A scheme for facilitating the conveyance of information about chemical substances contained in products.

## Managing Chemical Substances Used in Manufacturing Processes

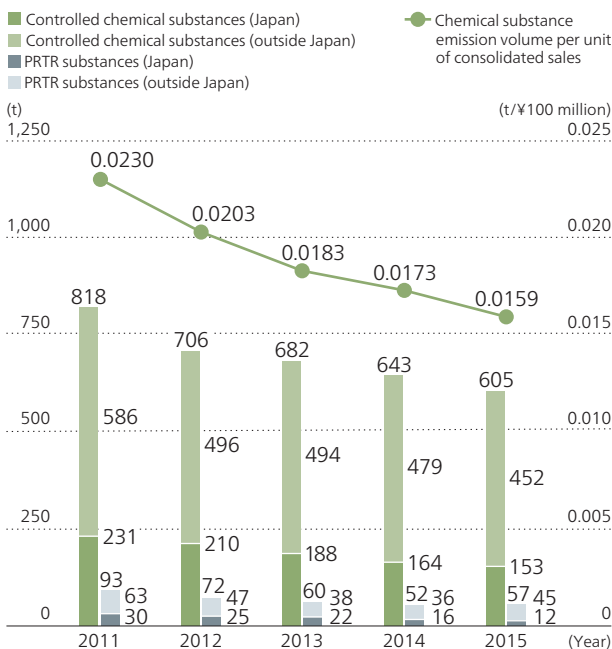
Of the chemical substances handled during manufacturing at Canon, approximately 3,000 are controlled chemical substances regulated in terms of adverse effect on the environment, human health and safety, etc. Canon separates these substances into three categories: A) Prohibited substances; B) Emission-reduction substances; and C) Regulated substances. In turn, effective measures are in place for each category.

We have also reinforced our management practices by linking our purchasing system with our chemical management system.

### Reducing Use and Emissions of Controlled Chemical Substances

Canon strives to eliminate or reduce hazardous chemical substances used in the manufacturing process. For substances difficult to eliminate or reduce, our policy is to

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



**Note: PRTR (Pollutant Release and Transfer Register) System**  
 A notification system for the transfer and release of chemical substances.  
 Controlled chemical substances exclude regulated substances. Océ Group data has been included only for controlled chemical substance volume starting in 2013.  
 Océ Group data has been added to emissions of controlled substances and emissions of PRTR substances in 2014.

minimize their release into the air or water.

We have initiated leak-prevention measures to reduce the risks of accidents and environmental pollution associated with the use of these substances.

In 2015, we reduced the amount of chemical substances used in paint and grease by making improvements in painting and assembly processes, and we also worked on collecting and reusing chemical substances from lens-cleaning processes.

As a result, we successfully reduced our emissions of controlled substances to 605 tons, a 5.9% reduction compared to 2014.

In 2016, we will continue with our efforts aimed at reducing emissions of chemical substances.

### Reducing Discharges into the Atmosphere and Waterways and Preventing Pollution

Canon alleviates the environmental impact of its operational sites by reducing emissions of NOx\*1 and SOx\*2, which are major causes of air pollution and acid rain; reducing discharges of phosphates and nitrogen compounds, which cause the eutrophication of water environments; and, reducing BOD\*3 and SS\*4 indexes, which have an environmental impact on water environments. Furthermore, we have designated ozone-depleting substances and persistent organic pollutants cited in the Stockholm Convention on Persistent Organic Pollutants as banned substances.

Each operational site establishes its own levels based on those stipulated in local laws and regulations. With regard to wastewater, we have always established and implemented in-house standards that are stricter (up to 80%) than the actual regulations.

As part of our facilities-based measures, we have banned the use of heavy oil in order to prevent air pollution.

As a result of these initiatives, Canon's emissions or discharges from its operational sites in 2015 again did not exceed established standards.

**\*1 Nitrogen oxides (NOx)**

A major cause of air pollution, acid rain and photochemical smog, NOx is generated when the nitrogen in fuels is oxidized or when nitrogen in the atmosphere is oxidized during high-temperature combustion.

**\*2 Sulfur oxides (SOx)**

A major cause of air pollution and acid rain, SOx is generated when fossil fuels, such as oil and coal, are burned.

**\*3 Biochemical oxygen demand (BOD)**

BOD is the amount of oxygen consumed when microorganisms degrade organic matter in water.

**\*4 Suspended solids (SS)**

A collective term used for substances of less than 2mm in diameter that float in the air and do not dissolve.

### 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 will be 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.

In 2015, soil remediation works were completed at the Tamagawa Plant and Hiratsuka Plant No.1 and reported to government authorities.

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 2015, 17 operational sites were storing PCB waste. In terms of highly concentrated PCB waste, there are 62 capacitors and transformers and 3,206 fluorescent ballasts in storage. This PCB waste is processed sequentially by the Japan Environmental Safety Corporation.

### Preventing Pollution Caused by End-of-life Products

Canon strives to prevent pollution caused by end-of-life products. For example, the EU WEEE Directive also requires that discarded parts and materials that include regulated substances be separated out and processed accordingly. In order to comply with this requirement, it is necessary to provide recycling vendors with proper information on components and materials containing such substances.

Canon carries out proper treatment based on this directive and has a system to tender this information when vendors request it. Similar regulations are being established in Asia and Latin America, and going forward, Canon will ensure it fully complies with these regulations.

Additionally, in 2015, Canon did not transport waste regulated under the Basel Convention across international borders.

### Status of Soil and Groundwater Cleanup Activities\*1

Operational Site	Substances	Measures
Shimomaruko	Trichloroethylene, etc.	In-situ cleanup, water quality measurement
Meguro	Tetrachloroethylene, etc.	In-situ cleanup, water quality measurement
Utsunomiya parking lot 1	Fluorine and its compounds, etc.	Pumping, water quality measurement
Kanuma	Tetrachloroethylene, etc.	In-situ cleanup, water quality measurement
Toride	Trichloroethylene, etc. Hexavalent chromium and its compounds	Pumping, excavation and elimination, water quality measurement
Bando*2	1,1-dichloroethylene, etc. Lead and its compounds, etc.	Pumping, covering, water quality measurement
Nagahama Canon	Hexavalent chromium and its compounds	Covering (soil pollution from soil improvement agents), water quality measurement

\*1 Reports are made to the authorities concerning sites where cleanups are in progress.

\*2 The site belonged to Canon Semiconductor Equipment Inc. until last year, but now belongs to Canon Inc. after the former was relocated.

## Contributing to a Society in Harmony with Nature

### Canon promotes initiatives connected with the conservation of biodiversity in its social activities, the use of its products, and activities at its operational sites.

#### Biodiversity Policy

Amid a rising awareness of environmental issues, global warming and the loss of biodiversity continue to grow more serious. Along with governmental authorities, corporations are being urged to carry out initiatives for biodiversity in order to help achieve the Aichi targets adopted by the tenth meeting of the Conference of the Parties (COP10) to the Convention on Biological Diversity. Moreover, demand for action to conserve biodiversity is increasing around the world, as reflected in the themes of the Sustainable Development Goals (SDGs) adopted by the General Assembly of the United Nations in 2015.

Recognizing the importance that biodiversity plays for a sustainable society, and following its corporate philosophy of *kyosei*, Canon continually strives to carry out various activities to conserve biodiversity under its Biodiversity Policy, which applies to the entire Canon Group.

#### Biodiversity Policy

##### Basic Policy

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

##### Action Guidelines

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

##### Specific actions

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

#### Bird Branch Project Protecting Wildfowl

The Bird Branch Project is a symbol of Canon's activities under the Canon Biodiversity Policy. This project involves ecosystem conservation activities utilizing the lush green spaces called the Shimomaruko Forest at the Shimomaruko headquarters of Canon Inc. (see page 26).

In 2015, the first year of the project, efforts were made to establish an environment for observing and monitoring wildfowl. This included setting up nest boxes and bird baths, as well as regular monitoring using network cameras and a route census to investigate the types of wildfowl living along a predetermined route.

Additionally, wildfowl-related events were held for employees and their families. These events, which included bird watching in the Shimomaruko Forest, lectures by the Wild Bird Society of Japan, quizzes involving parent-child teams, and experiments using bird feathers, and attracted more than 100 participants, provided a great opportunity for participants to learn more about the importance of conserving biodiversity.

We plan to use the activities at the Shimomaruko headquarters as a model for introduction at other operational sites, including those outside Japan, as part of our efforts to conserve ecosystems across the entire Canon Group.



Lecture for employees and their families held as part of the Bird Branch Project



## Procuring Wood Products from Responsibly Managed Forests

The depletion of forest resources has become a major social issue, and in recent years forest resource-conservation regulations have been tightened around the world. Examples include the EU Timber Regulation in 2013 and the Australian Illegal Logging Prohibition Act in 2014.

For many years Canon has been working to conserve forest resources through the procurement of office paper manufactured under forest certification schemes or manufactured from environmentally conscious sources. For example, in Japan, Canon Marketing Japan obtains FSC\* certification for the paper it sells under the Canon brand.

Furthermore, to ensure the protection of forest resources and compliance with forest resource-conservation regulations, we have publicized our stance toward timber resources on the Canon website, and also work closely with our suppliers to ensure forest resources are protected.

\* FSC  
Forest Stewardship Council

## Activities Utilizing Our Own Technologies and Products

Canon contributes to biodiversity conservation by utilizing Canon products for ecosystem surveillance and monitoring.

### Supporting Conservation at Yellowstone National Park

Canon U.S.A. contributes funds to the globally renowned Yellowstone National Park in Wyoming to support surveillance activities targeting endangered wildlife species.

Specifically, through the research and educational program "Eyes on Yellowstone," Canon imaging devices are being used for ecological observation with the aim of building a digital image library that can be accessed through the website. These images will serve as educational resources for millions of children worldwide, helping to foster their knowledge of the global environment and awareness of the importance of conservation.

## Utilizing Network Cameras for Forest Conservation and Wildlife Protection

Network cameras made by Axis Communications AB (Sweden), which joined the Canon Group in 2015, are being utilized around the world in nature-protection programs, forest fire monitoring, and other initiatives.

For example, a wildlife center operated by a wildlife rehabilitation clinic in the United States conducts monitoring and diagnosis of injured wildfowl using network cameras. This clinic has also created its own channel to broadcast footage of vultures, hawks, and bear cubs, which it makes available to the general public for educational purposes.

Also, in Russia's Novgorod Oblast, network cameras are being used to monitor forest fires, and they have proved to be very effective in early detection.



Image courtesy of Axis Communications

Observing bear cubs using a network camera



Image courtesy of Axis Communications

Forest fire monitoring screen

## Activities Led by Operational Sites

Canon’s operational sites around the world work on the initiative to maintain green spaces and conserve the habitat of local flora and fauna as a means of mitigating the impacts of business activities on ecosystems and wildlife.

### Ecosystem Conservation Activities Based on Ongoing Ecological Surveys

Canon Research Centre France S.A.S. maintains green spaces on its property and regularly conducts ecological surveys of its operational site led by experts in the field.

With the cooperation of BirdLife International, an international NGO dedicated to protecting wildfowl, Canon Research Centre has been conducting surveys of the plants, birds, butterflies, dragonflies, crickets and other forms of life at its operational site since setting up the green spaces to mark its 20th anniversary.

When comparing the 2011 survey with the 2015 survey, the results showed that all forms of life were increasing; plant life increased from 59 to 74 varieties and wildfowl from 26 to 27 species. Moreover, *Orchis ustulata*, a variety of orchid designated as endangered in the Brittany region, was found onsite.

Canon Research Centre France will continue to conduct regular surveys and advance its ecosystem conservation activities.



*Orchis ustulata* blooming onsite



Canon Research Centre France

### Bringing Greenery to Our Operational Sites

All of Canon’s operational sites work to establish green spaces on their property. In addition to the Shimomaruko Forest at the Shimomaruko headquarters of Canon Inc., our sites near the Tama River, such as the Tamagawa Plant, the Yako Office and the Kawasaki Office, work hard to maintain greenery and fulfill their role in creating an ecological network.

These initiatives have received high praise. In 2015, the Akagi Plant of Canon Electronics Inc. was honored with the Minister of Economy, Trade and Industry’s Award, and

the Oita Plant of Oita Canon Inc. received the Japan Greenery Research and Development Center Chairman’s Award at the 34th National Plant Greenery Promotion Conference organized by the Japan Greenery Research and Development Center.

In pursuit of its dream to become a “factory surrounded by forest,” the Akagi Plant of Canon Electronics systematically created a green space on its property of around 15 hectares that is primarily maintained by employees. With the planting of 15,000 trees representing some 60 different varieties, they realized a green space that is completely in harmony with the surrounding highland area. It also contributes to the biodiversity of the local community. The green space is also used for environmental education, as greening efforts are introduced during plant tours held mainly for local primary and junior high-school students.

The Oita Plant of Oita Canon promotes greening efforts throughout the property based on an integrated greenery plan suited to the surrounding environment. The site features a well-preserved natural forest, called Canon Forest, and a biotope in an effort to maintain biodiversity. The Oita Plant also actively holds events utilizing its green space, including the release of Japanese green pheasants and a spring nature walk to view the cherry blossoms, among others.



Trees around the perimeter of the Akagi Plant of Canon Electronics



Biotope created at the Oita Plant of Oita Canon

## Contributing to the Creation of a Society in Harmony with Nature

Canon's operational sites and Group companies around the world team up with local communities and organizations dedicated to biodiversity conservation to carry out conservation activities with the participation of

employees, and to support environmental education in the community. In 2015, Canon made the following efforts around the world.

We will continue to actively engage in these local activities as part of our commitment to get the entire Canon Group involved in biodiversity conservation.

### Initiatives in Europe

Canon Italy and Canon Spain worked with wildfowl protection groups to hold birding workshops and host events that connect birds and photography.

Canon Giessen in Germany participated in a long-term lichen observation project being conducted locally.



Lichen observation project by Canon Giessen

### Initiatives in the Americas

Canon U.S.A. and Canon Canada have worked with two nonprofits dedicated to trees and the "greening" of spaces, the Arbor Day Foundation (in the U.S.) and Evergreen (in Canada). In 2015, a total of 56,000 trees were planted.

Canon U.S.A. holds a number of other events, including activities with the Canon Clean Earth Crew. Employees clean and beautify parks, beaches, and other natural areas as part of the team.



The Canon U.S.A. Clean Earth Crew at work

### Initiatives in China

Group companies in China are actively engaged in the release of juvenile fish into the wild.

Canon Zhongshan worked with the local fisheries bureau to release a total of 300,000 juvenile fish, including mud carp, grass carp, bighead carp, and crucian carp. And, Canon Suzhou took part in activities held at Taihu Lake to release 200,000 juvenile fish.



Canon Suzhou's fish release activity

### Initiatives in Asia

Group companies across Asia continue to take part in afforestation activities in Singapore, India, Thailand, the Philippines, and Vietnam.

In Vietnam, Canon implemented "For a Green Vietnam Project" in 2015 with the assistance of local governments and regional people's committees. A total of 145,000 trees were planted through this project.



Afforestation activity in Vietnam

# Data Summary

## Data on Management

### List of Environmental Training Programs

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

## Product Standards Compliance

### 2015 Standards Compliance for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / Multifunction Devices (MFDs)	15/15 (100%)	15/15 (100%)	15/15 (100%)
Laser Printers	3/3 (100%)	3/3 (100%)	3/3 (100%)
Inkjet Printers	8/8 (100%)	8/9 (89%)	8/9 (89%)
Large-format Inkjet Printers	8/8 (100%)	6/8 (75%)	8/8 (100%)
Image Scanners	1/1 (100%)	–	1/1 (100%)
Projectors	11/11 (100%)	0/11 (0%)	–

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

Image scanners are outside the scope of Eco Mark specification.

The International ENERGY STAR® Program has no specifications for projectors.

One new inkjet printer model was excluded from the provisions of the Law on Promoting Green Purchasing.

### 2015 Standards Compliance for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner cartridges	2/2 (100%)	2/2 (100%)
Ink cartridges	2/2 (100%)	2/2 (100%)

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

## Environmental Accounting

Reporting scope: Main Group companies (expanded from 2004 to include data for main Group companies outside Japan in addition to data for main Group companies in Japan).

Calculations performed according to the Environmental Accounting Guidelines (2005 edition) issued by Japan's Ministry of the Environment.

### Environmental Conservation Costs

(Billions of yen)

Category	Details of Key Activities	2015		
		Investment	Cost	
(1) Business Area Cost		3.22	9.23	
Details	Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	1.9	6.07
	Global Environmental Conservation Cost	Energy conservation, efficient logistics, prevention of global warming, etc.	0.4	1.24
	Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.92	1.92
(2) Upstream / Downstream Cost	Green procurement initiatives, product recycling*1, etc.	0.07	6.33	
(3) Administration Cost	Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.62	2.06	
(4) R&D Cost*2	R&D for reducing environmental impact	0.0	0.0	
(5) Social Activity Cost	Contributions to organizations, sponsorships, memberships, etc.	0.01	0.16	
(6) Environmental Remediation Cost	Soil remediation	0.0	0.02	
(7) Other	Other environmental protection-related costs	0.0	0.01	
Total		3.92	17.81	

\*1 In connection with the recycling of used products, expenses for product collection, storage, sorting, shipment, etc.

\*2 Expenses for basic research on environmental technologies

**Environmental Conservation Benefit**

Details of Benefit		Environmental Protection Indices	
		Index	Index Value
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO <sub>2</sub> )	32,094
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	81,698
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (t-CO <sub>2</sub> )* <sup>3</sup>	2,440,000
		Recovery of used products (t)* <sup>4</sup>	75,144

\*<sup>3</sup> CO<sub>2</sub> reduction resulting from energy-conservation technologies in electrographic multifunction devices and laser printers.

\*<sup>4</sup> Amount of recovered copying machines, cartridges, etc. (including outsourced material recycling and thermal recycling)

**Economic Benefit Associated with Environmental Conservation Activities**

(Billions of yen)

Details of Benefit		2015
Revenue	Sales revenue from waste recycling	1.95
Cost Reduction	Reduction in energy costs from energy conservation	1.98
	Reduction from green procurement	0.0
	Reduction in waste handling costs from resource conservation and recycling	1.56
Total		5.49

**Benefit of Upstream / Downstream Costs** (Billions of yen)

Details of Benefit	2015
Lower energy costs from reduced product energy consumption* <sup>5</sup>	58.07
Profit from used product recycling	4.94

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

**Data on CO<sub>2</sub>**

**Total GHG Emissions by Scope**

(t-CO<sub>2</sub>)

	2011	2012	2013	2014	2015
Scope 1	184,631	145,340	168,465	176,878	169,974
Scope 2	924,707	902,942	1,077,894	1,052,007	1,053,222

**Data on Energy**

**Energy Consumption by Region in 2015**

(TJ)

	Electricity	Gas	Oil	Other (steam, wide-area heating and air conditioning)
Japan	4,431	1,767	305	32
Americas	434	196	15	0
Europe	359	193	457	50
Asia and Oceania (except Japan)	1,984	110	38	119
Total	7,208	2,266	815	201

\* Electricity includes the amount generated by renewable energy sources.

**Use of Renewable Energy by Region in 2015**

(MWh)

	Renewable Energy
Japan	73
Americas	9,177
Europe	73,833
Asia and Oceania (except Japan)	515
Total	83,598

## Data on Waste

### 2015 Recovery Volume by Type of Waste

(Tons)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by OA equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	25,252
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	14,189
Metals	Raw materials for metals, roadbed materials, etc.	14,800
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	9,774
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	4,968
Wood	Construction boards, bedding for plants, fuels, pulp materials, fertilizers, etc.	2,766
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	176
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	9,773
Total		81,698

### General Landfill Waste Generated by Business Activities

(Tons)

	2011	2012	2013	2014	2015
General landfill waste generated by business activities	4,114	3,073	2,811	2,382	2,188

## Atmospheric Emissions

### SOx and NOx Emissions

(Tons)

	2011	2012	2013	2014	2015
SOx	1.0	0.8	0.7	0.7	0.7
NOx	65.3	66.4	69.0	67.8	65.6

## Data on Water Resources

### Total Wastewater Discharge

(1,000 m<sup>3</sup>)

	2011	2012	2013	2014	2015
Japan	3,985	3,999	3,488	4,084	4,122
Outside Japan	2,592	3,067	3,010	3,751	3,744
Total	6,577	7,066	6,498	7,835	7,866

### Wastewater Amount in 2015 by Discharge Route

(1,000 m<sup>3</sup>)

	Rivers	Sewerage System	Total
Japan	1,011	3,111	4,122
Outside Japan	715	3,029	3,744
Total	1,726	6,140	7,866

### 2015 Water Quality Data

(Tons)

	2015
SS	138
BOD	203

### Water Usage in 2015 by Type

(1,000 m<sup>3</sup>)

	Tap Water	Industrial Water	Groundwater	Total
Japan	1,541	2,305	1,457	5,303
Outside Japan	3,257	906	271	4,434
Total	4,798	3,211	1,728	9,737

### Use of Recycled Water and Recycling Rate in 2015

	Recycled Water (1,000 m <sup>3</sup> )	Recycling Rate (%)
Japan	1,782	33.6
Outside Japan	46	1.0
Total	1,828	18.8

## Data on Chemical Substances

### Substances Canon No Longer Uses

Substance Eliminated		Date Eliminated
Ozone-Depleting Substances	Chlorofluorocarbons (CFCs), 15 types	December 1992
	1,1,1-Trichloroethane	October 1993
	Hydrochlorofluorocarbons (HCFCs), 34 types	October 1995
Greenhouse Gases*1	Perfluorocarbons (PFCs)	December 1999
	Hydrofluorocarbons (HFCs)	December 1999
Soil Contaminants	Trichloroethylene	December 1996
	Tetrachloroethylene	December 1996
	Dichloro methane (for cleaning)	December 1997
	Dichloro methane (for thin film coating)*2	October 2003

\*1 Excludes use in semiconductor manufacturing

\*2 Discontinued use in Japan in December 2001

### 2015 List of Chemical Substances Subjected to the PRTR Act

(kg)

Statutory no.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Recyclables
7	N-butyl acrylate	1	0	0	0	4
20	2-aminoethanol	54	0	4	0	12,221
31	Antimony and its compounds	15	0	0	0	767
53	Ethylbenzene	268	0	0	0	26,903
71	Ferric chloride	0	0	0	0	31,051
80	Xylene	1,879	0	0	0	152,689
125	Monochlorobenzene	6,256	0	0	0	101,677
128	Methyl chloride	15	0	0	0	0
150	1,4-dioxane	605	0	0	0	895
203	Diphenylamine	0	0	0	0	0
232	N,N-dimethylformamide	437	0	0	0	632
240	Styrene	248	0	0	0	48
259	Tetraethylthiuram disulfide	0	0	0	0	1
296	1,2,4-trimethylbenzene	8,344	0	0	0	11,330
298	Tolylene diisocyanate	0	0	0	0	355
300	Toluene	17,325	0	0	4,845	53,627
308	Nickel	0	0	0	0	921
309	Nickel compounds	0	0	0	25	4,658
343	Pyrocatechol	8	0	0	0	2,349
349	Phenol	45	0	0	0	85
374	Hydrogen fluoride and its water-soluble salts	3	1	1,542	0	849
395	Water-soluble salts of peroxodisulfuric acid	1	0	0	0	1
408	Poly(oxyethylene) octylphenyl ether	0	0	151	0	1,379
412	Manganese and its compounds	0	0	0	0	462
438	Methylnaphthalene	171	0	0	0	970
448	Methylenebis (4,1-phenylene) diisocyanate	0	0	0	0	3,271



## Operational Sites Covered in the Environmental Section

Name	Location
<b>Canon Inc. (14 operational sites)</b>	
Headquarters	Tokyo
Yako Office	Kanagawa
Kawasaki Office	Kanagawa
Tamagawa Office	Kanagawa
Kosugi Office	Kanagawa
Hiratsuka Plant	Kanagawa
Ayase Plant	Kanagawa
Fuji-Susono Research Park	Shizuoka
Utsunomiya Plant	Tochigi
Toride Plant	Ibaraki
Ami Plant	Ibaraki
Utsunomiya Optical Products Plant	Tochigi
Optics R&D Center	Tochigi
Tsukuba Parts Center	Ibaraki
<b>Marketing Headquarters in Japan</b>	
Canon Marketing Japan Inc.	Tokyo
<b>Manufacturing Subsidiaries in Japan (22 companies)</b>	
Canon Electronics Inc.	Saitama
Canon Finetech Inc.	Saitama
Nisca Corporation	Yamanashi
Top Business Machines Co., Ltd.	Shiga
Canon Precision Inc.	Aomori
Canon Chemicals Inc.	Ibaraki
Oita Canon Inc.	Oita
Miyazaki Daishin Canon Inc.	Miyazaki
Canon Optron, Inc.	Ibaraki
Canon Components, Inc.	Saitama
Nagahama Canon Inc.	Shiga
Oita Canon Materials Inc.	Oita
Canon Semiconductor Equipment Inc.	Ibaraki
Canon Ecology Industry Inc.	Ibaraki
Ueno Canon Materials Inc.	Mie
Fukushima Canon Inc.	Fukushima
Canon Mold Co., Ltd.	Ibaraki
Hita Canon Materials Inc.	Oita
Canon ANELVA Corporation	Kanagawa
Canon Machinery Inc.	Shiga
Canon Tokki Corporation	Niigata
Nagasaki Canon Inc.	Nagasaki

Name	Country/Region
<b>Manufacturing Subsidiaries outside Japan (20 companies)</b>	
Canon Virginia, Inc.	U.S.A.
Canon Giessen GmbH	Germany
Canon Bretagne S.A.S.	France
Canon Inc., Taiwan	Taiwan
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia
Canon Hi-Tech (Thailand) Ltd.	Thailand
Canon Dalian Business Machines, Inc.	PRC
Canon Zhuhai, Inc.	PRC
Canon Vietnam Co., Ltd.	Vietnam
Canon Zhongshan Business Machines Co., Ltd.	PRC
Canon (Suzhou) Inc.	PRC
Canon Finetech Nisca (Shenzhen) Inc.	PRC
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia
Canon Prachinburi (Thailand) Ltd.	Thailand
Canon Business Machines (Philippines), Inc.	Philippines
Océ Technologies B.V.	The Netherlands
Océ Printing Systems G.m.b.H. & Co. KG	Germany
Océ Display Graphics Systems Inc.	Canada
Axis Communications AB	Sweden
<b>Marketing Headquarters outside Japan</b>	
Canon U.S.A., Inc.	U.S.A.
Canon Europe Ltd.	United Kingdom
Canon Europa N.V.	The Netherlands
Canon (China) Co., Ltd.	PRC
Canon Australia Pty. Ltd.	Australia

<b>Other Companies Subject to Reporting (80 companies)</b>
In Japan (20)
Outside Japan (60)

\* The scope of third-party verification of GHG includes the 127 companies covered in Canon's consolidated ISO certification and two other companies not included in consolidated certification, all listed above.

\* Axis Communications AB included in Canon Group companies from 2015. Performance data for 2015 (excluding chemical substances) includes Axis Communications AB.



Promoting product development through personnel exchanges and technology sharing with Océ in the Netherlands (see page 85)



# Labor and Human Rights

Canon endeavors to grow together with its more than 190,000 employees worldwide, constantly working to create workplaces that respect their diverse backgrounds and individuality while also providing a sense of worth and achievement in work.

The Canon Group's Employees in 2015

Europe  
24,826

Japan  
68,325

Americas  
17,635

Asia &  
Oceania  
78,785

## Management Approach

### Important Issues from a Labor and Human Rights Perspective

Canon’s corporate philosophy of *kyosei* is defined as the aspiration to create a society in which all people, regardless of race, language, culture, or lifestyle, harmoniously live and work together for the common good into the future. Accordingly, respect for human rights forms an important foundation of Canon’s corporate management. To realize sustainable growth together with our employees in the face of global competition, it is important that we create a work environment in which the skills and talents of each individual can be fully harnessed. It is based on this belief that Canon is carrying out various initiatives to address the important issues presented below.

#### Hiring and Treatment of Human Resources

Canon is making efforts to make its workplaces more attractive in order to hire and retain talent around the world. These efforts include providing fair and impartial personnel evaluations, comprehensive employee benefits, and assistance in achieving work-life balance.

#### Diversity

In order to beat the global competition, Canon believes it is vital to mobilize human resources with diverse skills and talents and continually create new value. Canon is

therefore working to promote the greater involvement of women in the workplace, employ a multicultural workforce, and utilize the experience of veteran employees.

#### Assisting Talent and Self Development

One of the key strategies in Phase V of our Excellent Global Corporation Plan is to cultivate globally competent human resources capable of performing their duties with a global perspective. Under this strategy, Canon utilizes HR information of employees hired in each country and region for the selection and training of its global workforce.

#### Occupational Safety and Health Management

Guided by the principles of “management without safety is not management” and “health first,” Canon’s management works together with employees to prevent occupational injuries and health problems while also implementing health-promotion activities. These initiatives are carried out systematically in accordance with our mid-term plan for occupational safety and health activities.

#### Respecting Human Rights

Showing respect for the rights of others is part of Canon’s DNA. Canon strictly prohibits discrimination based on race, religion, nationality, gender, or age, and takes thorough steps to ensure all executive officers and employees are educated to prevent harassment, child labor and forced labor.

#### Main Initiatives

Theme	Main Initiatives
Hiring and Treatment of Human Resources	<ul style="list-style-type: none"> <li>• Hire and retain talented human resources that can drive globalization and innovation in our businesses (see page 75)</li> <li>• Provide fair and impartial treatment irrespective of age or gender (see page 75)</li> <li>• Provide comprehensive benefits that ensure peace of mind among employees (see page 76)</li> <li>• Provide flexible work styles that enable work-life balance (see page 76)</li> <li>• Build positive labor-management relations (see page 78)</li> </ul>
Diversity	<ul style="list-style-type: none"> <li>• Provide career development assistance and improve workplace environments to encourage active participation of women in the workplace (see page 79)</li> <li>• Employ multicultural workforce (see page 80)</li> <li>• Utilize the experience and skills of veteran employees (see page 80)</li> </ul>
Assisting Talent and Personal Development	<ul style="list-style-type: none"> <li>• Career-development assistance program for improving employee motivation and expertise (see page 81)</li> <li>• Develop frontline experts and specialists in such areas as technology development and manufacturing (see page 83)</li> <li>• Develop global human resources that can demonstrate leadership on the international stage (see page 84)</li> </ul>
Occupational Safety and Health Management	<ul style="list-style-type: none"> <li>• Reduce occupational injuries at operational sites in Japan and abroad (see page 86)</li> <li>• Support the health of employees and provide mental healthcare assistance (see page 88)</li> </ul>
Respecting Human Rights	<ul style="list-style-type: none"> <li>• Prevent discrimination based on race, religion, nationality, gender, and age (see page 90)</li> <li>• Prevent sexual harassment and power harassment (see page 90)</li> <li>• Prevent child labor, forced labor, and compulsory labor at operational sites in Asia (see page 91)</li> </ul>

# Hiring and Treatment of Human Resources

**Canon aims to create attractive workplace environments where employees are highly motivated to work.**

## Basic Policy on Human Resources

To become a truly excellent global corporation, Canon believes that each employee must be an “excellent person.”

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

### Guiding Principle of the Three Selfs Spirit

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

Canon encourages all Group employees to embrace the *San-ji* Spirit as they pursue their work with a positive and forward-looking attitude, and promotes this approach at Group companies worldwide.

#### Guiding Principles

##### Three Selfs

Adhere to the principles of self-motivation, self-management and self-awareness in day-to-day activities

##### Meritocracy

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

##### Internationalism

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

##### Familism

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

##### Health First

Live by the motto “healthy and happy” and work to cultivate character

## Hiring and Retaining Talent

Canon seeks to hire and retain talent that can propel the globalization and innovation of its businesses with the ultimate goal of achieving sustainable growth. Therefore, we collaborate internally according to a consistent policy for hiring, assignments and human resource development.

Canon also has established various programs and systems to support the continued service of each and every employee so that they remain highly motivated and can fully harness their skills and abilities over the long term. Canon Inc. boasts one of the highest retention rates in the industry, with a turnover rate of only 1.1% in 2015.

## Fair and Impartial Compensation System

### Salary Linked to Role 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 developed 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.

With regard to such matters as determination of basic salary amounts and increases as well as calculation and payment of bonuses, a committee meets with the Canon Workers’ Union four times a year to check whether remuneration is being paid in accordance with the rules of the labor agreement. The minutes of these meetings are made available to all employees. This same committee facilitates discussions between labor and management

on the implementation and improvement of the compensation system as well.

## Employee Benefit Programs

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

Canon provides subsidy programs and funds club activities to promote better communication in the workplace, and maintains a range of facilities for employees, including gymnasiums and cafeterias. We also host events for employees and their families closely in tune with the culture and customs of each location.

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

### Corporate Pension Plan

At Canon Inc., we offer the Canon Corporate Pension, which is a defined benefit corporate pension plan as a

form of performance-based pay reflecting an employee’s contribution level during their time with the company, to supplement their public pension and contribute to a more comfortable retirement. A pension fund run by the company is used to manage pension assets so employees do not need to provide any additional funds. Other Canon Group companies in Japan have also set up their own corporate pension plans.

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

## Flexible Work Styles

Canon Inc. was among the first companies in Japan to introduce reduced working hours as a result of improved productivity, which began with the introduction of the five-day work week back in 1967.

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 helping employees to achieve work-life balance and implementing measures to aid the development of the next generation.

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

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

Action Plan	Measures	Results as of End of 2015
(1) Promote use of work-life balance programs and raise participation rate.	<ul style="list-style-type: none"> <li>Regularly check the performance of employees using work-life balance programs, and have VIVID*1 and the Work-style Innovation Committee work together to consider and implement specific measures before March 2018.</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
(2) Make work-style reform a part of our corporate culture, continue efforts to reduce overtime work, promote use of paid leave, and maintain an appropriate level of total work hours.	<ul style="list-style-type: none"> <li>Use total work hours as an indicator for work-life balance, and in 2015 work to raise awareness of this change internally through visualization techniques, and consider and implement specific measures for 2016 and beyond.</li> </ul>	<ul style="list-style-type: none"> <li>Prohibited overtime work, in principle, throughout the year.</li> <li>Implemented earlier work hours from July–September as campaign period to promote work-life balance. This change was continued as an opportunity to pursue further improvements to labor practices. Provided employee benefits program for encouraging self-development during the period of earlier work hours.</li> <li>Total work hours companywide decreased by approximately 37 hours compared to 2010*2.</li> </ul>
(3) Carry out community contribution activities in which children—who are the future of our communities—can participate.	<ul style="list-style-type: none"> <li>Reach out to local regions and communities and implement appropriate initiatives from April 2015 to March 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Continuously conducted throughout Japan the following community contribution activities in which children—who are the future of our communities—could participate.                             <ol style="list-style-type: none"> <li>Unique tutorial program for children, including lessons on lens-crafting and environmental education outreach programs</li> <li>Junior Photographers photography classes</li> <li>Support for girls soccer (Canon Girls-eight)</li> <li>Tag rugby lessons and rugby lessons, etc.</li> <li>Track and field clinics</li> </ol> </li> </ul>

\*1 VIVID  
Vital workforce and Value Innovation through Diversity  
Companywide horizontally integrated organization for promoting diversity

\*2 The year that activities to reduce total work hours commenced

### Reducing Total Work Hours

Canon works diligently to ensure that employee work hours are in compliance with the laws of each country where it operates.

For example, at Canon Inc., we encourage workplaces to ban overtime work in principle and review work methods in an effort to reduce total work hours. We have also taken other measures, such as encouraging employees to take their paid leave, which brought the annual hours worked per employee in 2015 down to approximately 1,762, or 37 hours less than 2010 (1,799 hours) when activities began.

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

#### Annual Hours Worked per Employee (Canon Inc.) (Hours)

	2011	2012	2013	2014	2015
Total hours	1,768	1,744	1,740	1,751	1,762

### Supporting the Dual Responsibilities of Work and Childcare

To enable employees to focus on childcare responsibilities

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

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



Poppins Nursery School Tamagawa

#### Number of Employees Taking Childcare and Nursing Care Leave\*

	2011	2012	2013	2014	2015
Employees taking childcare leave	126 (17)	154 (15)	153 (14)	168 (22)	184 (30)
Employees using reduced work hours for childcare	144 (3)	147 (3)	169 (9)	144 (7)	142 (10)
Employees taking maternity leave	24	25	19	27	34
Employees working reduced hours due to pregnancy	1	2	4	6	7
Employees taking nursing care leave	14	7	12	13	9
Employees using reduced work hours for nursing care	2	4	5	6	6
Applications for childbirth support	225	261	263	222	260

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

#### Return Rate and Number of Employees Returning from Child/Nursing Care Leave

		2011	2012	2013	2014	2015
Number of employees returning from childcare leave	Number of returning employees	143 (17)	136 (15)	134 (9)	132 (22)	169 (30)
	Return rate (%)	100	100	96.3	100	100
Number of employees returning from nursing care leave	Number of returning employees	15	6	8	13	9
	Return rate (%)	100	100	100	100	100

Note: ( ) Number of male employees

**Development of Canon Inc.'s Childcare and Nursing Care Leave Programs**

1998	<ul style="list-style-type: none"> <li>Introduced program of reduced work hours for childcare*1</li> </ul>
2005	<ul style="list-style-type: none"> <li>Introduced the childcare leave support program*2</li> </ul>
2007	<ul style="list-style-type: none"> <li>Introduced the maternity leave program for mothers, subsidy program for infertility treatment costs, and infertility treatment leave program to support childbirth</li> </ul>
2010	<ul style="list-style-type: none"> <li>Revised the program of reduced work hours for childcare, reducing the unit of work from one hour to 30 minutes</li> <li>Established the nursing care leave program</li> </ul>
2014	<ul style="list-style-type: none"> <li>Introduced the time-unit leave program where employees can take leave at 30 minute increments due to certain situations (illness or injury, childcare, nursing care, etc.)</li> </ul>

**\*1 Reduced work hours for employees with small children**

Employees raising children may reduce their workday, in 30-minute increments up to two hours, until the child has finished the third grade of primary school.

**\*2 Childcare leave support program**

Canon Inc. provides support to employees who are returning to work after taking childcare leave through our Himawari Club internet portal site.

**Adopting Leave System for Volunteer Activities**

In recognition of the growing interest in volunteer activities within the community and among employees, Canon Inc. has established a volunteer leave system.

Under this system, employees wishing to participate in volunteer activities certified by the company may take up to one year of leave (two years and four months in the case of JICA Japan Overseas Cooperation Volunteers). Since establishing this system in 1994, a total of 10 employees had taken leave for this purpose as of the end of 2015.

**Worker–Management Relations**

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

Every month, Canon Inc., Canon Marketing Japan,

Fukushima Canon and Ueno Canon Materials convene a Central Worker/Management Conference with the Canon Workers' Union to exchange opinions and information spanning a range of subjects. The 2015 conference focused on recent developments at the company and within the workers' union. Additionally, special committees have been established to consider wages, working hours, safety and health issues, and welfare. Based on these conferences, new systems are established and policies are enacted. As of the end of 2015, combined employee membership in the Canon Workers' Union totaled 27,662, representing 81% of Canon Inc.'s workforce.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference. This conference brings together 16 Group workers' unions, including executives from 19 Group companies as well as representatives of the Canon Workers' Union. In 2015, reports were given on the current situation of both labor and management throughout the Group as a whole. As of the end of 2015, the number of employees in unions that are part of the Canon Group Workers' Union Conference totaled close to 52,400.

In accordance with the labor laws of each country in which we operate, Canon continuously maintains proper labor relations based on sufficient dialogue between labor and management at Group companies outside Japan. Canon will continue to implement changes based on mutual understanding and trust with the Canon Workers' Union in its pursuit of continuous development.

**Minimum Notification Period for Changes in Work Duties**

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

Employees receive official notice of personnel transfers at least two weeks in advance for temporary assignments and at least one week for other types of transfers. Employees who need to relocate due to the transfer are officially notified up to four weeks in advance.

Additionally, Canon Group companies inside and outside Japan have established a minimum notification period in accordance with the laws and regulations of countries and regions where they operate.

## Diversity

**Canon aspires to be a company that realizes growth through openly accepting and working with people having different characteristics and perspectives.**

### Policy on Respecting Diversity

Under its corporate philosophy of *kyosei*, Canon respects diversity globally and actively encourages the fair hiring and promotion of employees, regardless of gender, age, or disability.

### Promoting the Active Participation of Women

Canon strives to create a workplace environment in which female employees can more actively participate by engaging its diverse human resources in various decision-making processes in an effort to encourage innovation. We actively promote career development support and workplace improvements to facilitate the long-term participation of female employees.

### Supporting the Careers of Women at Group Companies in Japan

Canon Inc. in 2012 established Vital workforce and Value Innovation through Diversity (VIVID), a companywide horizontally integrated organization to promote diversity. VIVID carries out companywide activities based on a



A participant presenting at a new business proposal forum organized by VIVID



Participants in a women's leadership training session organized by VIVID



medium-term action plan.

In 2015, the final year of the medium-term action plan, VIVID's efforts focused on supporting the hiring of women in engineering positions, the development of female candidates for managerial positions, and changing the way managers think about female employees. In the three years since VIVID was launched, the number of female managers increased from 67 to 88, and the number of women hired in engineering positions increased from 31 to 44, indicating that steady progress is being made.



In 2016, VIVID will formulate a new medium-term action plan, expanding its efforts to include support for the activities of Group companies, and thus creating more avenues of participation for women in the workplace.

**Percentage of Female Employees at Canon Inc. (As of the End of 2015)** (%)

Employees	Managers	Executives
15.2	2.0	2.3

**Workforce Globalization**

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

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

**Utilizing the Abilities of Veteran Employees**

Canon Inc. makes full use of the wealth of knowledge and skills of its veteran staff. In 1977, Canon Inc. was one of the first companies in Japan to set its retirement age at 60, a time when the retirement age at most Japanese companies was 55. In 1982, we introduced a system for re-employing retired employees until the age of 63.

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment internally for re-employment posts. Further, we raised the age limit for re-employment to 65 in 2007. In 2013, Canon Inc. made changes to its company systems based on revisions to the Act on Stabilization of Employment of Elderly Persons, and in 2014 we revised our systems to create positions for re-employed employees. In 2015, we made improvements to workplaces to meet the needs of a diverse workforce.

A variety of positions are made available to employees who request re-employment after retiring. These veterans work effectively, putting their experience and expertise to good use in various ways, including as prior-art technology examiners, promoters of intellectual property, career counselors, and quality or environmental inspectors.



Rehired employee working as a career counselor utilizes his vast professional experience

# Assisting Talent and Self Development

Canon provides employees opportunities to build and advance their careers.

## Supporting the Development of Talent

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

### Canon Inc.'s Educational System for Employees

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

Rank-based training enhances knowledge and skills required for carrying out the duties of each job grade, and fosters awareness of required actions defined in the Guiding Principles. Furthermore, general employees take business skills training as a supplement to rank-based training. Elective training supports employees' acquisition

of knowledge and skills necessary for fulfilling their duties, and self-development training provides participants with knowledge and skills for their personal development.

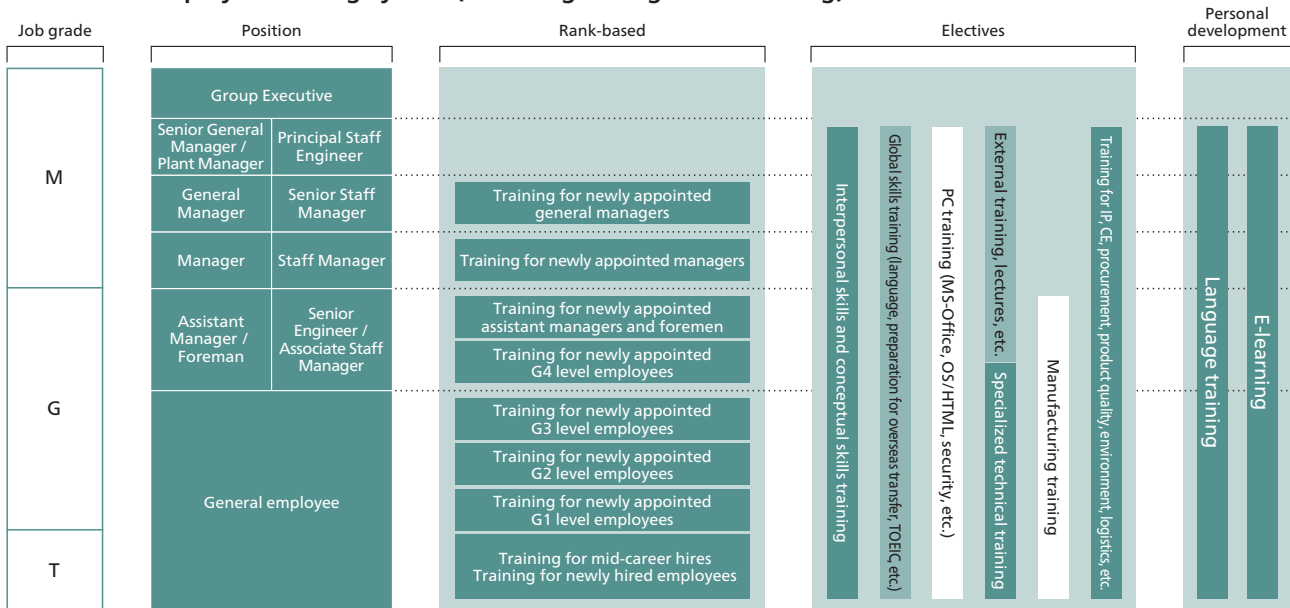
These training programs also cover such issues as harassment prevention and compliance in order to develop trustworthy employees.

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



Newly appointed G2 level employees discussing their roles during a training session

### Canon Inc.'s Employee Training System (Excluding Management Training)



## Canon Inc.'s Career Development Assistance Programs

### Management Training

In recent years, Canon Inc. has been focusing on the development of management-level employees through programs that include rank-based management training for all newly appointed managers. We are diversifying our training format and content through the active use of various e-learning training programs.

### System for Regular Evaluation of Performance and Career Development

Under the position-based pay system, we have established an evaluation system in which the actions of each employee as well as the extent to which assigned roles are fulfilled are evaluated, with the results reflected in wages and human-resource development initiatives. Supervisors assign roles to their employees at the start of the year and then both parties meet in an interview format to discuss and verify the details of these roles. During an interim interview, the supervisor checks the progress of work and either adds or removes roles and revises targets as needed. At the end of the year, both parties evaluate the achievement of the roles assigned for that particular year.

Evaluations are based on two factors: first, the extent to which an employee fulfills assigned roles, basically focusing on work results and the processes used to reach those results; and second, whether their actions meet expectations as an employee of an "excellent global company." When giving the results of the evaluation, supervisors offer advice and instruction on achieving greater results and improving one's actions. This enables employees to objectively understand the details of their own strengths and weaknesses, which aids them in achieving further growth. Also, during each interview, supervisors and employees discuss career matters together, providing supervisors valuable insight into the career vision and aspirations of employees, which they can then utilize in future development plans.

### Career Matching System

Canon Inc. has also established an internal career matching system to support its employees in pursuing satisfying careers. The system matches the right people to the right jobs, promotes internal mobility of human resources and brings greater vitality to the company. In 2015, 81 employees were transferred through this system.

### Career Plan and Life Plan Training Aimed at Retirement

Canon holds the Creative Life Seminar for employees when they reach the ages of 45, 50, and 54 in order to help them plan for their retirement years. By providing employees with an opportunity to think about their life plan and career plan at an early stage, we help them to systematically plan and prepare for life after the age of 60. The content of the Creative Life Seminar varies according to the age of attendees. The first seminar focuses on financial planning for stable living in the future. The second one helps participants to build an optimized career plan for the rest of their employment and retirement thereafter. And, the third one addresses life planning from various perspectives, including personal development after retirement, budgeting, and health.

In 2015, 418 employees took part in the training for 45-year-olds, 391 for 50-year-olds, and 917 for 54-year-olds (594 employees and 323 spouses).

### Career Development Assistance for Employees

Canon conducts an employee career support program known as My Career Course as part of its career development assistance for employees. This course stimulates self-initiative for growth by having each employee reconsider his or her own goals and life plan. Employees from a variety of Canon Group company fields, mostly in their 30s and 40s, attend this course. This course was held three times in 2015, with a total of 39 participants. Additionally, various e-learning classes are offered throughout the year to encourage personal development.

From July to September, Canon holds companywide self-development support events after business hours. Canon provides learning opportunities to employees typically unable to receive training because their workplace is in a remote location or their work schedule does not allow for it by ensuring that all sites have the same access to events, by dispatching in-house instructors, for example.

### Progression of Self-Development E-Learning Programs

	2011	2012	2013	2014	2015
Number of programs	58	59	52	199	318
Number of participants	635	577	746	6,766	9,999

**2015 Events Report**

Theme	Name of Event	Number of sessions	Participants
Language skills	TOEIC-Bridge Exam*	8	279
Global awareness	Cross-Cultural Exchange Seminar	1	37
Business skills	Mental Toughness Mini-series	11	599

\* Simplified TOEIC exam that can be graded in about one hour

**Fostering Experts in Various Fields**

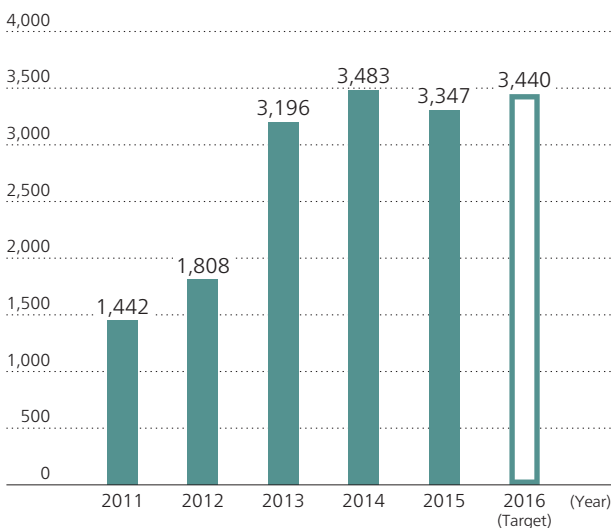
**Development of Human Resources in Engineering**

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

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

A committee for the development of engineering human resources has been set up for each of the five core specializations noted above. These committees develop rank-based training programs, from new hires to junior employees and technical leaders, and conduct courses and other measures. We also offer various forms of training for those specializations not represented by one of these committees.

**Number of Participants in Technical Training**



In 2015, a total of 183 programs and 305 classes were held in these specializations, with 3,347 engineers taking part.

Furthermore, employees of Group companies were made eligible in 2015, resulting in 480 engineers, mainly from Group companies in Japan, taking part.

**Development of Human Resources in Manufacturing**

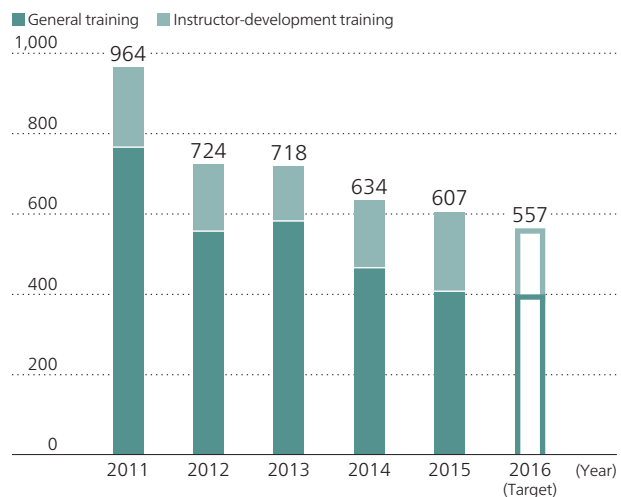
At Canon, we seek to foster skilled manufacturing personnel at each of our production sites as we press on toward sustainable development of global production systems in harmony with the international community.

Specifically, we are focusing on developing human resources that support production activities, mainly through the Manufacturing Training Center of Canon Inc. In 2015, a total of 607 employees took part in development programs organized by the Manufacturing Training Center and held at production sites outside Japan.

In order to promote training at its sites outside Japan, 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 2015, instructor-development training was held on 51 occasions, with a total of 200 employees participating.

The Trade Skills Testing Program, featuring the same standards as those in Japan, has also been established at sites outside Japan with the goal of improving technical skills development. In 2015, testing was carried out on nine types of work skills, including molding, printed circuit board (PCB) assembly, and factory automation (FA), at a total of nine sites in Thailand, Vietnam, China, and Malaysia, with 337 employees participating. Plans for

**Number of Training Participants at Overseas Production Bases (Manufacturing Training Center)**



2016 call for this testing to be further expanded in Asia and also set up at Canon Virginia in the United States.

## Developing Globally Minded Personnel

With 322 operational sites\* worldwide as of the end of 2015, the globalization of Canon's operations is proceeding apace. Against this backdrop, we are stepping up training to develop a globally minded workforce, given the urgent task to develop human resources with leadership abilities that can be utilized on the international stage.

\* The number of operational sites includes consolidated subsidiaries and equity-method affiliates.

## Enhancing Senior Leadership at Group Companies Outside Japan

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



Global Leadership Training

## Internationalization Training for Young Employees

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

For example, the Asia Trainee Program enables recruits who are 30 years old or younger to engage in practical study at local companies in Asia. After receiving five months of language training at university, the employees dispatched as trainees spend about one year gaining practical experience at Asian affiliates. In 2015, five employees made use of this program, increasing to 92 the total number of participants thus far.

The Europe-US Trainee Program dispatches young employees to Europe and the United States. In 2015, nine employees were dispatched under this program, bringing the cumulative total to 34. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program, and expect that they will play an important role in developing our business in such markets as South America and Russia.

The Overseas Study Program for Technicians is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire skills that they can use to contribute to Canon's core businesses in the future. In 2015, 15 employees went abroad to begin their studies, bringing the total number of employees that have taken part in the program of overseas study at universities in the US and Europe to 104. Together with ongoing improvements to R&D in the US and Europe, we plan to select approximately 10 employees each year for overseas study.



Employees studying abroad in the Netherlands on the Overseas Study Program for Technicians

### Active International Personnel Exchanges

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

C-GAP is a global personnel policy shared by our Group companies, and personnel assignment policies in each respective region are established based upon it. Combining these policies allows us to further promote personnel exchanges and to share basic philosophies and structures, while providing for flexibility in dealing with the special characteristics of each region, such as laws and culture.

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

As of December 31, 2015, a total of 1,185 employees were assigned internationally under this program.



An employee from Océ in the Netherlands assigned to Canon Inc. via the C-GAP program

### Certification and Award Programs

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

For example, the Canon President Award of the Year honors Canon Group companies, departments, teams and individual employees who have made a major

contribution to the development of the company in terms of its activities or products.

Other awards include the Invention Award for contributions to inventions and intellectual property, the Quality Award for contributions to quality improvement, the Production Innovation Award for outstanding activities leading to production-related innovations, the Canon Meister (Multi-Skilled Worker) Award Systems (certification/commendation) for employees demonstrating a wide range of skills that contribute to advancements in manufacturing, the Environment Award in recognition of excellent environmental practices, and the Procurement Innovation Award that recognizes activities that greatly contribute to enhancing procurement functions.

#### Certification and Awards in 2015

Canon President Award of the Year	3 (products), 1 (activities)
Invention Award	49 (464 award winners)
Quality Award	1 President's Award for Excellence, 4 President's Awards, 3 Quality Management Headquarters Group Executive Awards
Production Innovation Award	3 Production Innovation Excellence Awards (President's Awards), 6 Merit Awards (Production Engineering Headquarters Group Executive Award), (3 Merit Awards, 3 Focus Awards)
Skilled Technician Award	2 Canon Master Craftsman
Canon Meister Certification/Commendation	6 Expert Grade S recipients (Cumulative totals: 71 Expert Grade S and 300 Expert Grade 1 recipients)
Environment Award	1 President's Award, 3 President's Honorable Mentions
Procurement Innovation Award	1 President's Award for Excellence, 4 President's Awards, 6 Honorable Mentions

#### Certification and Awards in 2016 (as of May 31, 2016)

Production Innovation Award	2 Production Innovation Excellence Awards (President's Awards) 7 Merit Awards (Production Engineering Headquarters Group Executive Awards) (4 Merit Awards, 3 Focus Awards)
Canon Meister Certification/Commendation	20 Grade 1 recipients (Cumulative totals: 71 Expert Grade S and 320 Expert Grade 1 recipients)
Procurement Innovation Award	2 President's Awards, 4 Honorable Mentions

## Occupational Safety and Health Management

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

### Occupational Safety and Health

#### 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 at Canon Group companies in Japan work hand in hand to prevent occupational injuries, accidents and health issues.

Canon establishes the Central Safety and Health Committee as its highest organization overseeing employee safety and health. This committee determines safety and health policies and measures for the Canon Group companies in Japan while also promoting the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire prevention, disaster preparedness, and the creation of a pleasant workplace.

Similarly, safety and health management committee meetings are held at Canon Group companies outside of Japan where information about occupational safety and health activities in Japan and abroad are shared.



Central Safety and Health Committee

#### Introduction of Occupational Safety and Health Management System

Canon is working to implement the Occupational Safety and Health Management System (OSHMS) across the entire Canon Group as a mechanism to manage safety and health issues at its production bases. So far, this system has been implemented at five Canon Inc. operational sites and 19 sites covering 12 Group companies as of December 31, 2015. This covers some 40% of Canon’s major manufacturing companies in Japan.

We are also working on implementing a similar system at Canon’s production bases outside Japan, with three such bases having introduced OHSAS 18001 as of December 31, 2015.

At the 2015 meeting of the Central Safety and Health Committee, it was decided that we will build and

implement our own safety and health management system based on Canon’s actual needs. This new Canon Safety and Health Management System will then be implemented at our bases outside Japan. While referencing OSHMS, the new system will incorporate Canon’s operational standards and rules on safety and health as evaluation points. By thoroughly implementing and rooting this system, Canon will be able to increase the level of its safety- and health-related activities across the entire Group.

#### Initiatives at Production Bases in Japan

At our production bases in Japan, we strive to enhance safety and health across the entire company by clarifying specific targets for initiatives based on a three-year medium-term plan.

In 2015, our efforts focused on realizing the goals of eliminating occupational accidents caused by machinery and reducing accidents by improving safety awareness.

Toward the goal of eliminating occupational accidents caused by machinery, we worked on reducing these accidents through the establishment of companywide risk assessment standards for streamlined risk assessments, and also on specifying residual risks.

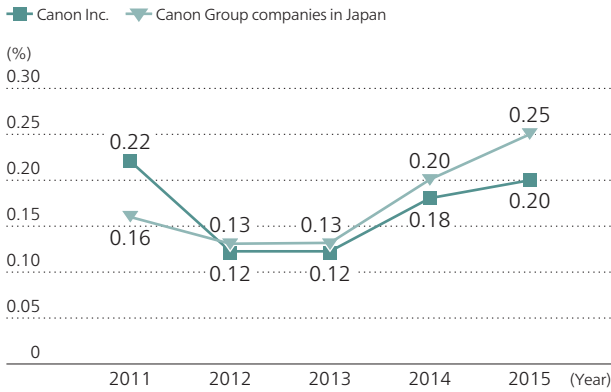
As for reducing accidents by improving safety awareness, interviews were conducted with employees and managers with the aim of fostering awareness of physical, management, and personnel issues that cause actual occupational accidents.

Through these initiatives, we were able to reduce the



Safety awareness posters

**Occupational Accident Rate\*1 (Frequency Rate\*2) at Production Bases in Japan**



\*1 The occupational accident rate for Canon Inc. and its Group companies in Japan. Figures for the electric equipment manufacturing industry and the manufacturing industry are from a Ministry of Health, Labour and Welfare survey on occupational accident trends.  
 \*2 The frequency rate is calculated by dividing the number of occupational fatalities/injuries by total working hours multiplied by 1 million. This rate shows the prevalence of occupational fatalities/injuries per 1 million working hours.

number of occupational accidents by about 12% compared to the previous year. In particular, steady reductions have been seen in the number of accidents attributed to machinery.

From 2016 we will carry out a new three-year Canon Group Medium-term Safety and Health Action Plan. Under this plan, we will continue with efforts to improve safety and health.

**Number of Occupational Accidents at Canon Group Companies in Japan**

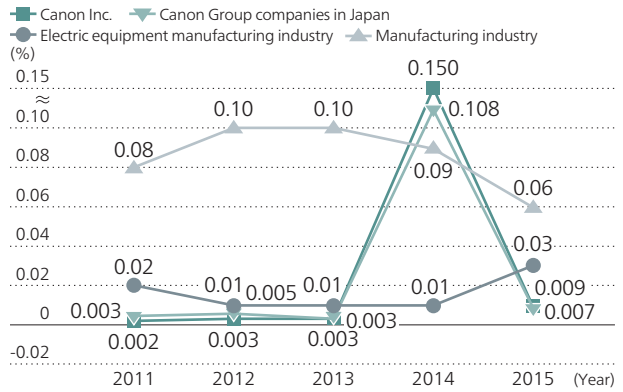
	2011	2012	2013	2014	2015
Accidents requiring time off from work	16	13	13	19	25
Accidents not requiring time off from work	172	133	132	133	110

**Initiatives at Production Bases Outside Japan**

Canon is working to implement an operational safety and health management system with the same level as Japan at its production bases outside Japan. Unique activities centered on local occupational safety and health committees are being initiated at those bases.

In 2015, Canon dispatched specialist staff from Japan to assist the safety and health activities of production bases located in Thailand, Malaysia and Vietnam. These specialists trained local staff to perform risk assessments and they also visited the production floor to monitor the work

**Occupational Accident Rate\*1 (Severity Rate\*2) at Production Bases in Japan**



\*1 The occupational accident rate for Canon Inc. and its Group companies in Japan. Figures for the electric equipment manufacturing industry and the manufacturing industry are from a Ministry of Health, Labour and Welfare survey on occupational accident trends.  
 \*2 The severity rate is calculated by the number of lost work days divided by total working hours multiplied by 1,000. This indicates the severity of accidents using the number of lost work days per 1,000 total working hours.

environment, the safety of machinery and tools, and compliance with local laws and regulations in each jurisdiction.

Canon will continue to work on advancing the level of its safety and health activities outside Japan through liaison meetings and information-sharing sessions involving safety and health managers of manufacturing companies in Asia, and the training of human resources in charge of occupational safety and health management.



Conducting safety checks at a production base in Thailand

**Addressing Work with High Risk of Injury or Illness**

Through its safety and health activities, Canon identifies work that poses a high risk of injury or illness and focuses on efforts to address the challenges.

Among injury risks, we focus particular attention on injuries caused by employees being caught or pulled into machinery. These accidents are very rare, but they result in severe injuries if they occur, and as a result, we take rigorous measures to prevent them.

As for risks of illness, we focus on addressing work that involves exposure to chemical substances. In Japan, there



have been reports of illnesses caused by exposure to chemicals not regulated by the Occupational Health and Safety Law, and this has resulted in local governments introducing stricter regulations. Canon continues to take appropriate measures, paying close attention to these reports as well as legal and regulatory revisions.

## Health Management

Ever since establishing the principle of “health first” shortly after its founding, Canon has continued in the belief that the health of employees represents the prosperity of the company and individuals. Based on this belief, Canon focuses on creating a healthy, vibrant workplace environment in which employees can reach their full potential.

By working to promote health across the entire Canon Group worldwide, we aim to minimize losses to both employees and the company due to illness or injury while developing human resources who can manage their own health independently and implementing measures for improving the general health of employees and for addressing mental healthcare needs.

### Health Management Vision

1. Employees should know their own health (self-awareness), take action to improve their health (self-motivation), and continuously manage their progress (self-management).
2. The company should create an environment in which employees are able to manage their health and work with peace of mind.

## Health Management Programs at Group Companies in Japan

We formulated a three-year Canon Group Medium-term Safety and Health Action Plan for Group companies in Japan as a means to contribute to the advancement of employee health. Started in 2016, efforts are now underway with the goal of reaching certain numerical targets by the end of 2018. And, as health issues change with age, we will work to provide timely health assistance based on an employee’s life stage or age.

### Promoting Mental Healthcare Initiatives

To promote a comprehensive mental health policy, Canon Group companies in Japan effectively conduct various

programs that incorporate four care and three prevention guidelines. In recent years, we have focused attention on employee and manager education and the training of industrial healthcare staff, including human-resource managers.

We provide mental health training to employees who are in their first or second year of employment. This training informs employees about self-monitoring and lifestyle improvement methods, as well as approaches to stress reduction. Company support systems are also covered both in and out of the company. In 2015, we held self-care seminars based on the unique needs of each operational site.

For managers, we host mental health training specifically tailored for them. This training covers methods of communication and points of caution with the aim of reinforcing the importance of managing their own health while also working to create healthy workplaces. We standardized training curriculum across the Group, and in 2015 we began offering e-learning to make it easier for employees to participate.

Canon holds mental health skills development training for occupational health staff to heighten their response, support and teamwork capabilities. In 2015, the six-hour basic training session was held nine times and the three-hour applied training session was held three times, with persons in charge of human resources and health support at nearly every operational site of Group companies in Japan completing the sessions. At the same time, we made preparations for the implementation of the stress check system in accordance with the revised Occupational Health and Safety Law that took effect in December 2015.

As a result of these initiatives, the number of employees taking leave due to mental health issues has remained unchanged in recent years. However, since it is difficult to evaluate matters based on the number of cases alone, starting in 2015 we standardized indicators for evaluation to include the number of days of leave, the ratio of new leave taken, and the ratio of leave re-taken.

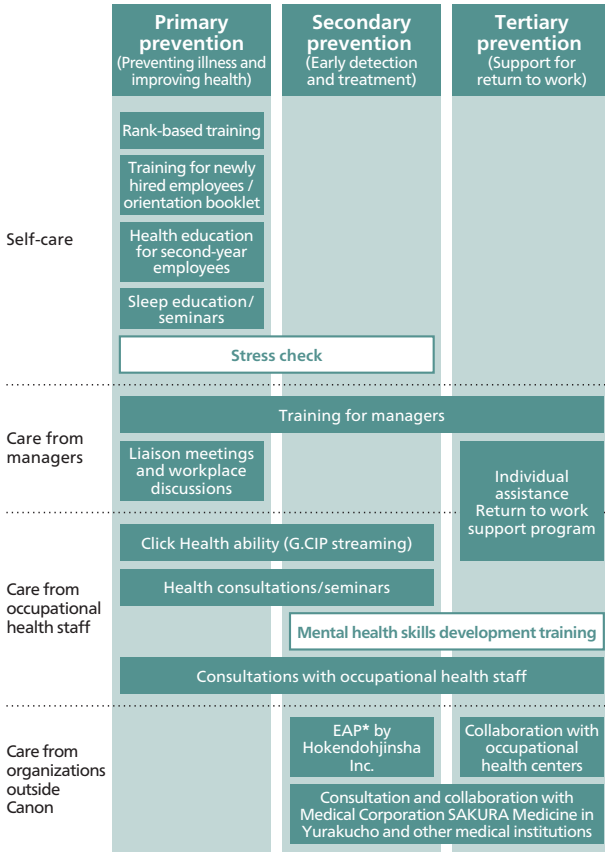
In 2016 and beyond, we will continue to develop employees capable of self-care while also working to create workplaces where employees can work with peace of mind.



Mental health skills development training

**Mental Healthcare System**

2016 focus items



\* EAP  
Employee Assistance Program

**Measures for Lifestyle Disease Prevention**

Canon Group companies in Japan carry out lifestyle checks during regular medical examinations with the aim of preventing lifestyle diseases. Based on these results, all Group companies have set improvement targets in order to help employees to continually improve their health.

In 2015, we conducted a simple physical check-up for employees over 40 years of age and held walking events as well as the original Canon exercise routine across the entire Canon Group in an effort to establish exercise as a good habit.

Additionally, we standardized action guidelines for follow-up after health exams and created a tool for encouraging improvement in



Going through the new Canon exercise routine in the workplace

lifestyle habits and taking physical exams. As part of our measures to stop smoking, we decided to completely ban smoking at all Canon Group locations from April 1, 2016. We will continue to assist employees to give up smoking through education and awareness initiatives in conjunction with efforts to ensure proper smoking manners in the surrounding community and changes in smoking policies at each site.

We will continue to support the health of employees through these activities.

**Early Cancer Detection**

Canon endeavors to raise awareness of cancer screening among employees at its Group companies in Japan in order to encourage the early detection and treatment of this disease.

In 2015, we worked on making it easier for employees to receive screenings and stepped up efforts to inform and educate managers about the importance of these screenings.

We will continue to provide encouragement and organizational support to ensure early detection.



Cancer-screening reservation session held to promote employees to sign up for cancer screenings

**Health Management Programs at Group Companies Outside Japan**

Canon conducts various health management programs similar to ones in Japan at its Group companies outside Japan as part of its health advancement efforts for employees. In addition to initiatives similar to those in Japan, such as the new Canon exercise routine and walking events, ones unique to each site are also carried out in a proactive manner.

In 2016, we plan on conducting a survey of sites outside Japan to understand the current situation of health management programs and organize information on local medical institutions. The results of this survey will be used for future improvements.

# Respecting Human Rights

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

## Prohibiting Discrimination

The Canon Group Code of Conduct prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds. To disseminate and ensure understanding of the Code of Conduct, the code has been translated into 14 languages and is also practiced at Group companies outside Japan.

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

Through such activities, we strive to deepen employee understanding of the code and thus maintain a fair, comfortable and safe work environment. In 2015, there were no incidents involving unjust discrimination in reports made to the human resources division.

## Preventing Harassment

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

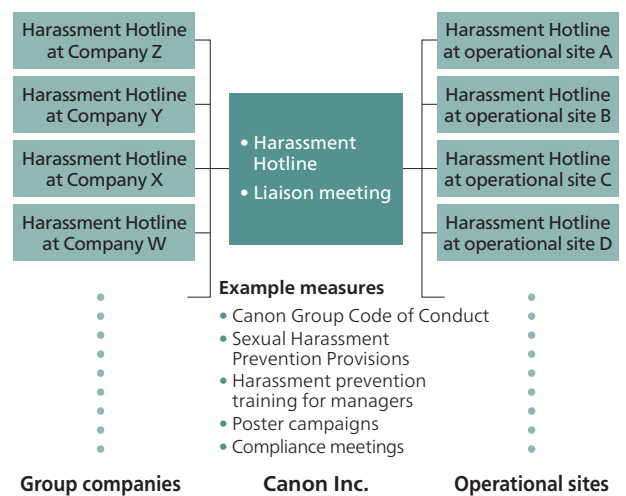
Canon Inc.'s employment rules clearly stipulate our prohibition of sexual harassment and power harassment. We also formulated the Sexual Harassment Prevention Provisions, which have been made known throughout the Canon Group, and serve as a template for establishing similar rules at our Group companies.

In a further effort to maintain a comfortable workplace environment, Canon Inc. and its Group companies in Japan have established a Harassment Hotline at each operational site. Confidentiality is strictly maintained and a firm guarantee against detrimental treatment is provided to victims and informants. Use of these hotlines has increased as awareness of their existence has grown, but the number of harassment incidents has remained largely unchanged of late.

Currently, a regular liaison meeting is held for persons in charge at Canon Inc.'s operational sites and Group companies. This enables the implementation status of each hotline to be monitored and shared. At this liaison

meeting, we are also continually reviewing manuals and giving instructions on responses.

### Organizational Structure for Harassment Prevention



### Educating Employees on Harassment Prevention

Canon conducts a variety of training programs and poster campaigns to raise awareness of harassment issues among employees. Two types of posters were created in 2015 to raise awareness about harassment prevention and Canon's Harassment Hotlines. These posters were displayed at Canon Inc. and its Group companies.

Canon Inc. conducts harassment-prevention training for executive and managerial-level staff with the aim of developing measures to address decreased productivity



Posters to raise awareness about harassment prevention

due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. All existing managers have already completed the training, and in 2015 the training was held 11 times for 66 employees who had been assigned overseas and therefore could not take the exam. The training was also held six times during the first half of the year for newly appointed managers, with 114 participating. Starting from the second half, the scope was expanded to include all newly appointed management candidates. A total of 12 sessions were held with 172 participants. A grand total of 352 employees took the training in 2015.

We will continue to provide training to newly appointed management candidates and work toward eliminating harassment in the workplace.

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



Harassment-prevention training for managers

## Eliminating Child and Forced/ Compulsory Labor

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

In 2015, we again carried out investigations at 11 of our manufacturing companies in Asia to confirm their compliance with laws pertaining to child labor and forced/compulsory labor. To date, no Canon Group company has violated laws relating to child labor or forced/compulsory labor.

### Number of Manufacturing Companies Where Survey was Held

	2013	2014	2015
Number of manufacturing companies	11	11	11

## Freedom of Association and Right to Collective Bargaining

Canon respects fundamental labor rights, including freedom of association and the right to collective bargaining.

At Canon Inc., such rights are clearly stated in the collective agreement concluded with the Canon Workers’ Union as part of the measures to protect and respect the mutual rights of the company and its employees. The collective agreement states that collective bargaining between the company and the workers’ union is to be conducted in an orderly and fair manner, with both parties working to quickly find peaceful solutions to problems.

We will continue to carry out educational and awareness-raising activities at our Group companies, including those outside Japan, aimed at protecting the rights of both the company and its employees, including training for newly appointed managers.

## Data Summary

### Number of Canon Group Employees

	2011	2012	2013	2014	2015
Japan	70,346	70,234	69,825	69,201	68,325
Europe	22,739	23,161	22,577	22,356	24,826
Americas	19,205	19,086	18,744	18,029	17,635
Asia & Oceania	86,017	84,487	83,005	82,303	78,785
Total	198,307	196,968	194,151	191,889	189,571

### Breakdown of Employees (Canon Inc.)

		2011	2012	2013	2014	2015
Total number of employees		25,449	25,696	26,114	26,409	26,360
By gender	Male	21,511	21,773	22,173	22,430	22,370
	Female	3,938	3,923	3,941	3,979	3,990
By age group	Under 30	4,403	4,051	3,727	3,404	3,193
	30s	7,648	7,697	7,778	7,764	7,508
	40s	8,283	8,133	8,049	8,072	7,843
	50s	4,568	5,210	5,912	6,409	6,919
	60 and over	547	605	648	760	897
By employment contract type	Executive officers	12	12	10	13	17
	Advisory Directors	13	14	12	15	10
	Full-time employees	23,892	23,870	23,894	23,817	23,576
	Fixed-term workers	28	23	19	16	15
	Employees assigned from outside the company	759	1,076	1,424	1,692	1,758
	Contract workers	694	648	702	807	929
	Part-time workers	27	27	27	25	25
	Advisors	24	26	26	24	30

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

		2011	2012	2013	2014	2015
Newly hired employees	Male	345	419	372	373	366
	Female	70	71	73	85	80
	Total	415	490	445	458	446
Employees leaving the company / turnover rate	Employees leaving the company	210	224	191	228	291
	Turnover rate (%)	0.8	0.9	0.8	0.9	1.1

### Breakdown of Executives (Canon Inc.)

		2011	2012	2013	2014	2015
By gender	Male	39	40	40	41	43
	Female	—	—	—	—	1

### Base Salary and Total Salary per Employee by Gender (as of December 31, 2015) (Canon Inc.)

		Female: Male
Base pay	Management	100 : 105
	Non-management employees	100 : 118
Total pay	Management	100 : 105
	Non-management employees	100 : 126

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



High-resolution reproduction of Dragon and Clouds by Soga Shohaku from the Tsuzuri Project (Donated to the Tenryu-ji Temple in Kyoto) (see page 99)



# Society

Under its corporate philosophy *kyosei*, which involves contributing to the prosperity of the world and the happiness of humankind, Canon capitalizes on its global network of operational sites to provide solutions to various issues facing local communities and the international community.



## Management Approach

### Important Issues from a Social Perspective

Canon’s global business operations are supported by the stability and growth of local communities and the international community. Today, our world faces a mountain of social issues that include global warming and other environmental issues, an increased frequency of natural disasters caused by climate change, and issues related to poverty and economic disparity.

Recognizing the situation, Canon capitalizes on its greatest resources, namely, its advanced technological strengths, global business deployment, and diverse, specialized human resources, to engage in social contribution activities mainly in the following six fields.

#### Humanitarian Aid and Disaster Relief

As the number of major natural disasters happening around the world rises, Canon remains committed to continually providing donations and raising money in cooperation with local NPOs and NGOs that have a better understanding of the needs in affected areas.

#### Conservation of the Environment

Addressing global environmental issues requires changes in social values and mechanisms with long-term perspective. Canon actively engages in environmental conservation activities in the communities where it operates and provides educational programs that teach youth about the importance of our environment.

#### Social Welfare

Social welfare issues vary widely by region. Canon works with NPOs and NGOs on activities to support people with disabilities and to assist the sound development of children.

#### Local Communities

As a corporate citizen deeply rooted in local communities, Canon engages in cross-cultural activities and school construction to help develop the knowledge and diverse values of children in those communities.

#### Education and Science

To promote the future development of manufacturing and technology, Canon uses its accumulated optics technologies to teach children and students about practical applications of these technologies and to instill systematic knowledge through hands-on experiments, while also aiding the establishment of research facilities at universities.

#### Art, Culture and Sports

As a company that pursues imaging technologies that evoke and encourage the wealth of human emotions and feelings, Canon actively contributes to the promotion of art, culture and sports.

### Main Initiatives

Theme	Main Initiatives
Humanitarian Aid and Disaster Relief	<ul style="list-style-type: none"> <li>• Provide monetary donations for disaster relief around the world (see page 95)</li> <li>• Provide ongoing support for recovery efforts to areas affected by the 2011 Great East Japan Earthquake (see page 95)</li> </ul>
Conservation of the Environment	<ul style="list-style-type: none"> <li>• Environmental Education Outreach Program to teach youth about the importance of the environment (see page 96)</li> <li>• Furusato Project — Linking Our Dream to the Future to support the future of our children through environmental conservation activities and environmental education (see page 96)</li> </ul>
Social Welfare	<ul style="list-style-type: none"> <li>• Support NCMEC, an NPO helping to save missing children in the United States (see page 97)</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>• Canon Image Bridge project to foster cultural exchange among the youth of Asia through imaging (see page 97)</li> </ul>
Education and Science	<ul style="list-style-type: none"> <li>• Light Laboratory to provide children an opportunity to develop an interest in science and technology (see page 98)</li> <li>• Foster optical engineers through partnership with Utsunomiya University in Japan (see page 98)</li> </ul>
Art, Culture and Sports	<ul style="list-style-type: none"> <li>• Tsuzuri Project to hand down Japan’s ancient cultural properties (see page 99)</li> <li>• Canon Junior Photographers classes to foster environmental awareness and greater sensitivity in children (see page 99)</li> <li>• New Cosmos of Photography project to discover, develop, and support up-and-coming photographers (see page 99)</li> <li>• Support girls soccer mainly at the primary school level (see page 100)</li> </ul>

# Humanitarian Aid and Disaster Relief

**Canon will contribute to the reconstruction and restoration of areas affected by natural disasters around the world.**

## Donations and Fund-raising

### Making Monetary Donations for Disaster Relief Around the World

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

Our greatest wish for those whose lives have been impacted by disaster is that they may return to normal life as quickly as possible. To aid this process, Canon made the following contributions in 2015. Among these was aid for those affected by the torrential rains brought by Tropical Storm Etau, which struck Japan’s Kanto and Tohoku regions in September 2015. The storm wrought severe damage on Joso City in Ibaraki Prefecture, which is close to where Canon Inc. has an operational site and some of its Group companies are based, and where many employees live. Canon dispatched employee volunteers on seven separate occasions to lend a helping hand to the recovery effort in Joso, with 417 workers from across the Canon Group participating.

#### Donations in 2015

Period	Purpose	Amount
January	Support in the wake of the Ebola pandemic	5 million yen
April	Aid for those affected by the major earthquake that struck Central Nepal	5 million yen
September	Aid for those affected by the torrential rains that struck Japan’s Kanto and Tohoku regions (Tropical Storm Etau)	5 million yen



Employee volunteers participating in recovery work in Joso City

## Supporting Disaster Recovery Efforts

### Ongoing Support for the Recovery Efforts Following the Great East Japan Earthquake

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

In 2015, we continued our involvement in the Smile for the Future Project, holding photography classes for children and local residents from disaster-stricken areas on three occasions. These activities, focused on the enjoyment of photography and having fun with nature, are helping residents to rebuild their communities in disaster-stricken areas.

Canon Inc. and Fukushima Canon Inc. co-hosted an event called Community Support in Fukushima on four occasions. Designed to support community rebuilding for residents still living in temporary housing, the event provided them the opportunity to participate in photography classes and photo shoots.

In addition, we partnered with Starbucks Coffee Japan, Ltd. and the Matsushita Institute of Government and Management to organize the Michi no Café in Rikuzentakata City (Iwate Prefecture) as an ongoing earthquake-recovery assistance project.



Participants taking photographs at Community Support in Fukushima



## Conservation of the Environment

**We will contribute to the conservation of nature so that our rich natural environment can be enjoyed by future generations.**

### Environmental Education for Children

#### Holding Environmental Outreach Classes

Canon holds environmental outreach classes under various themes, including toner cartridge recycling, to help children understand the importance of the environment. In 2015, the Canon Group held 22 classes, recording a total attendance of 1,560 persons, including children and their guardians.

The children were split into teams to conduct “sorting experiments.” Using four types of materials that included steel and differing sizes of plastics, the children learned about methods to efficiently sort the materials by utilizing their unique characteristics.

After the classes we receive feedback and requests from teachers that are in turn used to improve future classes.



Children being taught how to sort waste at an environmental education outreach class

### Local Environmental Protection Activities

#### Promoting the Furusato Project

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

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

In 2015, environmental conservation activities and environmental education programs were held 34 times across Japan. Specifically, these included such activities as planting forests, preserving terraced rice fields, restoring deserted arable land, and cleaning up tidal flats. In total about 620 participants took part in the various events.



Canon employees helping to plant rice

## Social Welfare / Local Communities

**As a good corporate citizen deeply rooted in local communities, we will assist the sound development of children living there.**

### Helping to Find and Rescue Missing Children

#### Supporting the Activities of NCMEC

Canon U.S.A. supports the activities of the National Center for Missing & Exploited Children (NCMEC), an NPO engaged in the recovery of missing children in the United States. When a child goes missing, one of the most important tools for locating them is a recent photograph. Canon U.S.A. has donated more than 2,500 digital cameras, scanners, printers and other equipment to help law enforcement agencies quickly disseminate photographs and information regarding missing children.

In 2015, we donated \$456,566 to the organization. Canon also sponsored a charity event in January 2016 and donated the proceeds, totaling \$390,400, to NCMEC.



Presenting donation cheque in ceremony at Yankee Stadium ©The New York Yankees

### Supporting Cultural Exchange in Asia

#### Canon Image Bridge Project Fostering Youth Exchange through Imaging

Canon China has constructed “Hope Schools” to provide children living in impoverished areas across China the opportunity to attend school. They have also implemented the Light of Hope project, which fosters cultural exchange using the power of imaging. Currently, Canon China has expanded the scope of its activities to include all of Asia through the Canon Image Bridge project.

Under this project, youth from across Asia create “exchange cards” that include photographs they have taken along with their comments, which are then delivered to children living in other areas of Asia. The ingenuity of the project to foster cross-cultural exchange through photographs has received high praise from local communities and earned Canon a number of CSR-related awards. Currently, photographs are exchanged between 10 countries and regions in Asia, helping to build friendships that transcend national and regional borders.

In January 2016, Oita Canon Inc. organized a photography exhibit of the Canon Image Bridge project. The event served to build a bridge for cultural exchange between youth in Japan and Asia.



Children enjoying photography

## Education and Science

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

### Laboratory Program for Youth

#### Light Laboratory Educational Program for Children at Science Museum in Tokyo

Canon Inc. hosts the Light Laboratory educational program for children through a partnership with Japan Science Foundation.

The program aims to spark children's interest in science and technology by providing a place where they can enjoy learning. The Light Laboratory explains the science behind the optics technologies found in Canon products in an easy-to-understand way through the history of cameras and various experiments.

Held in the Experiment Stadium corner of Science Museum, operated by the Foundation, around 10,000 children experienced the wonders of the Light Laboratory in 2015.



Children paying close attention to the Light Laboratory

### Helping to Foster Optical Engineers

#### Supporting the Development of Optics Education through Industry–Academia Collaboration

Optics technology is essential to a variety of major industries. Opportunities for the systematic study of optics in Japan, however, have been on the decline. To remedy this situation, Canon actively supported Utsunomiya University, which has a strong relationship with Canon's Utsunomiya Office where the Optics R&D Center is located, to successfully establish the Center for Optical Research & Education at the university.

In April 2015, the university's Graduate School of Engineering worked together with the Center to establish a new Department of Optical Engineering. The goal of this department is to develop human resources with practical optical engineering experience sought by business and industry. Currently, the first class of 22 post-graduate students is studying to become optical engineers in the 21st century, which is considered to be the "age of light."

Canon will continue to support the Center for Optical Research & Education in developing optics technology.



Laboratory of the Center for Optical Research & Education

## Art, Culture and Sports

**As a company that contributes to the development of visual culture, we engage in activities to foster the richness of human feelings and emotions.**

### Contributing to the Promotion of Art and Culture

#### Tsuzuri Project—Passing on Cultural Properties to Future Generations

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

This initiative seeks to make reproductions of Japanese cultural properties such as folding screens and *fusuma* (Japanese sliding screens) by first photographing them with a digital camera, then processing the image using precise color-correction technology, and finally printing the image on a large-format inkjet printer. Then, with the application of traditional craft techniques from Kyoto, such as gold leafing and mounting, the reproduction, which is as close to the original as possible, is complete. These reproductions are then donated to former owners, related temples, museums, and local governments.

The project has been highly acclaimed for both preserving important Japanese cultural properties and exhibiting high-resolution reproductions to the public. In 2014, it received an award at the 11th Corporate Philanthropy Awards organized by the Japan Philanthropic Association.

In 2015, the project donated a reproduction of *Dragon and Clouds* by Soga Shohaku in the collection of the Museum of Fine Arts, Boston to the Tenryu-ji Temple in Kyoto. The reproduction was exhibited for about 150 days, enabling countless visitors to view it. Additionally, reproductions of the combined 18 sliding screens of *Tigers in Bamboo Grove* (4) and *Morning Glories* (14) were donated to the Tenkyuin Temple in Kyoto, while the originals were entrusted to the Kyoto National Museum.

Canon will continue to provide more people the opportunity to view rare Japanese cultural properties through these high-quality reproductions created using its advanced technologies.



Workshop at the Tokyo National Museum using high-quality reproductions

#### Canon Junior Photographer Classes

Canon Junior Photographers is a photography class for primary school students based on the theme of nature. The objective of this project is to raise children’s awareness about the environment and develop their sensitivities. Since its inception in 2004, more than 15,000 students in Japan have taken part in Canon Junior Photographer classes.

Canon Junior Photographer classes were held in 38 locations in 2015. The 1,944 participants first took part in a digital photography class led by professional photographers and Canon employees, after which they were able to take their own pictures while enjoying the beauty of nature. Following the photo shoots, participants printed their photographs and showed them to the group. Their photographs were also shown at photo exhibitions held at participating schools and other places.

Canon will continue to offer a flexible program based on the needs of participants through close collaboration with host schools and organizations.



A primary school student taking photos on the theme of nature close to you

#### New Cosmos of Photography—Discovering, Developing and Supporting Up-and-Coming Photographers

Canon Inc. launched the New Cosmos of Photography cultural assistance project in 1991 in order to discover, develop, and support up-and-coming photographers. This project is a contest open to the general public without restrictions such as age, nationality, format, or number of works submitted. In addition to encouraging creative activities that draw out the potential of photography, the project fosters and supports prizewinners by holding exhibitions of their works, publishing collections of works, and sharing information via a dedicated website. To date, 23,978 people (groups) have submitted entries, and thanks to the many outstanding photographers it has produced in Japan and abroad, the project is now known as a gateway to success for up-and-coming photographers.

In 2015, which marked the project’s 25th anniversary,

online submission of digital works (still images and videos) was accepted for the first time, reflecting the changing environment in the field of photography. Additionally, an event commemorating the project's 25th anniversary titled "We create the future of photography" was held in December 2015. This event featured panel discussions by past judges and prizewinners as well as lectures on photography and portfolio reviews.

Canon hopes to continue helping up-and-coming photographers take the first step in their pursuit of new photographic expression through the New Cosmos of Photography.

**Reference: New Cosmos of Photography website**  
<http://www.canon.com/scsa/newcosmos/>



Judges examining the submissions for the New Cosmos of Photography

## Contributing to the Promotion of Sports

### Supporting the Development of Female Soccer Players

As part of its sports promotion efforts, Canon Inc. has

supported the Canon Cup Junior Soccer, a competition for primary school boys and girls in Japan, since 2001. Recognizing the growing demand to develop the level of girls soccer in Japan through this program, in 2014 we decided to focus on supporting girls soccer mainly at the primary school level. We are a special corporate sponsor for the Canon Girls-eight, a U-12 girls soccer tournament involving eight-member teams, and Canon Girls Camp, a U-13 girls soccer training camp, both hosted by the Japan Football Association (JFA), through our partnership with the Future Nadeshiko Project.

In 2015, we took a variety of photographs at the tournament and training camp venue, afterwards providing them to the JFA, players and coaches. We also put them up on our support website, Canon Girls Soccer Web. This has helped to publicize girls soccer in Japan, and we hope, lead to its growth.

Looking ahead, we are committed to contributing more effectively while building a collaborative framework with the JFA and regional soccer associations.



Canon Girls Camp

#### TOPICS

### The Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Mankind

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

Amid this age of globalization, the Canon Institute for Global Studies approaches the Japanese economic issues associated with the global economy and plots out Japan's future positions in the world. It also aims to draw up strategic policy proposals based on analyses of present world conditions. The institute brings together researchers with diversified backgrounds in business, academia and government to exchange ideas and knowledge and to expand its global activities.

Focused on three main research areas of

"macroeconomics," "natural resources, energy and the environment" and "foreign affairs and national security," the institute disseminates information and policy proposals based on scientifically valuable research. Symposiums, conferences, lectures, and seminars are held to present results and also to facilitate active discussions between researchers and policymakers from Japan and other countries.

The institute also promotes academic exchange with the United States, Europe and developing nations, such as China; hosts international researchers for fixed periods of time to promote joint research and paper writing; and analyzes the trilateral relationship between Japan, the United States and China.

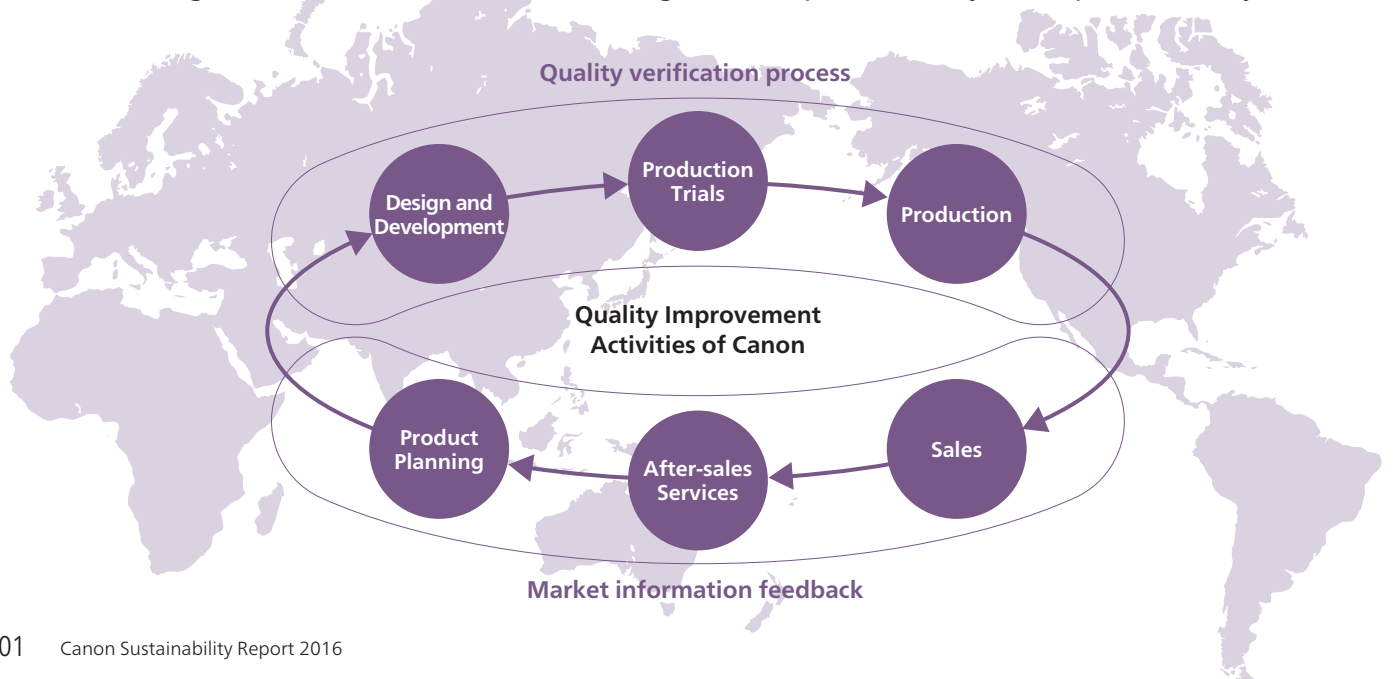


Carrying out high-quality repairs at the Marketing Engineering Technology Center of Canon Virginia (United States) (see page 109)



# Product Responsibility

The Canon brand is registered in more than 190 countries and regions around the world. To further increase trust in the Canon brand among customers worldwide, Canon is working to make products with even greater added value, while also striving to ensure product safety and improve usability.



# Management Approach

## Important Issues from the Perspective of Product Responsibility

Canon offers a diverse range of products globally, from cameras and printers for consumers to office equipment and industrial devices for businesses, and it maintains a high market share in each of these segments. In recent years, Canon’s product responsibility has become much more important because of the growing number of its products that relate directly to the safety of society and the lives of individuals, such as network cameras and medical equipment.

Meanwhile, with the advancement of information technology due to the spread of the Internet, countless forms of information can now be obtained more easily than ever. Customers have a much greater interest in safety and the environment today as well, so it is essential that Canon correctly convey information about its products to increase the level of trust in the Canon brand.

Based on its philosophy of making society a better place, Canon believes that providing products that can be used by customers safely, securely, and with satisfaction represents one of its most important missions as a corporation. It is based on this belief that Canon focuses efforts on ensuring product safety and improving product usability.

## Ensuring Product Safety

Canon’s basic philosophy when it comes to quality is “no claims, no trouble,” and “Canon Quality” represents its commitment to quality that it conveys both inside and outside the company. To achieve both, Canon has created its very own quality management system and carries out quality assurance activities that span the entire product lifecycle, from planning and development to production, and after-sales services. In terms of product safety assessments, Canon has also established its own Product Safety Technical Standards that go beyond existing laws and regulations, which are used to strictly assess safety in design and production.

## Improving Product Usability

The value of convenience, productivity, and safety of products can be assessed only after customers select the right product for the job and use it correctly. Canon therefore strives to create product manuals that are easy to understand. Canon also puts much effort into developing products that meet customer needs in terms of accessibility, including universal design concepts and voice control features, and also to sharing this information widely.

### Main Initiatives

Theme	Main Initiatives
Quality Management	<ul style="list-style-type: none"> <li>• Convey the message of “Canon Quality” inside and outside the company (see page 103)</li> <li>• Establish quality management system that combines the requirements of ISO 9001 with work mechanisms unique to Canon (see page 103)</li> <li>• Implement quality and product-safety training to raise employee awareness (see page 104)</li> </ul>
Ensuring Product Safety	<ul style="list-style-type: none"> <li>• Carry out activities based on Canon’s Basic Policy on Product Safety and its Voluntary Action Plan for Product Safety (see page 105)</li> <li>• Safety management in design, evaluation, and production according to Product Safety Technical Standards (see page 105)</li> <li>• Improve safety assessment environment in compliance with official regulations and related legislation (see page 106)</li> <li>• Conduct thorough safety assessments of chemicals, parts, and software (see page 107)</li> <li>• Enhance customer support on the Canon website and at after-sales service sites (see page 109)</li> <li>• Work on improving product quality based on customer feedback (see page 110)</li> <li>• Develop a response process to address quality issues (see page 110)</li> </ul>
Improving Product Usability	<ul style="list-style-type: none"> <li>• Work on improving the quality of user manuals (see page 111)</li> <li>• Incorporate universal design and improve accessibility of products (see page 111)</li> </ul>

# Quality Management

**We constantly make improvements to provide top-level quality to customers at every stage of the product lifecycle.**

## Approach to Quality

At Canon, we dedicate ourselves to offering customers products that can be used safely, with peace of mind, and with satisfaction. Accordingly, our basic quality policy is “no claims, no trouble.”

To affirm and publicize this commitment to quality, we promote our motto of “Canon Quality” to stakeholders both inside and outside the company, as part of our dedication to realizing customer safety, peace of mind, and satisfaction.

To fulfill this commitment, we implement companywide activities to improve quality across the entire Canon Group at every stage, from product planning to design and development, production trials, production, sales, and after-sales service.

We thoroughly check quality in each process, from design and development to the start of production, while also ensuring that continual improvements in quality are achieved by sharing quality information and customer feedback obtained from sales and after-sales service points with departments in charge of product planning and design and development.



Product quality slogan

## Quality Assurance Systems

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 system standard, with work mechanisms unique to Canon. Canon Inc.’s Quality Management Headquarters works in close cooperation with various products operations, and holds regular meetings with Group companies throughout the world in order to implement quality assurance systems tailored to each region and business in accordance with the legal and regulatory standards of each country and region.

In addition to vertically integrated activities that provide solutions to issues particular to each business, the Quality Improvement Committee chaired by the Group Executive of the Quality Management Headquarters engages in horizontally integrated activities to address companywide issues.

Supported by the activities of this committee, Canon will continue to pursue “quality first.”

\* Canon’s quality management system is recognized by The International Register of Certified Auditors as an alternative standard to ISO 9001.

## Training and Educational Activities

### Making a Total Commitment to Canon Quality

In order to maintain outstanding quality, all employees 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 as well as conducting companywide surveys on quality awareness.

In 2015, we conducted a survey to check the effectiveness of quality education and quality-awareness improvement activities at Canon Inc., based on the results of the previous year’s quality awareness survey. This survey enabled us to confirm the effectiveness in a



number of areas, including awareness of Canon's commitment to quality. Also, a survey of several Group companies was carried out and confirmed the same level of effectiveness at those companies.

In addition to these efforts, every year in November, Canon Inc. holds the Quality Fair and Quality Awards to recognize activities that have improved quality, and share them with the Group. The Quality Awareness Improvement Award recognizes activities that have contributed to improved awareness of quality.

We are committed to continuing these activities as we work together to foster a corporate culture dedicated to improving quality.



Quality month poster

### Continuing and Expanding Quality Education

Canon provides basic training highlighting the importance of quality on an ongoing basis.

With the aim of improving the effectiveness of our training program, in 2015 we began revising the curriculum and training instructors in order to provide training suited to the circumstances and issues of individual divisions. Basic training on quality was held a total of 129 times, specifically, 39 times at Canon Inc. and 90 times at Group companies.

Concerning the guidebooks used as teaching materials, we created multilingual versions of the *Canon Quality Introductory Guide*, which contains our

philosophy on quality, and developed an online version of the *Canon Quality Guidebook*, which is used to foster understanding of all of our quality activities.



Learning about the importance of quality through basic training

### Promoting Product Safety Education

We conduct product safety-related training based on our quality education system, encouraging employees to make thorough efforts to ensure product safety and prevent product accidents.

In addition to conducting courses examining such issues as product safety regulations, chemical safety regulations, product liability laws, and substantial safety technology, we also carried out product safety training for new employees covering topics from these courses.

E-learning activities to promote thorough understanding of the Voluntary Action Plan for Product Safety were also continued as mandatory training for all Canon Inc. employees.

In 2015, these courses were held a total of 17 times, involving a total of 3,687 employees, including those taking the course through e-learning.

In 2016, we will introduce a new course on accident prevention strategies, and also focus attention on compliance by expanding opportunities for training that include e-learning courses on product safety regulations pertaining to electricity, electromagnetic waves, and chemicals.

In addition to these kinds of employee training programs, we also continually provide safety information, such as safety cautions when making repairs or exchanging parts, to partner companies involved with product sales, repair and service.

## Ensuring Product Safety

**We manage quality following standards stricter than legal requirements to enable customers to use our products with complete peace of mind.**

### Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon believes that 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, which some group companies in Japan complies with.

Moreover, we have formulated a Voluntary Action Plan for Product Safety based on this policy that we carry out in an effort to ensure product safety and focus on the customer.

We also comply fully with government laws and notices, and have developed a system to report immediately in the case of an infraction, such as an accident involving one of our products.

Additionally, Canon Inc. as well as Group companies in Japan\* have formulated and are following a Voluntary Action Plan for Product Safety suited to their business field.

**\* Group companies with an established Voluntary Action Plan for Product Safety**

Canon Inc.; Canon Marketing Japan; Canon System & Support; Canon Electronics; Canon Finetech; Canon Machinery; Canon ANELVA; Canon Tokki; Oita Canon; Canon Chemicals; Nagahama Canon; Fukushima Canon; Canon Precision; Oita Canon Materials; Hita Canon Materials; Nagasaki Canon

### Canon Inc. Activity Topics for 2015

- Management review by the president based on the Voluntary Action Plan for Product Safety (continued from 2008)
- Revised a total of nine company rules, including Product Safety Regulations and Chemical Safety Regulation Action Procedures
- Revised a total of ten standards, including Injury Protection Safety Standard and Chemical Emission Safety Standards
- Continued to raise awareness among customers about smoke emissions from counterfeit batteries and safe handling of electric cords and plugs, etc.
- Continued to implement product safety education and emphasized the importance of product safety during basic training on quality
- Continued with updated version of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety

### 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, which take into account customer perspectives on product use as well as 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.

Additionally, we continually revise these standards based on technological advancements and environmental changes. In 2015, we revised standards pertaining to plastics and fire spread prevention, taking into account such factors as the latest fire-resistance performance of plastic materials and structural designs that prevent the spread of fire.

Based on these technical standards, we strictly enforce safety management at the design, evaluation and manufacturing stages. Items not meeting these exacting standards are withheld from the market to ensure that all products meet our requirements for substantial safety.\*

**\* Substantial safety**

An approach to ensuring product safety that takes into account such factors as anticipated customer usage, going beyond what is prescribed in legal and regulatory frameworks

### Canon's Main Approaches to Safety Technology

- Attempt to assess injury, which hypothetically might occur in a variety of operations performed by customers, taking into perspective human factors for safety such as body function, ability, human psychology/behavior
- Engage in joint development with manufacturers of essential safety-related components, such as non-combustible parts and non-fail protective components, and employ those meeting the requirements of Canon's Qualification System for parts and components
- Conduct safety confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed in regions around the world where products are sold
- Hypothesize abnormalities, such as component failure, and conduct stricter safety evaluation testing than is required by the laws of each country and region

## Quality Assessment during Development

### Establishing an Assessment Environment for Delivery of Products that are Safe and Offer Peace of Mind

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

Canon Inc. has also obtained certification in public standards such as ISO\*1/IEC\*2 and UL\*3, enabling publicly certified testing to be carried out in-house according to highly precise measurements.

Specifically, Canon Inc. is equipped with the industry's leading testing technology, including 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. In addition to EMC testing\*4, Canon Inc. is able to conduct all testing necessary to apply for Blue Angel certification\*5 in-house.

**\*1 ISO International Organization for Standardization**

A non-governmental organization established in Geneva, Switzerland in 1947 in order to formulate international standards.

**\*2 IEC International Electrotechnical Commission**

An international standardization group that formulates standards on electrical and digital technologies. Standardization pertaining to the fields of electrical and digital technologies is covered by the IEC

and not ISO. The IEC is based in Geneva, Switzerland and it was established in 1906.

**\*3 UL Underwriters Laboratories Inc.**

Established in the state of Illinois, USA, in 1894 for the independent testing and certification of the safety of products that pass its assessment tests based on its own product safety standards established to standardize function and safety.

**\*4 EMC Electromagnetic Compatibility Testing**

This consists of testing for electromagnetic interference emitted by the product or its power sources that affects the operations of other equipment, as well as electromagnetic susceptibility testing, which tests the susceptibility of the product itself to malfunctioning caused by electromagnetic interference in the vicinity.

**\*5 Blue Angel**

Blue Angel was launched in 1978 as the world's first eco-labeling system and is monitored by Germany's Federal Environmental Agency, the German Institute for Quality Assurance and Certification and the Environmental Label Jury, an independent decision-making body.



EMI measurement of products in a semi-anechoic chamber



Flammability verification laboratory for large products

TOPICS

### Concentrating Quality Management at the Tamagawa Office with its Industry-leading Facilities

In November 2014, Canon completed construction of a new building at the Tamagawa Office, which it considers to be the central hub of its quality efforts. All quality-related supervisory functions, including evaluations, management, audits, and planning, have been consolidated at the Tamagawa Office as of March 2016.

Our goal is to not only achieve synergy through this concentration, but also to effectively utilize measurement and assessment facilities, improve the accuracy of measurements and assessments, and shorten the lead time for providing feedback to requesting divisions. Going forward, we will continue to work to enhance our quality management from various perspectives.



The new building at the Tamagawa Office

## Safety Assessment Initiatives

### ■ Safety Assessments of Chemical Substances Released from Products

Canon assesses the chemical emissions from its printers, multifunction devices, projectors and other products.

Our assessments include measurements necessary for acquisition of Germany’s Blue Angel environmental label, such as benzene, styrene, ozone and dust, as well as of VOCs for which exposure limits have been set within Japan or internationally. We verify that emission levels meet in-house standards, which are the same or even more stringent than those set worldwide.

The in-house testing laboratory carrying out these assessments has been certified as a fair and impartial test facility for applications for the Blue Angel mark and has received ISO/IEC 17025 certification from the Japan Accreditation Board for Conformity Assessment, carrying out measurements in compliance with ISO/IEC 28360.

The scope of certification as an ISO-certified test laboratory was expanded in response to additions to the Blue Angel (RAL-UZ 171) criteria calling for the measurement of ultrafine particles (UFPs).

Blue Angel is also considering adding UFP standards for large equipment that until now have been excluded from the standards. Canon responds in a timely manner to the strengthening of standards.



Gas chromatograph mass spectrometer used to measure chemical substances emitted from products

### ■ Safety Assessments of Ink, Toner and Other Consumables

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

For example, with regard to the materials for ink and toner, we carry out assessments related to genotoxicity, which is thought to be closely linked to carcinogenicity, using in vitro mammalian cell micronucleus tests. As of August 2014, Canon has been able to test in-house the distinctive 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 the Good Laboratory Practice (GLP)\* standards in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law). Canon’s laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD). Furthermore, Canon became the first in Japan to have its in vitro mammalian cell micronucleus test certified as in compliance with the GLP standards in the Chemical Substances Control Law.

#### \* Good Laboratory Practice (GLP)

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



In vitro mammalian cell micronucleus test

### ■ Using Animal Testing to Assess the Safety of Chemicals

Certain laws and regulations in Japan and other countries require the submission of animal testing data when assessing the safety of chemicals, and in some cases, animal testing is an effective means of verifying the impacts a chemical has on human health or the environment.

Based on this background, Canon conducts animal testing through a third-party specialist institution only in cases where it cannot obtain existing data externally with regard to the chemicals used in its toners and inks and no other alternative is available.

This policy is stipulated in our in-house rules on the safety of chemical products along with the Three Rs\*, a basic international principle on animal testing.

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

**\* The Three Rs**

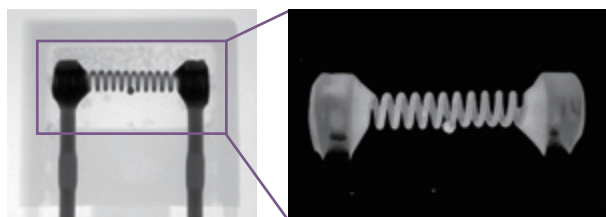
- A worldwide set of principles on animal testing advocated in 1959.
- Reduction: Reduce the number of animals used in testing
- Refinement: Minimize the suffering of animals
- Replacement: Use alternative methods to animal testing

### ■ Qualification System for Electronic Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component, including



X-ray CT scanner for evaluating the internal structure of parts



The internal structure of electronic parts is made visible, enabling analysis and evaluation of the structure

integrated circuits and various electronic parts, to ensure that products are safe and reliable. Consequently, we built and operate a qualification system of our own design for these electronic parts.

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

In recent years, the market for electronic parts has undergone significant changes, including the consolidation of semiconductor manufacturers and plant relocations. Despite this upheaval, Canon has been able to maintain consistent quality levels by utilizing this qualification system.

Canon is also working on enhancing its technologies to keep pace with advancements in electronic parts. This includes high-precision non-destructive evaluation technologies such as X-ray CT scans, and more detailed processing and observation technologies, as well as measurement technologies for higher-speed LSI.

### ■ Response to Software Vulnerability

In recent years, more and more of Canon's multifunction devices and cameras, among other products, are being connected to other products via a network, greatly enhancing convenience. At the same time, this increases information security risks, including the leakage of personal information or confidential information from products connected to these networks.

In response to such risks, Canon conducts various vulnerability tests on software for network-compatible products during development, and strives to standardize companywide approaches to raising awareness about vulnerabilities and risks as well as to testing methods.

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

In 2015, we introduced the Vulnerability Assessment Check-Sheet as a quality confirmation requirement at the time of production checks in order to prevent software vulnerabilities from past products from reoccurring. This parameter sheet is now used across the company for vulnerability verification processes.

We have expanded network- and software-vulnerability prevention efforts to Group companies, and are progressing with the establishment of an information-sharing network and the sharing of testing techniques.

**Pursuing Beauty and Comfort**

To provide higher-quality images and videos, Canon has formulated methods for quantitatively evaluating and measuring the beauty and comfort that people feel. We are using these methods to develop practical tools to consistently achieve uniform, high-quality color reproduction from input to output.

Moreover, to make Canon products more comfortable to use, we have established evaluation and measurement methods to reduce physical stress placed on the consumer when using our products. As part of the assessment process, we carry out user tests under our in-house monitor program.

In addition, we have researched the auditory impact on users of sounds from product operations and ambient noise, with the aim of creating the most pleasing sounds. We are also developing quiet products that generate minimal operating noise.



Evaluating physical stress placed on the body during product use



User test under the in-house monitor program

**After-sales Support**

**Online Support Service**

In order to facilitate troubleshooting, Canon provides worldwide customer-support services through its company website.

Customers can access support information, including FAQs, product specifications and user manuals, and can download the latest software and drivers from our website. Support information and software that are common worldwide, as well as local content that has been added by marketing subsidiaries, are published through our company websites in their respective languages.

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

**Enhancing After-Sales Service Worldwide**

After-sales service is critical to enabling customers to enjoy long-term use of Canon products with confidence. 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.



Repairs being carried out at the Marketing Engineering Technology Center of Canon Virginia (United States)

**Utilizing Feedback from Market Data Analysis in Product Improvements**

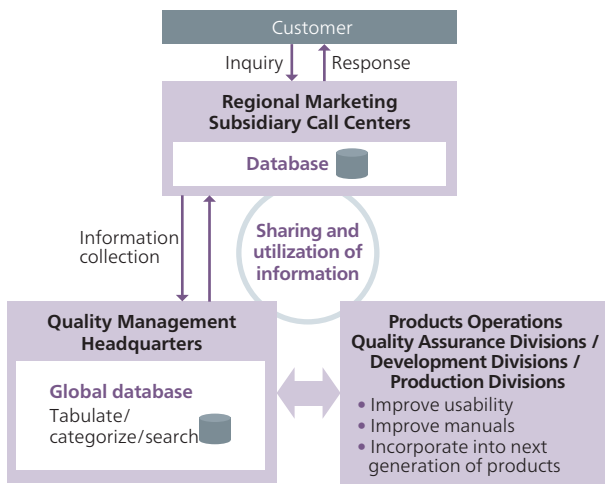
In order to achieve the highest level of customer satisfaction, Canon incorporates user feedback in addition to conducting product evaluations from the customer’s perspective at the development stage.

One method by which we do this is the use of 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. Divisions such as development, production or marketing subsidiaries can view this information at any time, helping them to improve quality, revise user manuals and develop better products.

While this system currently covers 27 countries and regions in the Americas, Europe, Asia, Oceania, and Japan we plan to expand it further still.

**Call Information Collection and Analysis System**



**Responding to Product Safety and Quality Issues**

Although Canon strives to prevent product safety and quality issues, in the event that a safety or quality problem

does arise, we have in place a framework that ensures a prompt and appropriate response, including causal investigation, free repairs and information disclosure.

We keep our customers informed about product safety as well as quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website. In 2015, no product advisory statements were placed on our website.

In addition, we established a new page for posting quality notices in order to provide information in an easier to understand manner. Two notices were posted in 2015.

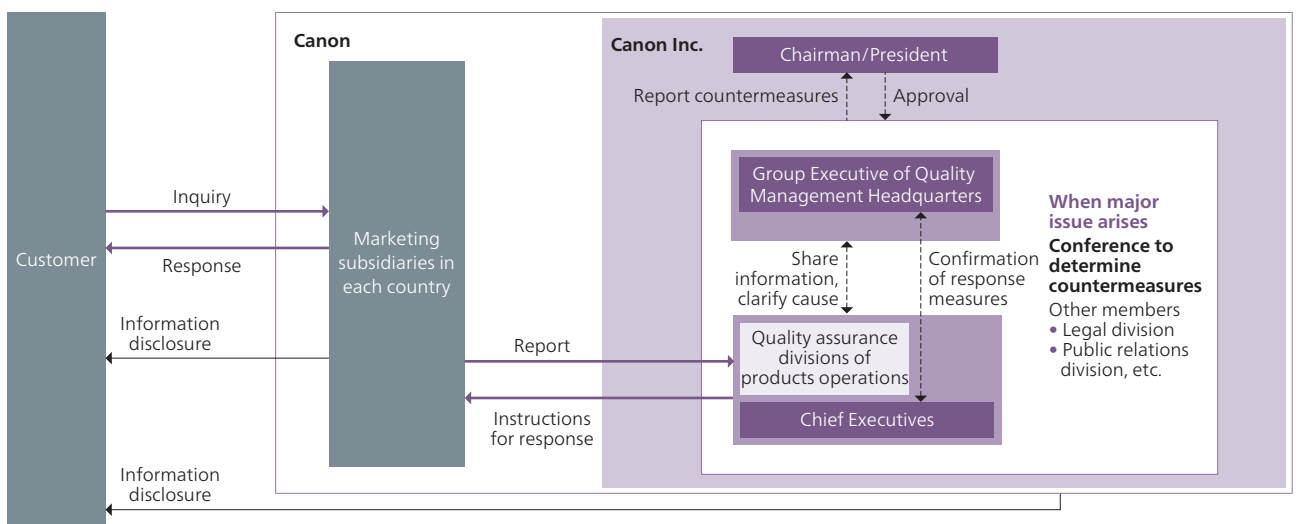
**Process for Responding to Quality Issues**

When quality issues arise, the marketing subsidiaries in each country, which serve as the contact point for the customer, file a report with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then analyzes the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, as well as the Quality Management Headquarters, legal division and public relations division are consulted concerning response measures, and a report is made to the chairman/president.

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

**Flowchart of Countermeasures to Product Safety and Quality Issues**

→ When issue arises    - - - - -> When major issue arises    → Information disclosure



# Improving Product Usability

## Canon strives to develop products that different customers can use easily and with confidence.

### Providing Information on the Appropriate Use of Products

#### Creating Easy-to-understand User Manuals

Together with improved product usability, Canon also works to increase the quality of its user manuals so that customers can use its products easily and safely.

In 2015, the user manual for Canon ANELVA's vacuum gauge, called Capacitance Gauge, won an Excellence Award at the 2015 Japan Manual Contest in the paper manuals/industrial category. It was also selected as one of five candidates for the contest's top prize, Manual of the Year 2015.

This contest is held by the Japan Technical Communicators Associations with the goal of improving the quality of user manuals and developing the skills of manual writers, and is the most prestigious contest of its kind in Japan.

Canon ANELVA's manual received high praise for its design and composition, which, while being intended for use by people with advanced technical knowledge, was outstanding in terms of searchability, viewability, understandability, and portability.



User manual for Capacitance Gauge vacuum gauge

### 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 drive, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability. At Canon, we approach product design and development from the perspective of making the customer "look like a natural."

For example, we conduct user-centric testing of display characters, 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. This is valuable in the development of more user-friendly products.

Going forward, we will strive to develop products with consideration given to an even broader range of customers, giving attention to innovations that improve the viewability of visual information, for example.



Analyzing the usability of products based on the physical conditions of users



### ■ The Universal Design Project

Aiming to further encourage efforts in universal design, Canon established a universal design policy and launched a companywide Universal Design Project (UDP).

Based on these, we put together a booklet that addresses the physical characteristics of users as well as various issues that arise during product use and distributed it throughout the development division. We also created pamphlets and set up a website to introduce customers to the UDP initiatives underway at Canon.

Through such means, we will continue to share information and promote universal design both inside and outside the company.

### ■ Product Accessibility

Canon is working to increase the accessibility of its products. Accessible products are those designed for easy use by all, including persons with disabilities or the elderly. For instance, the imageRUNNER ADVANCE series of office multifunction devices features voice guidance and voice recognition for basic commands, allowing for easier use by the visually impaired. Also, in 2015, pinch-in and pinch-out touch operation was introduced for the LCD operation screen, enabling even people with low vision to operate these devices by increasing the size of buttons and words on the display.

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 Voluntary Product Accessibility Template (VPAT\*) and made available on the Canon U.S.A. website. The information has also been registered with the United States Federal Government General Services Administration's database.

Similar legislation is now being developed in Europe as well. Canon is committed to regularly gathering the latest information on accessibility, 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.



The operation panel of the imageRUNNER ADVANCE series for customers with low vision



# Management Structure

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# Corporate Governance

## Fundamental Policy

In order to establish a sound corporate governance structure and continuously raise corporate value, the Company 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.

## Governance Structure

### Board of Directors, Representative Directors and Executive Officers

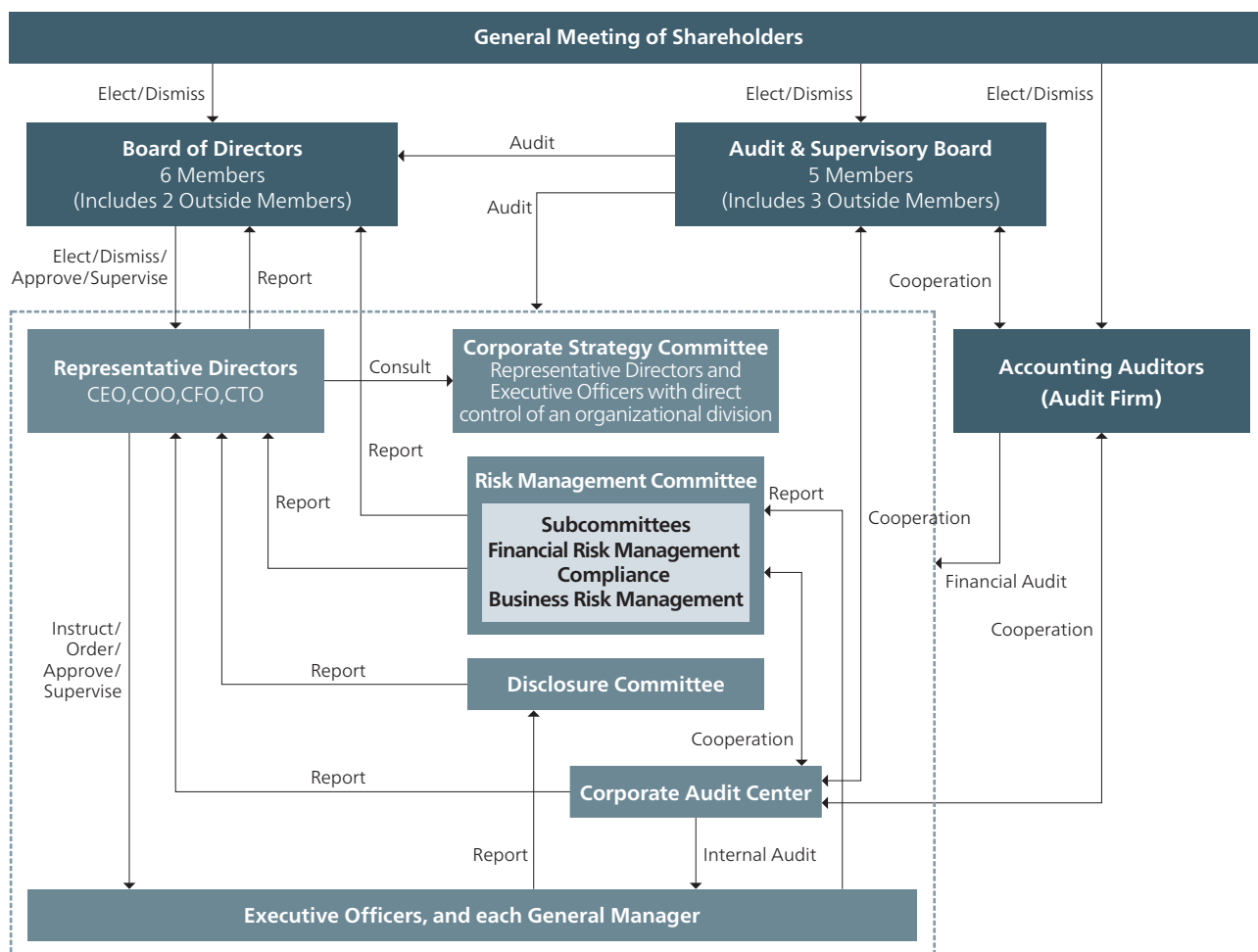
The Board of Directors makes decisions on matters prescribed in the Companies Act, including a policy for establishing systems necessary to ensure the properness

of operations (a basic policy for an internal control system) and other important management matters. Furthermore, the Board of Directors receives reports on a regular basis and otherwise as necessary on the execution of operations by representative directors and executive officers under the direction of the representative directors and it oversees the execution of the operations.

As of fiscal 2015, the Board of Directors consisted of 17 directors. However, it was resolved at the 115th Ordinary General Meeting of Shareholders held on March 30, 2016 to change to a structure with a total of six directors, comprising four directors from Canon career veterans and two outside directors who are independent directors.

Executive officers are responsible for the execution of operations as a group executive or chief executive in charge of the Company's main operations. Meanwhile, the Board of Directors consists of representative directors with years of experience at the Company who manage

### Corporate Governance (As of April 1, 2016)



multiple divisions and functions, along with independent outside directors who have impartial perspectives on management that would differ from those of Canon career veterans. With this compact Board of Directors, Canon aims to speed up its management via a system centered on decision-making from a high-level, all-around perspective and oversight of execution of operations.

The responsibilities of the four representative directors are divided as follows. The Chief Executive Officer (CEO) is responsible for overall management of the Group as a whole, while the Chief Operating Officer (COO) manages the Group's businesses under the policies set by the CEO and serves as the president of the Company. The Chief Financial Officer (CFO) oversees the Group's financial matters, and the Chief Technical Officer (CTO) oversees technology and R&D.

As of April 1, 2016, there are 37 Executive Officers, including two women and two with foreign citizenship.

### **Corporate Strategy Committee, Risk Management Committee, and Disclosure Committee**

The Company established the Corporate Strategy Committee, consisting of Representative Directors and some Executive Officers. Among items to be decided by the CEO, the Committee undertakes prior deliberations on important matters pertaining to Canon Group strategies. Outside Directors and Audit & Supervisory Board members attend Corporate Strategy Committee meetings and are able to express their own opinions.

Based on a resolution passed by the Board of Directors, Canon set up the Risk Management Committee, which formulates policy and action proposals regarding improvement of the Canon Group risk management system. The Risk Management Committee consists of three entities: the Financial Risk Management Subcommittee, which is tasked with improving systems to ensure reliability of financial reporting; the Compliance Subcommittee, which is tasked with promoting corporate ethics and improving legal compliance systems; and the Business Risk Management Subcommittee, which is charged with improving systems to manage overall business risks, including risks related to product quality and information leak.

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.

### **Audit & Supervisory Board Members, Audit & Supervisory Board**

The Company is a "Company with an Audit & Supervisory Board." The Audit & Supervisory Board consists of five individuals, three of which are Independent Outside Audit & Supervisory Board members.

In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, the Audit & Supervisory Board Members attend Board of Directors' meetings, Corporate Strategy Committee meetings, etc., receive reports from directors and employees, review documents related to important decisions, and conducting audits by investigating and so on. the situation of businesses and property of the Company and its subsidiaries. In this way, the Audit & Supervisory Board plays a role in monitoring management, conducting strict audits of directors' execution of duty, including the status of development of the internal control system. Furthermore, the Audit & Supervisory Board Members cooperate closely with the accounting auditors and the Company's internal auditing team, and such cooperation services to improve each monitoring function.

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

The Company established the "Independence Standards for Independent Directors/Audit and Supervisory Board Members" resolved by the Board of Directors with the consent of all Audit and Supervisory Board Members, in order to clarify the standards for ensuring independence of Independent Directors/Audit and Supervisory Board Members of the Company, taking into consideration the independence criteria set by securities exchanges in Japan. The standards are posted on the Company's website. All of the Company'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 the Company's Outside Directors and Outside Audit & Supervisory Board Members are designated the Independent Directors/Audit and Supervisory Board Members set by Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges.

**Reference: Independence Standards for Independent Directors/Audit and Supervisory Board Members**

<http://www.canon.com/ir/strategies/governance.html>

## Outside Directors and Outside Audit & Supervisory Board Members

	Name	Reasons for Appointing
Outside Directors	Kunitaro Saida	Kunitaro Saida has appropriately performed his duties as an Outside Director utilizing his high-level expertise and wealth of experience gained from his distinguished career as Superintending Prosecutor of High Public Prosecutors Offices (in Takamatsu, Hiroshima and Osaka) and later as an attorney in corporate legal affairs, as well as serving as an Outside Director and an Outside Audit & Supervisory Board Member for other companies. The Company did pay Kunitaro Saida remuneration for advisory services. The amount, however, was not a large sum, and the contract has already expired.
	Haruhiko Kato	Haruhiko Kato has, over many years, had a distinguished career in fiscal operations of the national government as Director-General of Tax Bureau in the Ministry of Finance, and Commissioner of National Tax Agency. He has appropriately performed his duties as an Outside Director utilizing his high-level expertise and wealth of experience gained from his managerial experience as President of Japan Securities Depository Center, Incorporated. Although there are business transactions between the Company and Japan Securities Depository Center, Incorporated for which Haruhiko Kato holds the position of President and CEO, the transactions reflect usage of the transfer system for stocks and other securities for which we pay fees. The Company did pay Haruhiko Kato remuneration for advisory services. The amount, however, was not a large sum, and the contract has already expired.
Outside Audit & Supervisory Board Members	Tadashi Ohe	Tadashi Ohe has been engaged for many years in corporate legal affairs as an attorney and as a professor specializing in legal research. He has appropriately performed his duties as an Outside Audit & Supervisory Board Member utilizing his considerable experience and high level of expert knowledge about corporate legal affairs.
	Osami Yoshida	Osami Yoshida has been engaged for many years in corporate accounting as a certified public accountant. He has appropriately performed his duties as an Outside Audit & Supervisory Board Member utilizing his considerable experience and high level of expert knowledge about corporate accounting. Deloitte Touche Tohmatsu LLC, where Osami Yoshida was employed in the past, is not the auditing firm charged with the accounting auditing of the Company. Moreover, although there are transactions based on service consignment agreements between the Company and the aforesaid auditing firm, the annual gross amount of these transactions is less than 1% of either the Company's or the aforesaid auditing firm's annual net sales.
	Kuniyoshi Kitamura	Kuniyoshi Kitamura has a broad range of work experience working for an insurance company over many years. In addition to this, he has a certain degree of knowledge regarding business management. He has appropriately performed his duties as an Outside Audit & Supervisory Board Member utilizing his experience and knowledge. Kuniyoshi Kitamura used to work for The Dai-ichi Life Insurance Company, Limited. The aforesaid company is a shareholder of the Company but its shareholding ratio is approximately 3.4% (shareholding ratio is calculated by deducting the number of treasury shares from total shares issued.) Moreover, although there are transactions based on life insurance contracts between the Company and the aforesaid company, the annual gross amount of these transactions is less than 1% of either the Company's or the aforesaid company's annual net sales.

### Internal Audit Divisions

The Corporate Audit Center, the Company's internal auditing team, as an independent and specialized organization and in accordance with internal audit rules, conducts audits and evaluations and provides guidance on such matters as compliance with laws and the internal control system. Furthermore, audits of particular themes such as quality, the environment, and information security, are conducted by each division in charge in cooperation with the Corporate Audit Center.

Additionally, based on top management policy, for all work processes, audits must be conducted from a specialized view point and there are plans to increase the number of members from the current 70 to strengthen auditing functions.

### Cooperation between Audit & Supervisory Board Members and Internal Auditing

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the Corporate Audit Center an outline of their internal audit plan before conducting an audit as well as reports about important auditing items. After the internal audit is conducted, the Audit & Supervisory Board Members and the Audit & Supervisory Board hear reports on all audit results and evaluations. Furthermore, close cooperation between Audit & Supervisory Board Members and Internal Auditing is worked for through, for example, monthly meetings between Audit & Supervisory Board Members and the head of the Corporate Audit Center where information and opinions are exchanged.

In addition to receiving reports from the Corporate Audit Center regarding product quality, information security, physical security and various other audits, The

Audit & Supervisory Board Members and the Audit & Supervisory Board also receive reports regarding audits conducted by each controlling division.

### Cooperation between Audit & Supervisory Board Members and Accounting Auditors

The Audit & Supervisory Board Members and the Audit & Supervisory Board receive from the Accounting Auditors an outline of their audit plan before conducting an audit as well as explanations about important auditing items on which the Audit & Supervisory Board Members and the Audit & Supervisory Board express their opinion with respect to the validity.

The Audit & Supervisory Board Members and the Audit & Supervisory Board also conduct timely exchanges of opinion with the Accounting Auditors on such subjects as the results of audits and reviews, receiving reports on internal control system, accounting audits, and quarterly reviews from the Accounting Auditors and the Accounting Auditors' understandings on the Company's internal control systems, including how they are being implemented, as well as their evaluation of risks.

Furthermore, in addition to observing the Accounting Auditors' fieldwork and closing meeting as necessary, the Audit & Supervisory Board Members and the Audit & Supervisory Board work to grasp the situation of audits, holding meetings with Accounting Auditors in charge of auditing group companies in and outside Japan. The Audit & Supervisory Board Members and the Audit & Supervisory Board also confirm the validity of the quality management systems of audits, receiving detailed explanations about this from Accounting Auditors.

With the aim of monitoring the independence of Accounting Auditors, the Company introduced an Audit

& Supervisory Board pre-approval system which targets contracts and remuneration.

## Executive Compensation

Remuneration for directors at Canon Inc. comprises basic compensation, which is based on fulfillment of duties, and an executive bonus, which is tied to company performance each year (outside directors are not eligible for the executive bonus).

Additionally, directors may be presented with stock options as a medium- to long-term incentive. Remuneration for Audit & Supervisory Board members, however, consists only of basic compensation and is not tied to company performance.

The maximum limits of basic compensation for directors and Audit & Supervisory Board members are set by vote at the general meeting of shareholders. Compensation for individual directors is decided by a meeting of the Board of Directors, while compensation for Audit & Supervisory Board members is decided by a meeting of the Audit & Supervisory Board members.

Executive bonuses are calculated according to company performance, with the total amount presented to the general meeting of shareholders for approval. Once the total amount is determined, bonuses for individual directors are decided by the Board of Directors based on rank and individual achievement.

Stock options are issued without compensation in order to raise morale and increase motivation to improve Canon's performance. Proposals are tendered to the general meeting of shareholders and, if approved, stock options are issued.

### 2015 Executive Compensation by Executive Category, Type of Compensation, and Number of Executives

Executive category	Number of executives receiving	Total amount by compensation type (Millions of yen)		Total compensation (Millions of yen)
		Basic compensation	Bonus	
Directors (excl. Outside Directors)	18	790	144	934
Outside Directors	2	48	—	48
Audit & Supervisory Board Members (excl. Outside Audit & Supervisory Board Members)	3	50	—	50
Outside Audit & Supervisory Board members	3	55	—	55

\* The amount for bonus represents the executive bonus for inside directors

# Risk Management

## Risk Management System

Canon Inc. has established the Risk Management Committee based on a resolution passed by its Board of Directors. This committee is comprised of three subcommittees, namely, the Financial Risk Management Subcommittee, Compliance Subcommittee, and Business Risk Management Subcommittee.

The Risk Management Committee develops various measures with regard to improving the Canon Group's risk management system, including grasping any significant risks (violation of laws and regulations, inappropriate financial reporting, quality issues and information leakage, etc.) that the Canon Group may face in the course of business. Additionally, in accordance with

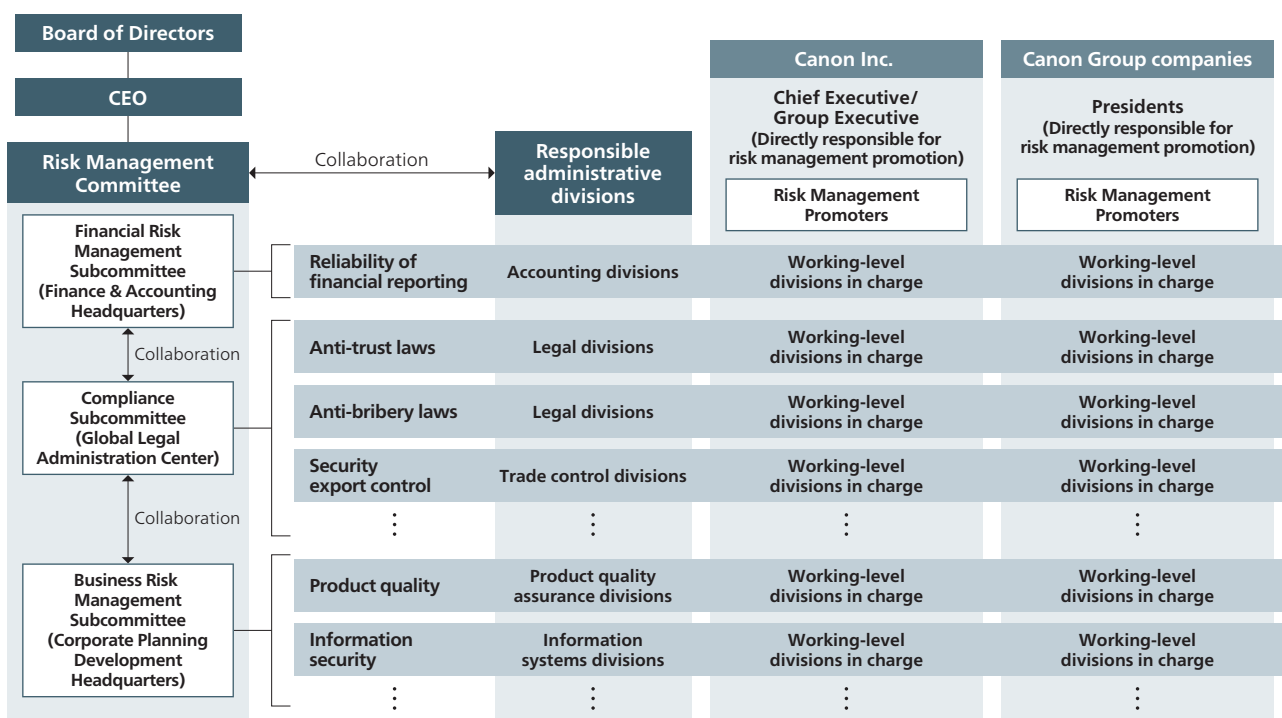
the Group's annual plan approved by the Board of Directors, the Risk Management Committee evaluates the status of improvement and implementation of the risk management system and reports its findings to the CEO and the Board of Directors.

Heads of Canon Inc. divisions and presidents of Canon Group companies, as those responsible for promoting risk management, formulate an individual annual plan for each division and Group company based on the Group's annual plan, and bear the responsibility of improving their risk management system. Risk management promoters appointed for each division and Group company coordinate related risk management practices. Canon Inc. administrative divisions with jurisdiction of miscellaneous risks associated with the company's

### Improvement and Implementation Processes of Risk Management System

P	D	C	A
<b>Risk Management Committee and Board of Directors</b> <ul style="list-style-type: none"> <li>Identify risk</li> <li>Formulate Canon Group's annual plan</li> </ul> <b>Divisions and Group companies</b> <ul style="list-style-type: none"> <li>Formulate individual annual plan</li> </ul>	<b>Divisions and Group companies</b> <ul style="list-style-type: none"> <li>Establish appropriate rules and workflows</li> <li>Carry out employee education</li> <li>Conduct audits and inspections</li> </ul>	<b>Divisions and Group companies</b> <ul style="list-style-type: none"> <li>Evaluate status of improvement and implementation</li> </ul> <b>Risk Management Committee, CEO and Board of Directors</b> <ul style="list-style-type: none"> <li>Confirm evaluation results on improvement and implementation</li> </ul>	<b>Risk Management Committee and Board of Directors</b> <ul style="list-style-type: none"> <li>Discuss Canon Group's annual plan for the next fiscal year</li> </ul>

### Risk Management Promotion System



business activities, including legal division, security trade control division, and quality assurance division, monitor and provide assistance for the improvement of risk management systems by each Canon Inc. division and Canon Group company.

## Financial Risk Management

The Financial Risk Management Subcommittee carries out activities for strengthening 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.

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 2015.

## Compliance

The Compliance Subcommittee works on promoting corporate ethics in accordance with the Canon Group Code of Conduct, and on improving the group's legal risk management system.

### Sections of the Canon Group Code of Conduct (Extract)

#### Management Stance

- Contribution to Society
  - Provision of excellent products • Protection of consumers
  - Preservation of the global environment
  - Social and cultural contributions • Communication
- Fair Business Activities
  - Practice of fair competition • Observance of corporate ethics • Appropriate disclosure of information

#### Code of Conduct for Executives and Employees

- Compliance with Corporate Ethics and Laws
  - Fairness and sincerity • Legal compliance in performance of duties • Appropriate interpretation of applicable laws, regulations and company rules
- Management of Corporate Assets and Property
  - Strict management of assets and property • Prohibition against improper use of company assets and property
  - Protection of the company's intellectual property rights
- Management of Information
  - Management in compliance with rules • Prohibition against personal use of confidential and proprietary information • Prohibition against insider trading • Prohibition against the unlawful acquisition of confidential or proprietary information pertaining to other companies • Appropriate use of confidential and proprietary information pertaining to other companies

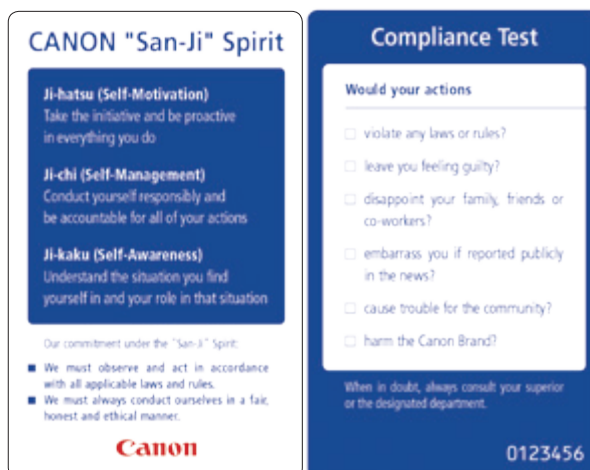
- Conflicts of Interests / Separation of Personal and Company Matters
  - Avoidance of conflicts of interests • Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits • Prohibition against acquisition of pre-IPO shares
- Maintenance and Improvement of Working Environment
  - Respect for the individual and prohibition against discrimination • Prohibition against sexual harassment
  - Prohibition against bringing weapons or drugs to the company workplace

## Promoting Corporate Ethics

### ■ Canon Group Code of Conduct and Compliance Card

Canon established the Canon Code of Conduct in 1992, and later updated it as the Canon Group Code of Conduct in 2001. This set of principles clarifies the Canon Group's management stance and standards that Canon Group executives and employees must comply with in their duties. In addition to Japanese, the Code of Conduct has been translated into 14 languages, including English, French and Chinese, and approved by resolution of the Board of Directors of each Canon Group company, which also strives to ensure that it is known and practiced by all.

In addition, a portable Compliance Card has been created in Japanese as well as 16 other languages, including English, French and Chinese, and given out to all executives and employees. Written on one side of the card is the *San-ji* (Three Selves) Spirit, which has been the guiding principle of the company since its founding, and on the other is a compliance test that enables employees to carry out self-questioning of their actions on a daily basis.



Compliance Card



## ■ Corporate Ethics and Compliance Training

Canon Group companies both inside and outside of Japan carry out corporate ethics and compliance training for employees based on the circumstances and conditions of the region where they operate.

For example, Canon Inc. conducts compliance training designed to foster compliance awareness for newly appointed general managers and managers, new employees as well as management level employees of specific organizations and Group companies.

Additionally, Canon Inc. and its subsidiaries in Japan have since 2004 designated a Compliance Week twice a year—once in the first half of the year and the other in the second half—in order to foster discussions in the workplace about compliance issues. Through these efforts, we strive to develop and improve operational processes to ensure that employees are aware of compliance and abide by the law.

## ■ Whistleblower System

At Canon Inc., we have a hotline in place to receive information related to issues of compliance. The confidentiality of callers is strictly maintained, and callers are guaranteed not to suffer detriment for using the hotline. We continually work to improve the system to encourage use by raising awareness of the hotline services, using such means as an intranet compliance site and compliance training.

Hotlines have been established at nearly all Group companies worldwide. Canon Inc. and Group companies' divisions in charge are in close coordination to continuously respond to incoming reports and increase system reliability.

## Legal Risk Management System

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

## ■ Thorough Compliance with Export Control Regulations

At Canon Inc., we have established a security trade control framework headed by the president and controlled by

the Foreign Trade Legal Division within the Global Logistics Management Center. This ensures that we can implement proper security trade controls in compliance with strict regulations on the export of commodities and technologies for civil use that could be diverted for use in weapons of mass destruction or conventional weaponry.

The Foreign Trade Legal Division works with divisions involved with individual commodities and technologies to double-check such issues as whether commodities and technologies for export are controlled by regulations, or whether trading parties are engaged in the development of weapons of mass destruction. We have also established and revised the Security Trade Control Guidelines, and hold regular briefings and training sessions for persons in charge of Canon Inc. business divisions and Group companies in Japan to further educate employee about the importance of security trade control. We also provide Group companies with templates for company rules, training curriculum for employees, and support via the help desk to help these companies put a control framework and rules in place.

Such thorough internal controls have ensured that the Canon Group has never violated laws concerning security trade control. 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.



Liaison meeting on security trade control involving Group companies

## ■ Compliance with Anti-trust Laws

Anti-trust laws apply to all of Canon's business activities, from product development to production, sales and after-sales service, and therefore, Canon recognizes that compliance with these laws is absolutely vital.

Based on this awareness, business divisions of Canon Inc. and sales and service companies of the Canon Group conduct regular training for employees of divisions exposed to the risk of anti-trust law violations to educate them about the laws, provide examples of legal violations, and give them things to look out for in their duties. We also make our anti-trust law hotline known to all employees and thoroughly encourage employees to use this hotline if they are unsure of how to interpret or apply anti-trust laws.

## ■ Prevention of Bribery

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

Canon Inc. and its Group companies inside and outside Japan carry out regular training for employees of divisions involved with negotiations between public officials and business partners to inform them about the latest regulatory trends in major countries and details of the Code of Conduct.

## Business Risk Management

The Business Risk Management Subcommittee is responsible for operational risks excluding legal violations and errors in financial reporting.

Individual risks are assigned to the divisions in charge for the entire Canon Group. The Business Risk Management Subcommittee works with working-level divisions in charge from each Canon Inc. organization and Canon Group company to carry out risk mitigation activities and further improve the risk management system.

## Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Group. Under this system, we carry out training to raise employee awareness and to prevent external threats and leaks of confidential internal information.

## ■ Management Structure

Canon has established the Information Security Committee as a decision-making body for information-security measures. This committee is made up of experts from information security departments and is responsible for the information security management of the entire Group.

Committee members have also drawn up the Canon Group Information Security Rules in order to maintain the same level of and approach to information security across the entire company. These rules apply to all Group companies worldwide. Each Group company creates regulations and guidelines based on these rules that are in line with its needs, and



Information-security check at a Canon Group company

then carries out training and promotional activities.

Based on these rules, regional marketing headquarters conduct regular inspections to confirm how information security is being implemented at each Group company, using the data to review and improve information security controls.

If an information-security incident occurs, the matter must be reported to the Information Security Committee via the respective regional marketing headquarters. In turn, the committee will issue instructions based on the details of the incident.

CSIRT\*, a dedicated team for dealing with growing information network threats, was established within Canon Inc. in 2015. At the same time, Canon officially joined the Nippon CSIRT Association as Canon-CSIRT in order to address the increasingly sophisticated nature of cyber attacks by reinforcing collaboration with outside CSIRTs.

Additionally, Canon Inc.'s Information & Communication Systems Headquarters carried out information-security checks on 28 Group companies in Japan and 22 Group companies overseas. These inspections found that each company's system was sound and in good working order.

Canon will maintain an expedient and smooth communication channel with its Group companies and make every effort to ensure that its mechanisms can identify and remedy issues based on regular information security checks. Moreover, we are also working to further reinforce our information security system by establishing a structure to discover information-security incidents at an early stage and measures to eliminate security leaks and risks connected to these incidents.

\* CSIRT stands for Computer Security Incident Response Team. This is a dedicated organization that deals with incidents involving computer security.

## ■ Preventing Information Leakage

Canon implements measures that safeguard the three elements of information security, namely, confidentiality\*<sup>1</sup>, integrity\*<sup>2</sup>, and availability\*<sup>3</sup> of corporate information.

Valuable information is stored using a specialized system with reinforced security. By controlling access and recording usage, we guard against external attacks and prevent internal information leaks.

In addition, Canon has established an environment in which employees can safely access their company's information assets while away on a business trip, and has also placed restrictions on email attachments and taking company computers or recording media offsite.

To safeguard against the threat of external attacks, we carry out training and other measures to prevent the illegal modification of Canon's official websites and deal with targeted email attacks.

In 2015, we continued on with these efforts while also working to prevent email viruses and spam mails (through stopping transmissions and isolating received email) and introducing automatic encryption of file attachments when an email is sent externally, in an effort to further enhance security and protect against the threat of information leakages. Going forward, we will continue to work on improving our countermeasures to maintain the three elements.

**\*1 Confidentiality**

Enable only authorized personnel to access information.

**\*2 Integrity**

Ensure data and processing methods are accurate and cannot be modified without authorization.

**\*3 Availability**

Make data accessible to authorized personnel when needed.

## ■ Protecting Personal Information

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

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

Starting in 2015, we expanded the scope of these activities to include all Group companies, creating a centralized management system covering the entire Canon Group. As a result, once again there were no incidents involving the loss or leakage of personal information at Canon Inc. or any of its Group companies in 2015.

In addition, Canon Group companies in Japan formulated the My Number Handling Rules and My Number Regulations in order to manage Japan's new Social Security and Tax Number System (referred to as the "My Number" system) in an appropriate manner.

Going forward, we will regularly monitor our management of personal information and the My Number system while also reviewing operations to make appropriate changes as needed.

## ■ Information-security Training

In order to maintain and improve information security, Canon is focusing on raising awareness among those accessing information systems, namely, employees.

New employees are thoroughly trained on Canon's information-security measures and rules through group training held for both regular and mid-career hires. In addition, training is provided annually for all employees, including temporary employees, using our e-learning system.

In 2015, roughly 28,000 employees—the equivalent of Canon Inc.'s total workforce—received information-security training. The training curriculum focused on reaffirming the importance of various measures related to information security. This included how to respond to a targeted email attack and what to look out for when sending email or when using information infrastructure, such as the risk of information leakages from posting on external translation websites.

Canon is committed to improving the content of its training programs in order to raise employee understanding and awareness of information-security matters.

## Physical Security

Aiming to strengthen physical security, Canon has been working to establish physical-security systems at each of its operational sites based on the following three policies:

1. Establish and put into practice at operational sites an overall design from the viewpoint of disaster prevention, crime prevention, and safety to optimize entry and exit routes for all persons.
2. Fully implement strict internal and external security measures to comprehensively prevent company assets (physical objects, information, etc.) from being removed, suspicious objects from being brought in, and suspicious individuals from entering.
3. Limit entry to certain areas to people who have been authorized by area managers, and integrate management of room entry and exit logs.

## ■ Physical Security Promotion System

Canon established the Canon Security Guidelines, which outlines the policies and rules regarding room entry and exit management and other kinds of physical security. We have since then been actively promoting security measures according to these guidelines, while also making revisions to these guidelines as needed. Each Canon site is now responsible for drafting a self-checklist that complies with the guidelines and also takes into account the unique security risks of each region in order to check the level of their security protocols. In this way, each site implements security measures tailored to

changes in their own environment.

In addition to the Integrated Entry and Exit Management System, a control system that comprehensively manages surveillance cameras and various sensors has been implemented as part of Canon's efforts to strengthen physical security across the entire Group.

Due to the serious risk to society posed by toxic materials, we have developed a particularly thorough audit system, covering all Canon Group sites in Japan. Improvements and revisions to physical security measures are implemented based on the results of these audits.

Learning from the terrorist incidents in Paris and Belgium, Canon has stepped up its security efforts in order to quickly detect suspicious persons and suspicious objects for the purpose of preventing indiscriminate terrorist attacks against companies, which are considered a soft target. And, we are working more closely with the police, fire department and other government agencies to heighten vigilance against possible attacks.

## Post-Disaster Business Continuity Plan

### ■ Responding to the Risk of Damage to Infrastructure

Canon believes that establishing a system to ensure that business operations can continue even after a natural disaster or emergency represents one of the most important social responsibilities of any company. It is based on this recognition that we have formulated a business continuity plan (BCP) \*1 and the Canon Group Disaster Preparedness Guidelines, and we are working hard on advancing business continuity measures for disasters, including upgrading buildings constructed according to old aseismic design standards, concluding disaster agreements with local communities, and developing systems for collecting information and reporting.

Due to the critical importance of our Shimomaruko headquarters in Tokyo, Japan, as the home base for all Group operations, we have rebuilt all on-site buildings, established a crisis control center, installed backup generators, stockpiled fuel, equipment, and supplies, and established a multiplex communication system. Moreover, we set up the Disaster Recovery Center \*2 to back up information systems to ensure that the mainframe system will operate securely in the event of a disaster.

We have also updated all Group company facilities, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our

employees through practical disaster-preparedness training.

Furthermore, we have prepared a manual for persons in charge in order to safeguard human life immediately following a natural disaster or fire, prevent secondary disasters and protect company assets. Using this manual as a model, Group companies are also creating localized manuals based on the unique risks in the areas where they operate to facilitate the smooth restoration of services in the event of a disaster.

In 2014, we established a system for conducting communications training involving the headquarters, business sites and Group companies once every month using satellite telephones to prepare for the potential interruption or shutdown of communications infrastructure. The Disaster Provision Standards were also drawn up following the enactment of the Tokyo Metropolitan Ordinance on Measures for Stranded Persons.

In 2015, we continued to conduct the above-mentioned communications training and carried out a training exercise to set up a disaster recovery countermeasure headquarters at our Shimomaruko headquarters based on the scenario of a large-scale natural disaster. Also, we moved forward with the stocking of non-food provisions, including blankets and disaster toilets based on the Disaster Provision Standards.



Evacuation training at our Shimomaruko headquarters

#### \*1 Business continuity plan (BCP)

A business continuity plan is an action plan that includes measures to provide for the continuation of a minimal level of business in the event of fire, accident, or other such event, and to restore operations promptly.

#### \*2 Disaster Recovery Center

A facility prepared for data backup in the event of a system breakdown due to a disaster.

### ■ Revisions to the Disaster Agreement with Ota Ward, Tokyo

Canon Inc. has concluded a disaster agreement with Ota Ward, Tokyo, where its Shimomaruko headquarters is located. In 2015, at the request of the Disaster Prevention Section of Ota Ward, we revised the agreement so that our newest facilities, including a lecture hall, gymnasium and heliport, can be offered in the case of an emergency situation.

Going forward, we will continue to work closely with local governments to fill the role of a disaster-response base in the local community.

# Supply Chain Management

## Fundamental Procurement Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept\*1, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide, while taking the environment into consideration.

Accordingly, Canon has formulated and widely published its Procurement Policy, and is endeavoring to build good relations with suppliers by deepening their understanding of Canon's basic stance toward procurement.

In keeping with its corporate philosophy of *kyosei*, Canon carries out procurement activities that give due consideration to society while also continually taking steps to further evolve its eco-friendly green procurement\*2 practices.

### \*1 The EQCD concept

This is Canon's basic product development policy. "E" stands for environment: Companies are not qualified to manufacture goods if they are incapable of environmental assurance. "Q" stands for quality: Companies are not qualified to market goods if they are incapable of providing quality products. "C" and "D" stand for cost and delivery: Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

### \*2 Green procurement

Favoring the procurement of materials and products that have a lower environmental impact.

### Procurement Policy

Following its corporate philosophy of *kyosei*, Canon aims, as a truly global company, to contribute to the prosperity and well-being of the world by developing, manufacturing and marketing useful products, raising profits, and achieving sound corporate growth and development.

The Procurement Division adopts a global perspective in purchasing quality, appropriately priced merchandise in a timely manner. This facilitates improvements in product quality and reductions in prices, and positions us to work with our suppliers to meet customer needs.

1. We comply with all applicable laws and regulations as well as corporate ethics, and operate in a manner that is protective of the environment.
2. We are open to any and all suppliers, and promote fair and free competition in accordance with the principles of faith and trust.
3. We improve manufacturing by mutual growth with reliable, quality suppliers, which are selected through a fair evaluation process.

## Fair and Transparent Dealings

### Reinforcing Compliance in Procurement

Canon not only complies with laws and regulations on procurement globally, but also ensures complete fairness and transparency in dealings with its suppliers.

Specifically, the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement outlines appropriate actions that persons in charge of procurement as well as executives and employees responsible for placing orders should keep closely in mind in order to maintain high standards when it comes to legal compliance and corporate ethics.

Also, Canon's business processes are uniform across its global network based on a common set of detailed rules on procurement practices in place for Canon Group companies both inside and outside Japan.

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

### Main Efforts for Procurement Compliance

2007	Set up special internal controls sections within procurement divisions
2013	Renewed the existing procurement code of conduct and formulate to the Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement
2014	Established detailed common procurement operation rules for the entire Canon Group

### Promoting Open Procurement

As stated in our Procurement Policy, we open our doors equally to suppliers worldwide and conduct business in a fair and impartial manner, and we have instituted an Open Procurement policy to make a broad appeal to suppliers not already in our network.

Canon operates the Suppliers Proposal Site within its main company website with the purpose of collecting information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

We will continue to give careful consideration to all future proposals based on established rules.

## Socially Responsible Procurement

Canon strives to ensure that suppliers understand its procurement standards in order to be certain that social responsibilities are not only being fulfilled by Canon itself, but also throughout the supply chain. As part of this effort, we have posted a page entitled Requests to Suppliers on our website that outlines suppliers' responsibilities in regard to the environment, human rights, labor, compliance, and other matters.

### Requests to Suppliers

1. Comply with all applicable laws and regulations. (human rights, labor, safety and health, etc.)
2. Contribute to the growth of society as a "good corporate citizen."
3. Promote fair, honest and highly transparent business, along with the implementation of corporate ethics by prohibiting the activity against corporate social responsibility such as abuse of dominant position and eliminating antisocial forces.
4. Construct a production system considering environmental conservation by observing Canon Green Procurement Standards and promoting the activity to reduce CO<sub>2</sub> emissions, etc.
5. Secure the personal and customer information, and strictly manage the information obtained through business.
6. Promote persistent improvement in order to maintain a strong financial standing for continuous business and a high level in terms of quality, cost, delivery and technical aspects

### Online Surveys for Existing Suppliers

Canon conducts online surveys of suppliers that provide production materials and production related items to Canon as part of its thorough approach to supply chain management. The results of these surveys are used in supplier evaluations. Online surveys are conducted regularly once every year to monitor a wide range of social and environmental measures employed by suppliers.

To match rising stakeholder interest in human rights and labor observed in recent years, survey items about these issues have been established based on International Labour Organization (ILO) standards and guidance from the Electronic Industry Citizenship Coalition (EICC). The survey is used to check whether a supplier pays due consideration to human rights and labor issues such as forced labor that includes child labor and human

trafficking, discrimination, minimum wage, work hours and labor union activities.

Canon also requires that its suppliers urge their own upstream suppliers (tier two suppliers for Canon) to do the same.

### Main Items Surveyed

- Financial condition
- Business continuity management (BCM) in case of an emergency
- Environmental-conservation activities
- Compliance with conflict minerals issues
- Corporate ethics (legal compliance, product safety, management of confidential information, human rights, labor, occupational health and safety, and intellectual property rights protection)

### Supplier Evaluations Incorporating Social and Environmental Perspectives

Before initiating transactions with a new supplier, Canon assesses whether it satisfies the company's independent criteria with respect to such areas as financial position, management systems (quality/cost/delivery; manufacturing), and global environmental protection. Only those suppliers who fulfill the criteria are registered on the supplier list. In the environmental field in particular, satisfying Canon Green Procurement Standards is a condition for doing business, ensuring that green procurement of the parts and materials used in our products is practiced.

Suppliers already on the list are also subject to regular evaluations. These evaluations are comprehensive in nature, based on the results of online surveys and business track record. The results are reflected on our Supplier List, with highly ranked suppliers receiving preferential selection. And, we offer suggestions for improvement and training to suppliers with low scores.

Starting in 2016, we plan to add corporate ethics to the evaluation of existing suppliers, looking at such subjects as human rights, labor, and occupational safety and health, and also to incorporate the perspective of tier two supplier management.

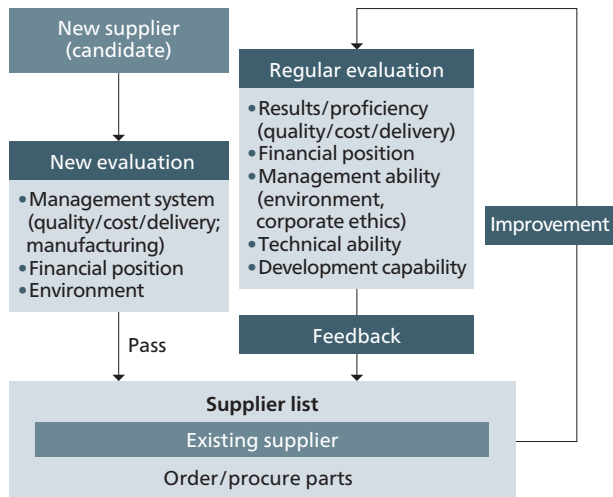
#### Reference: How to become a supplier

<http://www.canon.com/procurement/procedure.html>

#### Reference: Green Procurement

<http://www.canon.com/procurement/green.html>

## Supplier Evaluation Flow



## Addressing the Issue of Conflict Minerals

Seeking to ensure that customers can use Canon products with peace of mind, the Canon Group addresses the issue of conflict minerals.

Specifically, Canon has been conducting full-scale investigations targeting products produced at manufacturing bases across the entire Canon Group.

As of February 29, 2016, there was nothing to clearly suggest that the Canon Group's purchasing of parts and materials contributed to funding armed groups in conflict regions as defined by U.S. legislation within the scope of responses it received.

Canon Inc., a U.S. listed company, files a report at the end of May every year regarding the Company's status on this issue with the U.S. Securities and Exchange Commission.

In 2016, Canon received an audit of this report from a third party. This report is also made available on Canon's website.

In 2015, Canon joined the Conflict Free Sourcing Initiative (CFSI), an international program that plays the leading role in response to the conflict minerals, and continues to support industry activities.

## Partnership with Suppliers

Canon holds regular briefings for suppliers at its operational sites and Group manufacturing companies to gain their understanding of the company's business plans and procurement policies. Communicating in this way allows us to share information with suppliers, strengthen cooperation and grow our businesses together.



Improving communication and strengthening ties with suppliers

# Intellectual Property Management

## Canon's Intellectual Property Approach

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins the company's belief that the achievements of R&D activities are products and intellectual property (IP). At Canon, the purpose of IP activities is to support business development. Accordingly, we promote effective utilization of intellectual property rights in all aspects of business, including entry into new business areas, business diversification, and global expansion of production and marketing operations.

### Basic Policy of Canon IP Activities

- IP activities are vital to support business operations.
- The fruits of R&D are products and IPRs.
- Other parties' IPRs should be respected and attended properly.

## Respecting Intellectual Property Rights

Canon takes a thorough and persistent approach against counterfeits and intellectual property infringements. At the same time, clear rules have been established to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others.

More specifically, thorough investigations of third-party patents are conducted to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

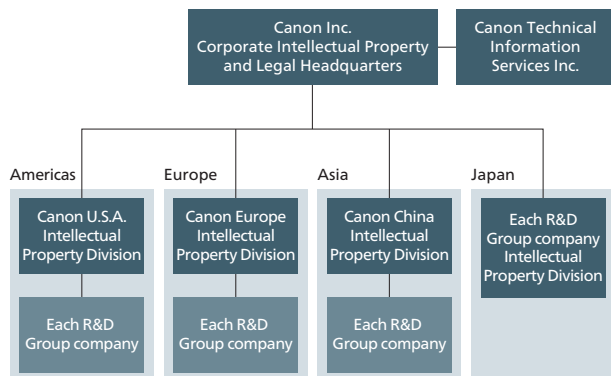
By conducting thorough investigations of third-party patents, Canon smoothly and appropriately enters into partnerships with other companies and outside research institutions for cross-licensing or joint research projects. This makes it possible for Canon to achieve greater results than it could attain by using only its own patents.

## Intellectual Property Management System

To carry out Canon's business activities consistent with its intellectual property strategy, intellectual property rights management has been centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. The intellectual property rights of the entire Group are managed from the standpoint of optimizing the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting merits for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

### Intellectual Property Management Structure



### Group Company Management Structure

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the intellectual property divisions at each Group company, along with the formulation process for policies on other shared activities and issues are determined by Canon's management rules.

Moreover, persons in charge at the Corporate Intellectual Property and Legal Headquarters have been posted to or sent to visit Group companies to bolster global intellectual property activities and develop human resources.



## Patent Application Status

Canon emphasizes patent applications on a global basis, and as of the end of 2015, Canon possessed approximately 92,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess the countries/regions where patents are necessary. Filing of patent applications in the United States in particular has been emphasized, as the United States has many high-tech companies and a large consumer market. As a result, patent registration has increased in recent years; in 2015, Canon obtained over 4,000 US patents for the second consecutive year. Canon has been the patent leader among Japanese companies for 11 straight years.

### Top 5 Companies Acquiring U.S. Patents in 2015

Rank	Company	Number of patents
1	IBM Corporation	7,309
2	Samsung Electronics Co., Ltd.	5,059
3	Canon Inc.	4,127
4	Qualcomm Inc.	2,900
5	Google Inc.	2,835

**Note:** Data published in April 2016 by the U.S. Department of Commerce

## Working with Governments and Other Companies

### Cooperating with Intellectual Property Policies

In order to strengthen international competitiveness through the use of intellectual properties, the creation of a Japan-wide IP strategy is absolutely imperative. Having served in a variety of roles relating to intellectual property in Japan, Canon has advanced a variety of proposals to Japan's Patent Office and other government agencies.

Currently, the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters serves as a member of the Evaluation, Planning and Verification Committee of the Government's Intellectual

Property Strategy Headquarters, while the Advisor acts as a Managing Director of the Japan Intellectual Property Association, where they both actively engage in lobbying IP policy in Japan.

The Group Executive also serves as the Chairman of the International Association for the Protection of Intellectual Property Japan. In this capacity he is able to proactively exchange views with the World Intellectual Property Organization (WIPO) and Commissioners of Patents in the United States, China, South Korea and Europe, thus allowing him to lobby international IP policy.

### Mitigating Patent Litigation Risk through Collaboration with Other Companies

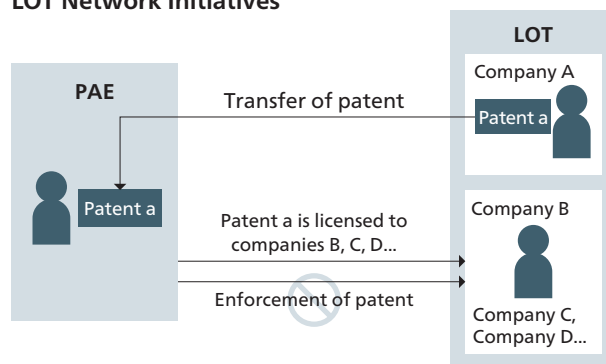
In recent years, due to the sudden increase in the number of patents, there has been a sharp increase in patent lawsuits initiated by Patent Assertion Entities (PAE). PAE have no actual business operations and instead attempt to receive large settlements from operating companies. Two-thirds of the more than 6,000 patent lawsuits in the United States are initiated by PAE.

To curb lawsuits by PAE, in 2014, Canon established License on Transfer Network (LOT Network) together with Google, SAP, Dropbox, Asana, Newegg and Red Hat.

Whenever a LOT Network member company sells a patent to a third party outside LOT Network, the license for that patent is granted to other member companies without requiring any compensation. This reduces litigation risk from PAE.

As of January 2016, the number of member companies stood at 53, with ownership of more than 360,000 patent assets.

### LOT Network Initiatives



Attempt by private-sector companies to work together to combat PAE

# Brand Management

## Brand Management

Every employee at Canon understands that the Canon brand is the symbol of Canon's commitment to its customers, and that they have a responsibility to fulfill the following mission:

- As a manufacturer, to deliver high-quality, convenient products that provide customer satisfaction and are a pleasure to use.
- As a marketing company, to provide optimal solutions and services that meet customer needs.
- As a corporation, to gain the confidence and trust of society.

Proper brand management is vital to ensure that customers and society are not adversely affected by unauthorized use of trademarks within the Group and improper use of Canon's corporate logos by third parties.

Therefore, Canon established the Brand Management Committee as a deliberative body charged with establishing rules for raising the value of the Canon brand and resolving conflicts. The Brand Management Division was established to serve as the secretariat for the committee and is comprised of relevant persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

## 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 raise the value of the Canon brand through the trust of customers and society.

Canon plans on making fundamental changes to these rules by 2016 based on the current climate as well as feedback concerning its brand received from inside and outside the Group. Based on these plans, in 2015 we made revisions to brand-related rules on the handling of tradenames, trademarks, and domain names, as well as the Canon logo.

## Promoting Awareness of the Canon Brand

Canon carries out brand education programs across all Group companies in the regions where it operates to

ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand." For example, at Canon Inc. we incorporate brand education into the rank-based training curriculum and also strive to raise awareness utilizing the company's intranet system.

An increasing number of companies have been joining the Group in recent years through M&A, making it important for everyone within the Group to share the same culture and goal awareness. In light of this situation, we are focusing on internal branding so as to increase Group vitality through a shared recognition of the Canon brand. In 2015, we created an English-language version of the brand contents on our intranet system to foster even greater understanding within the Canon Group globally.

## Measures to Tackle Counterfeiting

Counterfeit products cannot be overlooked as they not only damage the brand, but may also lead to economic losses arising from malfunctions and inferior quality and, in the worst case, cause injury to or endanger the lives of customers who trust the Canon brand. Accordingly, we are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while cooperating with customs authorities to stop their importation.

We work with customs authorities on various initiatives, including dispatching employees to serve as lecturers for authenticity seminars for customs officers and for training programs to combat counterfeit products hosted by customs authorities. In recent years, given the sharp increase in the volume of counterfeit products on e-commerce websites, Canon is also actively working to create mechanisms for eliminating such counterfeit products from the Internet.



Seminar for customs officers

# Stakeholder Engagement

## Basic Approach

Under its corporate philosophy of *kyosei*, Canon aspires to be a truly excellent global company that is admired and respected by all stakeholders. We know that in order to achieve this, it is important for us to share our beliefs with customers, shareholders, investors, suppliers, employees, and other stakeholders, and to deepen mutual understanding by listening intently to feedback from stakeholders.

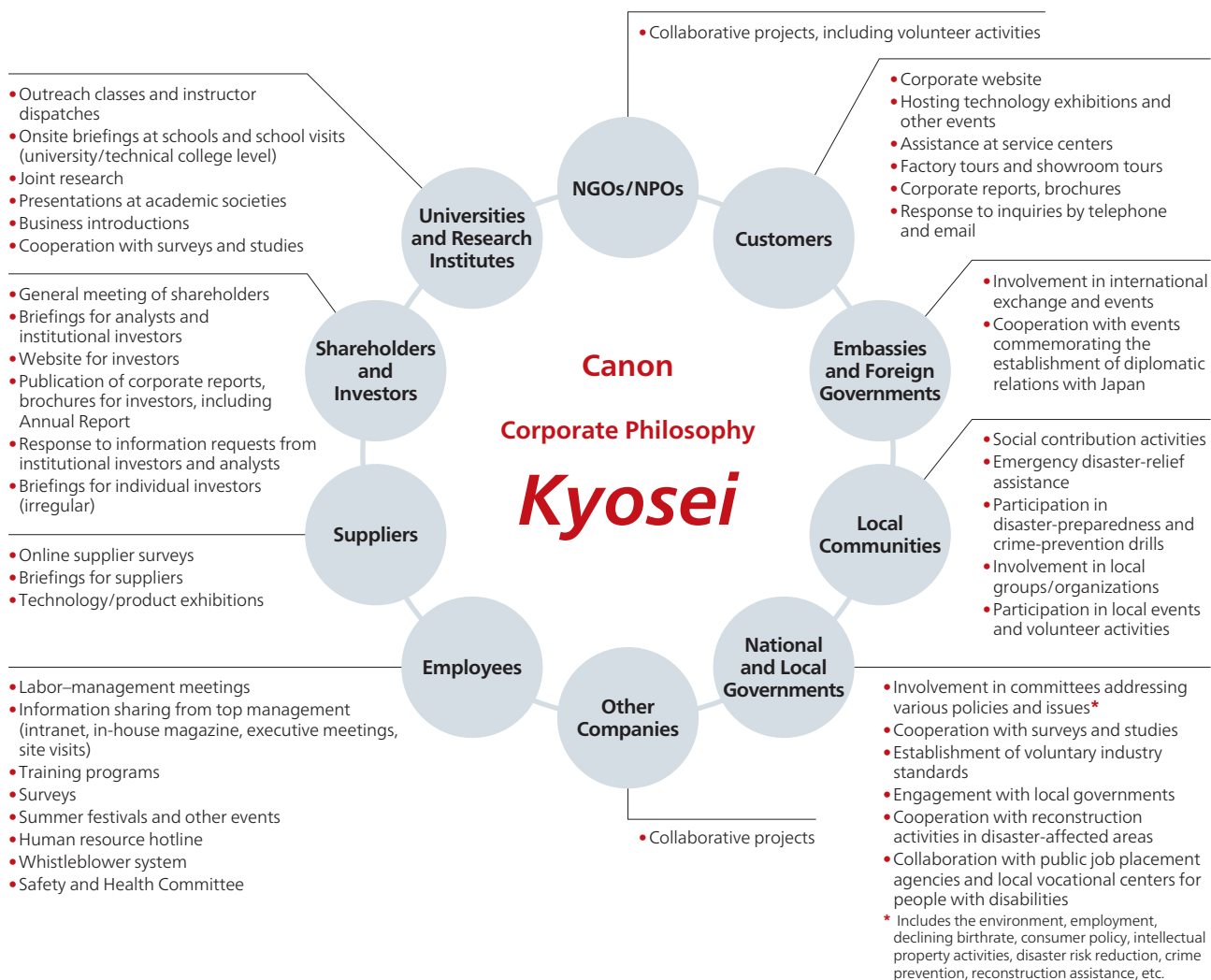
Following this understanding, Canon is committed to closely engaging stakeholders through the departments placed in charge at Group companies around the world. The opinions and issues brought up through such

engagement are carefully and appropriately managed in line with the needs of each location and market. Matters that impact Canon globally are shared across the entire Canon Group, and we work together to find solutions.

Additionally, we hosted Canon EXPO 2015 in Tokyo, New York, Paris, and other major cities. This is a private event held once every five years. Various stakeholders are invited to attend a presentation by our Chairman and CEO to learn about Canon's latest technologies, products and services.

Going forward, Canon will continue to provide various opportunities for engagement with its stakeholders in an effort to realize a better tomorrow for all.

## Canon's Main Methods of Engagement with Stakeholders



# GRI Guideline Implementation

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines.

## General Standard Disclosures

Index		Data
<b>Strategy and Analysis</b>		
G4-1	a. Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	pp. 3-4
G4-2	a. Provide a description of key impacts, risks, and opportunities.	pp. 3-4, pp. 11-16, pp. 19-26, p. 30, pp. 36-37, p. 74, p. 94, p. 102
<b>Organizational Profile</b>		
G4-3	a. Report the name of the organization.	p. 142
G4-4	a. Report the primary brands, products, and services.	p. 141, Canon Fact Book
G4-5	a. Report the location of the organization's headquarters.	p. 142
G4-6	a. Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Canon Fact Book
G4-7	a. Report the nature of ownership and legal form.	p. 142
G4-8	a. Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	p. 141, Canon Fact Book
G4-9	a. Report the scale of the organization.	p. 34, p. 141, Canon Fact Book
G4-10	a. Report the total number of employees by employment contract and gender.	p. 92
	b. Report the total number of permanent employees by employment type and gender.	
	c. Report the total workforce by employees and supervised workers and by gender.	
	d. Report the total workforce by region and gender.	
	e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors.	
	f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	
G4-11	a. Report the percentage of total employees covered by collective bargaining agreements.	p. 78
G4-12	a. Describe the organization's supply chain.	pp. 44-45, pp. 124-126
G4-13	a. Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	-
<b>Commitments to External Initiatives</b>		
G4-14	a. Report whether and how the precautionary approach or principle is addressed by the organization.	pp. 42-47
G4-15	a. List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	pp. 49-50, p. 60, p. 106, pp. 125-126
G4-16	a. List memberships of associations (such as industry associations) and national or international advocacy organizations.	p. 126, p. 128
<b>Identified Material Aspects and Boundaries</b>		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents.	Canon Fact Book
	b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries.	p. 2, p. 6, pp. 36-37, p. 142
	b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	
G4-19	a. List all the material Aspects identified in the process for defining report content.	pp. 6-8, p. 36
G4-20	a. For each material Aspect, report the Aspect Boundary within the organization.	p. 72, p. 142
G4-21	a. For each material Aspect, report the Aspect Boundary outside the organization.	pp. 36-45, pp. 47-50, p. 53, p. 57, pp. 59-60, pp. 63-66, pp. 95-100, pp. 109-112, pp. 123-126, pp. 128-130
G4-22	a. Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	p. 142
G4-23	a. Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	-
<b>Stakeholder Engagement</b>		
G4-24	a. Provide a list of stakeholder groups engaged by the organization.	p. 6, p. 130, p. 136
G4-25	a. Report the basis for identification and selection of stakeholders with whom to engage.	-
G4-26	a. Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	p. 6, p. 130, pp. 137-138
G4-27	a. Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	p. 6, pp. 136-138
<b>Report Profile</b>		
G4-28	a. Reporting period (such as fiscal or calendar year) for information provided.	p. 142
G4-29	a. Date of most recent previous report (if any).	p. 142
G4-30	a. Reporting cycle (such as annual, biennial).	p. 2
G4-31	a. Provide the contact point for questions regarding the report or its contents.	p. 2
<b>GRI Content Index</b>		
G4-32	a. Report the 'in accordance' option the organization has chosen.	p. 2, pp. 131-135, p. 142
	b. Report the GRI Content Index for the chosen option (see tables below).	
	c. Report the reference to the External Assurance Report, if the report has been externally assured. (GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.)	

Index		Data
<b>Assurance</b>		
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report.	pp. 139-140
	b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided.	
	c. Report the relationship between the organization and the assurance providers.	
	d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	
<b>Governance</b>		
<b>Governance Structure and Composition</b>		
G4-34	a. Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	p. 5, pp. 42-43, pp. 114-115, p. 118
G4-35	a. Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	p. 5, pp. 42-43, pp. 114-115, p. 118
G4-36	a. Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	p. 5, pp. 42-43, pp. 114-115, p. 118
G4-37	a. Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	p. 5, pp. 42-43, p. 114-115, p. 118
G4-38	a. Report the composition of the highest governance body and its committees.	pp. 114-115, Canon Annual Report, An Overview of Corporate Governance at Canon Inc.
G4-39	a. Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	pp. 114-115
G4-40	a. Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	pp. 114-116
G4-41	a. Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	pp. 114-117
<b>Highest Governance Body's Role in Setting Purpose, Values, and Strategy</b>		
G4-42	a. Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	pp. 42-43, pp. 114-115, p. 118
<b>Highest Governance Body's Competencies and Performance Evaluation</b>		
G4-43	a. Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	pp. 114-115
G4-44	a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	-
	b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	-
<b>Highest Governance Body's Role in Risk Management</b>		
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	p. 118
	b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	
G4-46	a. Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	p. 118
G4-47	a. Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	p. 118
<b>Highest Governance Body's Role in Sustainability Reporting</b>		
G4-48	a. Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	pp. 5-6
<b>Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance</b>		
G4-49	a. Report the process for communicating critical concerns to the highest governance body.	p. 118
G4-50	a. Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	-
<b>Remuneration and Incentives</b>		
G4-51	a. Report the remuneration policies for the highest governance body and senior executives.	p. 117
	b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	
G4-52	a. Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	p. 117
G4-53	a. Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	p. 117
G4-54	a. Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-
G4-55	a. Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-

# GRI Guideline Implementation

Index		Data
<b>Ethics and Integrity</b>		
G4-56	a. Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	p. 1, p. 119
G4-57	a. Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	pp. 115-117
G4-58	a. Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	p. 120

## Specific Standard Disclosures

Index		Data
<b>Economic</b>		
<b>Economic Performance</b>		
G4-EC1	Direct economic value generated and distributed	p. 34, p. 95, p. 97
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	pp. 36-37
G4-EC3	Coverage of the organization's defined benefit plan obligations	p. 76, FORM 20-F
G4-EC4	Financial assistance received from government	-
<b>Market Presence</b>		
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	p. 31
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation	-
<b>Indirect Economic Impacts</b>		
G4-EC7	Development and impact of infrastructure investments and services supported	pp. 32-33
G4-EC8	Significant indirect economic impacts, including the extent of impacts	pp. 32-33
<b>Procurement Practices</b>		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	-
<b>Environmental</b>		
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material.	pp. 36-37
	b. Report how the organization manages the material Aspect or its impacts.	
	c. Report the evaluation of the management approach.	
<b>Materials</b>		
G4-EN1	Materials used by weight or volume	p. 39
G4-EN2	Percentage of materials used that are recycled input materials	p. 39
<b>Energy</b>		
G4-EN3	Energy consumption within the organization	p. 39, p. 69
G4-EN4	Energy consumption outside of the organization	p. 39
G4-EN5	Energy intensity	p. 38
G4-EN6	Reduction of energy consumption	p. 38, p. 68
G4-EN7	Reductions in energy requirements of products and services	p. 48, p. 68
<b>Water</b>		
G4-EN8	Total water withdrawal by source	p. 54, p. 70
G4-EN9	Water sources significantly affected by withdrawal of water	p. 54
G4-EN10	Percentage and total volume of water recycled and reused	p. 70
<b>Biodiversity</b>		
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	pp. 25-26, p. 63, p. 65
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	p. 25, p. 64
G4-EN13	Habitats protected or restored	pp. 63-66
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	p. 65
<b>Emissions</b>		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	pp. 39-40, p. 50, p. 68
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	pp. 39-40, p. 50, p. 68
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	pp. 39-40, p. 51
G4-EN18	Greenhouse gas (GHG) emissions intensity	p. 40, p. 50
G4-EN19	Reduction of greenhouse gas (GHG) emissions	p. 40, pp. 48-52
G4-EN20	Emissions of ozone-depleting substances (ODS)	p. 71
G4-EN21	NOx, SOx, and other significant air emissions	p. 39, p. 61, pp. 70-71
<b>Effluents and Waste</b>		
G4-EN22	Total water discharge by quality and destination	p. 39, pp. 53-54, p. 70
G4-EN23	Total weight of waste by type and disposal method	p. 39, p. 54, p. 69
G4-EN24	Total number and volume of significant spills	pp. 61-62

Index		Data
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	p. 62
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	p. 54
<b>Products and Services</b>		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	pp. 48-49, p. 68
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	p. 39, pp. 55-59
<b>Compliance</b>		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	p. 39
<b>Transport</b>		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	pp. 39-40, pp. 51-52
<b>Overall</b>		
G4-EN31	Total environmental protection expenditures and investments by type	p. 68
<b>Supplier Environmental Assessment</b>		
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	p. 44, pp. 125-126
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	pp. 44-45
<b>Environmental Grievance Mechanisms</b>		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	p. 39
<b>Social: Labor practices and decent work</b>		
<b>Employment</b>		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	p. 92
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	pp. 76-78
G4-LA3	Return to work and retention rates after parental leave, by gender	p. 77
<b>Labor/Management Relations</b>		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	p. 78
<b>Occupational Health and Safety</b>		
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	p. 78
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	p. 87
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	p. 87
G4-LA8	Health and safety topics covered in formal agreements with trade unions	p. 86
<b>Training and Education</b>		
G4-LA9	Average hours of training per year per employee by gender, and by employee category	-
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	pp. 81-85
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	p. 82
<b>Diversity and Equal Opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	p. 31, p. 92, pp. 114-115
<b>Equal Remuneration for Women and Men</b>		
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	p. 92
<b>Supplier Assessment for Labor Practices</b>		
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	pp. 124-126
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	-
<b>Labor Practices Grievance Mechanisms</b>		
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	-
<b>Social: Human Rights</b>		
<b>Investment</b>		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	pp. 90-91
<b>Non-discrimination</b>		
G4-HR3	Total number of incidents of discrimination and corrective actions taken	pp. 90-91
<b>Freedom of Association and Collective Bargaining</b>		
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	p. 91
<b>Child Labor</b>		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	p. 91

# GRI Guideline Implementation

Index		Data
<b>Forced or Compulsory Labor</b>		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	p. 91
<b>Security Practices</b>		
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations	-
<b>Indigenous Rights</b>		
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	-
<b>Assessment</b>		
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	pp. 90-91
<b>Supplier Human Rights Assessment</b>		
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	pp. 124-126
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-
<b>Human Rights Grievance Mechanisms</b>		
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	-
<b>Social: Society</b>		
<b>Local Communities</b>		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	pp. 32-33, pp. 63-66, pp. 95-100
G4-SO2	Operations with significant actual or potential negative impacts on local communities	-
<b>Anti-corruption</b>		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	-
G4-SO4	Communication and training on anti-corruption policies and procedures	p. 120
G4-SO5	Confirmed incidents of corruption and actions taken	-
<b>Public Policy</b>		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	-
<b>Anti-competitive Behavior</b>		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	-
<b>Compliance</b>		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	-
<b>Supplier Assessment for Impacts on Society</b>		
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	p. 44, pp. 124-126
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	-
<b>Grievance Mechanisms for Impacts on Society</b>		
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	-
<b>Social: Product Responsibility</b>		
<b>Customer Health and Safety</b>		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	pp. 105-109
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	p. 110
<b>Product and Service Labeling</b>		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	p. 44, p. 67, pp. 109-110
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	-
G4-PR5	Results of surveys measuring customer satisfaction	-
<b>Marketing Communications</b>		
G4-PR6	Sale of banned or disputed products	-
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	-
<b>Customer Privacy</b>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	-
<b>Compliance</b>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-

## Reference:

**FORM 20-F** <http://www.canon.com/ir/library/form20f.html>

**Canon Fact Book** <http://www.canon.com/corporate/pdf.html>

**An Overview of Corporate Governance at Canon Inc.** <http://www.canon.com/ir/library/governance.html>

**Canon Annual Report** <http://www.canon.com/ir/annual/index.html>



## Third-Party-Opinion



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**Dr. Justus von Geibler**

Global agreement about key global sustainability challenges and their importance continues to strengthen. This is exemplified in the Sustainable Development Goals (SDGs) as agreed upon by the United Nations in September 2015; as well as in the Agreement secured at the Paris Climate Conference in December 2015, which saw 195 countries and the European Union adopting a legally binding global climate agreement. As a result, there is a growing expectation that Canon and other global companies will take on the responsibility to help develop appropriate responses to the identified challenges and to contribute to the achievement of the goals set out for sustainable development. Corporate sustainability reporting therefore becomes increasingly important, particularly with a view to demonstrating individual companies' contribution towards the achievement of sustainability goals.

With this in mind and drawing on widely accepted criteria for assessing the quality of sustainability reports, my overall judgement of Canon's 2016 report is a very positive one. Having been involved not only in discussing the structure of the report and the selection of themes to be covered, but also in undertaking an independent review of the draft report itself, I see two particularly meaningful achievements in Canon's sustainability report compared to previous reports.

Firstly, the report presents considerably more information on how Canon is responding to societal concerns. Enhanced information about the context that Canon operates within enables the reader to better understand the relevance of specific themes and strategic approaches for the company. Contextual information about Canon's diversification strategy is, for instance, provided in the Message from Management (see page 3 and 4) or in the sub-section "Issues and Approach" (see pages 11-25). Furthermore, the new phase of Canon's

medium- to long-term management plan for 2016 to 2020 is presented as additional contextual information, including the key strategies and the economic goals set out for the business (see page 7 and 8). I very much commend Canon's presentation of both social and environmental issues as drivers for achieving those economic goals, particularly seeing that many environmental and social challenges (e.g. as illustrated in the SDGs) also represent considerable business opportunities. In the future, it would be beneficial to further integrate social and environmental goals in Canon's medium- to long-term management plan in order to better highlight the importance of non-financial goals for Canon and its stakeholders.

Secondly, changes in the structure of the report have been made in order to achieve better alignment with the recent update of the Global Reporting Initiative standard. The result is a much clearer structure and an improved overall balance of the report. In this way, the choices made regarding the content for the 2016 report are made even more transparent. Regarding environmental aspects, Canon presents its perspective on the relative significance of different issues in a materiality matrix, based on a detailed analysis involving stakeholders, data from life cycle assessments and its own assessments. I would like to see future reports reflect more clearly the social and economic factors and their impacts on the environment. From my point of view there is potential to further strengthen Canon's response to certain stakeholder concerns, by including, for instance, the opportunities of high-quality imaging to bring nature and environmental issues more powerfully to people.

It is crucial for a sustainable company to fully understand how it can create and maintain a significant positive impact in areas that are critical and relevant for both society and the planet. Based on its sustained achievements in terms of sustainability reporting, my impression is that Canon has what it takes to achieve this, and the prospects have never been better.

### About the Third-Party Review Process

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

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

### Basis for the Commentator's Opinions

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For the eighth year running, Canon has welcomed external comment based on a portion of the Global Reporting Initiative Sustainability Reporting Guidelines, namely four Reporting Principles relating to Defining Report Content:

- **Materiality.** Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness.** Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context.** Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness.** Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

Using these principles as a guideline, Dr. von Geibler was asked to assess the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2016
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Judy Kuszewski provided advice and support to Canon by defining terms of reference for the third-party opinions, facilitating relationships with the commentator and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Judy Kuszewski nor the external commentator functions as an assurance provider, but as well-informed, independent sustainability professionals with an interest in engaging with Canon and supporting the transparency and accountability of its reporting.

**What Canon and the Commentator Discussed**

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

The main topics of discussion included the following, with Canon participants’ responses and views shown alongside:

Topics	Third-party comment	Canon views
Linkages between activities, impacts and risks	A more explicit consideration of the linkages between various environmental, economic and social issues and impacts related to Canon’s operations is advisable.	General linkages can be seen in the Materiality section, but not throughout the report due to its structure. Canon will take account of this in future.
Continuity of ideas from previous reports	While the materiality topics are essential for the report, it is still desirable to see how continuity of Canon’s commitments and processes has been maintained over time.	Canon understands consistency of disclosed information over a multi-year period. Canon posts various environmental data on the website when the space of the stand-alone report is limited.
Stakeholders’ views on Canon’s most important impacts	The views of stakeholders form an important part of Canon’s materiality process. Canon is advised to consider how it might respond to certain stakeholder concerns, such as education, awareness or biodiversity in light of Canon’s business.	In response to the results of the stakeholder surveys, Canon started using lifecycle analysis data to measure environmental impacts on Canon’s business operations. The company tries to reflect stakeholder’s concerns from multiple viewpoints.
Clear prioritization of issues in the materiality process	Regarding environmental aspects, Canon has clearly indicated its views on the relative significance of issues in its materiality matrix, and has identified these issues with specificity.	Canon is most focused on the environmental aspects this year, and should be able to reflect better in the future on social and economic factors and their impacts on the environment.

Dr. von Geibler’s full statement can be seen at “Third-Party Opinions.”

**About the Facilitator**

Judy Kuszewski is a specialist consultant in the field of corporate responsibility, and is a director of IWJK Limited. Her career spans over 20 years, including senior roles with

Ceres, the Global Reporting Initiative, and the consultancy SustainAbility. For more information, please visit [www.shinesustainability.com](http://www.shinesustainability.com)



## Assurance Statement

### Terms of engagement

This Assurance Statement has been prepared for CANON INC.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by CANON INC. (30-2 Shimomaruko 3-Chome, Ota-ku, Tokyo 146-8501, Japan) to assure CANON Group's greenhouse gas (GHG) inventory for the calendar year 2015, that is, 01 January to 31 December 2015 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions (Scope 1<sup>1</sup>), energy indirect GHG emissions (Scope 2<sup>1</sup>) and other indirect GHG emissions (Scope 3 – Categories<sup>2</sup> 1, 4 and 11).

### Management responsibility

CANON INC.'s management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with CANON INC.

Ultimately, the Report has been approved by, and remains the responsibility of CANON INC.

### LRQA's approach

Our verification has been conducted in accordance with ISO 14064–3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG data as presented in the Report have been prepared for conformance with ISO 14064–1:2006 *Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals*.

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- Conducted site visits to CANON INC.'s head office in Tokyo, Nagahama Canon Inc. in Shiga Prefecture, and Canon Chemicals Inc. in Ibaraki Prefecture, Japan;
- Interviewed key personnel responsible for the management of GHG emissions data and information and for the preparation of the Report at the above sites;
- Reviewed processes for the management of GHG emissions data and information included in the Report;
- Verified GHG emissions data and information at an aggregated level made available at the head office and back to the original sources at the above sites visited.

### Level of assurance & materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at the professional judgment of the Verifier.

<sup>1</sup> Scope 1 and 2 emissions are as defined in The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.

<sup>2</sup> The categories of Scope 3 emissions are as defined in the Greenhouse Gas Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Table 5.3.

**LRQA's opinion**

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total direct GHG emissions and energy indirect GHG emissions and other indirect GHG emissions as presented in the Report summarized in Table 1 below are not materially correct and the Report has not been prepared for conformance with ISO 14064-1:2006.

**LRQA's recommendations**

CANON INC. should:

- Continuous integration of the QA/QC system for data management with internal self-verification controls at both at the corporate and member company levels.

Signed



Takahiro Iio, Lead Verifier

On behalf of Lloyd's Register Quality Assurance Limited  
Japan Business Centre, Queen's Tower A10<sup>th</sup> Floor, 2-3-1 Minatomirai  
Nishi-ku, Yokohama 220-6010, Japan

Dated: 14 April, 2016

LRQA Reference No: YKA4005113

**Table 1. Summary of CANON Group's GHG Inventory 2015**

Scope	Tonnes CO <sub>2</sub> e
Direct GHG emissions (Scope 1)	169,974
Energy indirect GHG emissions (Scope 2)	1,053,222
Other indirect GHG emissions (Scope 3)	5,088,877
<b>Total GHG Emissions</b>	<b>6,312,073</b>

This Assurance Statement is subject to the provisions of this Legal Section:

This Assurance Statement is only valid when published with the Report to which it refers. It may only be reproduced in its entirety.

Lloyd's Register Group Limited, its affiliates and subsidiaries, including Lloyd's Register Quality Assurance Ltd., and their respective officers, employees or agents are, individually and collectively, referred to in this Legal Section as 'Lloyd's Register'. Lloyd's Register assumes no responsibility and shall not be liable to any person for any loss, damage or expense caused by reliance on the information or advice in this document or howsoever provided, unless that person has signed a contract with the relevant Lloyd's Register entity for the provision of this information or advice and in that case any responsibility or liability is exclusively on the terms and conditions set out in that contract.

Due to inherent limitations in any internal control, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the verification was not designed to detect all weakness or errors in internal controls so far as they relate to the requirements set out above as the verification has not been performed continuously throughout the period and the verification carried out on the relevant internal controls were on a test basis. Any projection of the evaluation of control to future periods is subject to the risk that the processes may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

The English version of this Assurance Statement is the only valid version. Lloyd's Register assumes no responsibility for versions translated into other languages.

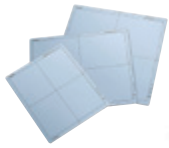
In the case of any conflict between the English and Japanese versions of this Legal Section, the English version shall prevail.

Sales Ratio per Segment and Main Products

Industry and Others Business Unit

524.7 billion yen  
13.8%

- Semiconductor lithography equipment
- Flat panel display (FPD) lithography equipment
- Digital radiography systems
- Ophthalmic equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment
- Die bonders
- Micromotors
- Network cameras
- Handy terminals
- Document scanners



Digital radiography systems



Semiconductor lithography equipment

Imaging System Business Unit

1,263.8 billion yen  
33.3%

- Interchangeable lens digital cameras
- Digital compact cameras
- Digital camcorders
- Digital cinema cameras
- Interchangeable lenses
- Compact photo printers

Office Business Unit

2,110.8 billion yen  
55.5%

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



Laser printers



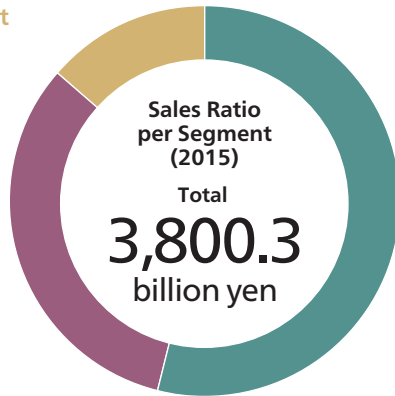
Office multifunction devices



Interchangeable lens digital cameras



Inkjet printers



Note: Sales ratios do not add up to 100% due to eliminations between segments of 2.6% (99 billion yen).

Net Sales and Number of Employees by Region

Europe

1,074.4 billion yen  
28.3%

Americas

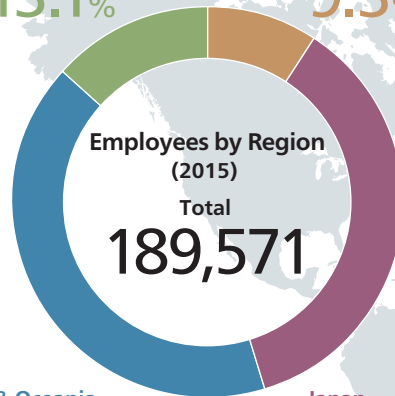
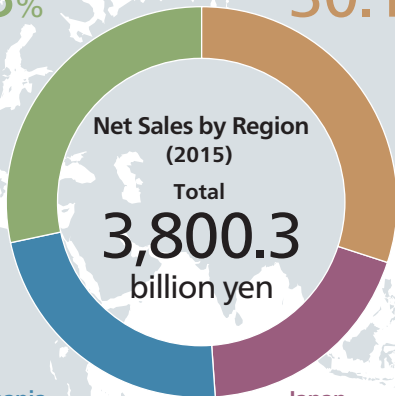
1,144.4 billion yen  
30.1%

Europe

24,826  
13.1%

Americas

17,635  
9.3%



Asia & Oceania

867.2 billion yen  
22.8%

Japan

714.3 billion yen  
18.8%

Asia & Oceania

78,785  
41.6%

Japan

68,325  
36.0%

## Company Overview

<b>Company name:</b>	Canon Inc.
<b>Established:</b>	August 10, 1937
<b>Headquarters:</b>	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan
<b>Chairman &amp; CEO:</b>	Fujio Mitarai
<b>Common stock:</b>	¥174,762 million
<b>Group companies:</b>	317 consolidated subsidiaries 5 equity-method affiliates

**Note:** Figures for common stock and Group companies are as of December 31, 2015.

## Credit Rating by Key Agencies

(As of December 31, 2015)

Recognized for its solid financial standing and consistent ability to generate cash flow, Canon Inc. is rated among the highest of any Japanese corporation— even higher than Japanese government bonds.

Credit Rating Agencies	Long Term	Short Term
Standard & Poor's	AA	A-1+
Moody's	Aa1	–
Rating and Investment Information, Inc.	AA+	–

## About This Report

### Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2015 (January 1 to December 31, 2015). The scope of Canon's environmental activities is not limited to development, production and sales operations at operational sites, but covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product usage by customers. Supplemental information on important targets, indicators and initiatives prior to and beyond 2015 is referenced in this report. Information that is specific to a region or organization is indicated as such.

### Date of Publication

July 2016 (previous: July 2015, next planned: July 2017)

### Reference Guidelines

This report contains information following the general standard disclosure components of the GRI Sustainability Reporting Guidelines. Additionally, the Environmental Reporting Guidelines (2012 version) from Japan's Ministry of the Environment and Environmental Accounting Guidelines (2005 version)

from Japan's Ministry of the Environment were also referenced.

### Disclosed Data

Disclosed data has been revised to reflect changes in calculation methods and the expanded scope of sites covered. Accordingly, some data in this report differ from data presented in last year's report.

### Notation

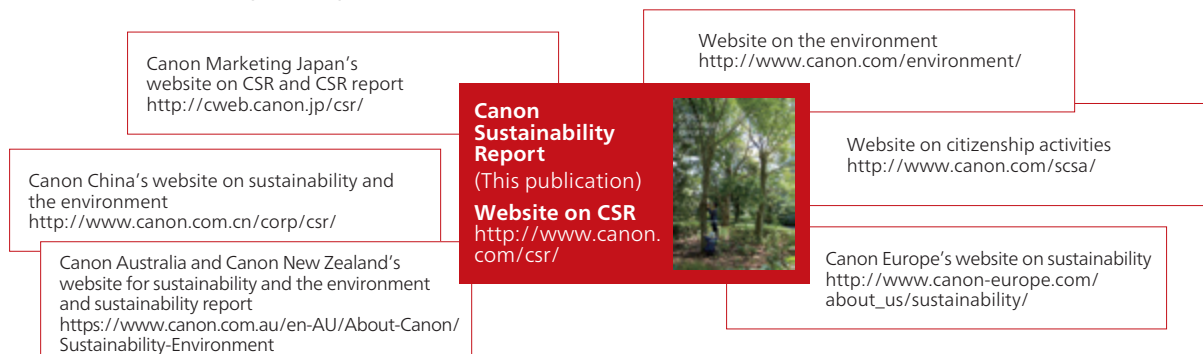
- "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.
- Employees refers to full-time employees and also includes part-time workers.

### Disclaimer

This report contains not only past and present facts about Canon, but also future forecasts based on plans, prospects, management policies and strategies as of the publication date. These future forecasts 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 our future business activities may vary from the forecasts contained herein. We ask for your understanding in this regard.

## Canon Group's System for Sharing CSR Information

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



**Canon**

**CANON INC.**

30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan

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