

Message from Management

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

Looking Back on 2016

The year 2016 represented a period when voices calling for change were heard and the negative aspects of globalization had become apparent amid the ongoing global recession. This frustration was reflected in the victory of the “leave” side of the U.K. referendum to determine its continued place in the EU, as well as in the election of Donald Trump as president of the United States. From an economic perspective, stagnation occurred in the core global economies of Japan, the United States, Europe, and China, and conditions of low growth and low inflation continued. Currency exchange rates fluctuated with the yen appreciating against both the dollar and the euro throughout the year.

This challenging business environment had a significant impact on the Company’s business performance, and both net sales and net income declined as a result. With that being said, the major reason behind this unfavorable business performance was the influence of currency exchange rates, and the Company was able to maintain high product evaluations and a competitive edge within the market. Furthermore, internally, we worked to integrate R&D, production engineering, manufacturing and procurement operations, giving rise to new wisdom and ingenuity that has helped realize cost reductions. In doing so, we were able to preserve our existing profit structure and continue to maintain a sound financial position.

Preparing for a Grand Strategic Transformation toward the Creation of New Value

In 2016, Canon embarked on Phase V of its Excellent Global Corporation Plan, which covers the five-year period from 2016 through 2020, and established “embracing the challenge of new growth through a grand strategic transformation” as the basic policy of this phase. 2016 also marked a groundbreaking year in which we established four new core businesses: commercial printing, network cameras, industrial equipment and healthcare. These new core businesses will drive future growth and have a high level of compatibility with our current business domains of cameras, multifunction devices, and printers. To fuel growth in commercial printing, we have acquired Océ, and to realize growth for our network camera business, we also welcomed Milestone Systems and Axis into the Canon Group. We are already seeing solid results from these acquisitions. In industrial equipment, we have put into place a system that allows us to demonstrate our strengths in the development of semiconductor lithography equipment that makes use of new technologies, in addition to advancing the development of organic LED (OLED) panel manufacturing equipment. We have also taken the next step for our healthcare business by welcoming Toshiba Medical Systems Corporation into the Canon Group.

Looking at the recent global situation, there has been an increased social need for safety and security in particular, due to the repeated occurrence of terrorist attacks, military conflicts and natural disasters. In addition, the field of healthcare is becoming ever more important as a result of global

population growth and aging societies. Among our new core businesses, the network camera and healthcare businesses will help address the heightened need for safety and security. Accordingly, we expect the markets for these two businesses to expand and contribute to the further growth of the Company. At the same time, we also expect that these businesses will allow us to contribute more than ever before to the resolution of social issues as well as to the realization of a better society.

Our Corporate Philosophy of *Kyosei* and Society’s Expectations

In recent years, the ethical role of corporations has increased in importance amid wide-ranging societal expectations and responsibilities. Canon adopted *kyosei* as its corporate philosophy in 1988, and since then we have worked to fulfill our responsibilities to society and build solid relationships not only with our customers and business partners, but also with countries, communities, nature and the global environment. The approach we take with our corporate philosophy harmonizes with the ideals laid out in the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015. As members of society, high expectations are being placed on corporations. Accordingly, we will contribute to society by leveraging our technological capabilities to create new value, resolve social issues and engage in activities to preserve and protect the global environment.

Protecting and Preserving the Global Environment

Canon began tackling environmental issues early on. As we believe that businesses cannot be successful unless they are in harmony with the global environment, we possess large facilities that enable us to manufacture products efficiently and make use of diverse resources.

For example, in 1997 we began engaging in green procurement, which involves the sourcing of environmentally considerate parts and materials. Additionally, since then we have focused on environmental considerations throughout the product life cycle, by recycling factory wastewater and collecting used toner cartridges, for example. We are also putting effort into biodiversity initiatives. Based on our Canon Biodiversity Policy, we work on utilization of Canon technologies and products for biodiversity conservation, consideration for biodiversity centered on operational sites, and contribution to the realization of a community rich in biodiversity. At operational sites, for instance, we engage in bird-themed ecosystem activities, as well as the greening of factory sites.

As a comprehensive environmental indicator, we have set a goal of improving CO₂ efficiency in the lifecycle of our products by 3% annually, which we have been achieving year after year. In this way, we have been promoting efforts toward our environmental vision of realizing a society that promotes both enriched lifestyles and the global environment.

Consideration for People and Society

In recent years, the concept of Environmental, Social and

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Relationship with SDGs	CSR Reporting	Management Structure	GRI Guideline Implementation	Third-Party Opinion / Assurance

Governance (ESG) criteria has been adopted as a major indicator of corporate value. In particular, the number of opportunities has risen to respond to requests from our customers to confirm how we are responding to the needs of people and society at large within our activities in the B-to-B sphere and transactions with governmental and municipal entities, which we are working to strengthen. Quality control is fundamental to our efforts to earn the trust of customers and business partners. We are also reinforcing compliance, governance and risk management, and believe in the importance of enhanced sustainability. We are making efforts to ensure respect for the basic human rights of our employees, prevent discrimination, guarantee occupational health and safety, manage working hours and encourage dialogue between employees and managers. In addition to these efforts, we are promoting working style reforms that focus on realizing a positive work-life balance, and encouraging diversity centered on the active role of female employees. Moreover, we are cooperating with our business partners within the supply chain to confirm the prohibition of child and forced labor, and assist in avoiding human rights issues in conflict areas. Additionally, we conduct social contribution activities that support the arts, culture and sports and engage in ongoing initiatives on a variety of fronts, such as humanitarian and disaster relief and educational and academic support.

Developing Human Resources that Can Respond to Change

Canon and international society as a whole are in the midst of a grand transformation. We are pursuing drastic reforms in personnel organization and establishing an environment in which

employees can display the Canon spirit—which consists of the *San-ji* (Three Selves) Spirit and an enterprising spirit—to meet the significant changes that are occurring, head on.

For example, in response to the progressing automation of production, we are carrying out new educational activities for employees who previously worked on production lines, enhancing their scope of work and thereby creating opportunities for them to get involved in such high-value operations as the development of new production equipment. Furthermore, securing human resources well-versed in IT is a necessity for our corporate activities, including development, production and sales. To this end, we are internally recruiting and promoting job transfers for employees who are willing to take on challenges in new fields.

Canon is celebrating its 80th anniversary, thanks to the support of its stakeholders. By the 2020, final year of for Phase V of Canon's Excellent Global Corporation Plan, we aim to become a company that operates on an even higher level. At the same time, we will continue our efforts to achieve the ideals of *kyosei* and the SDGs towards realizing a better society by effectively harnessing Canon's advanced technological strengths, global business deployment and diverse, specialized human resources. We will also continue in our pursuit of becoming a truly excellent global corporation that is worthy of your admiration and respect and that continue to prosper for the next 100—or even 200—years.

We look forward to your ongoing support as we continue on this journey together.

Fujio Mitarai
Chairman & CEO
Canon Inc.


