

TRANSLATION

Securities Code: 7739

NOTICE OF CONVOCATION OF
THE ORDINARY GENERAL MEETING OF
SHAREHOLDERS FOR
THE 79TH BUSINESS TERM

Canon Electronics Inc.

To Our Shareholders

We are pleased to present our notice of convocation of the Ordinary General Meeting of Shareholders for the 79th Business Term (from January 1, 2017 to December 31, 2017).

March 2018

President & CEO
Hisashi Sakamaki

The world economy in the current business term was, as a whole, showing gradual recovery, however, there were still uncertainties about the future prospect of the economies and politics in China and emerging Asian countries and the political situations in the European countries.

With respect to the Japanese economy, moderate recovery trend continued thanks to increase of corporate profits, improvement of employment situations and recovery of personal consumptions.

Under these circumstances, the Canon Electronics Group, in aiming to expand the corporate profitability, used its utmost efforts to ensure business results and improve corporate profitability by enhancing sales activities and increasing productivity throughout the company. As a result, consolidated net sales for the current business term was 83,769 million yen (up 0.6% from the previous term), consolidated ordinary profit was 9,886 million yen (up 24.2% from the previous term), profit attributable to owners of parent was 7,739 million yen (up 39.4% from the previous term), thus increase in sales and profit.

For the term-end dividend, to express gratitude to our shareholders for their continuous support, we will propose a distribution of 40 yen per share at the Ordinary General Meeting of Shareholders for the 79th Business Term. As a result, the full-year dividend amount will be 70 yen per share, which is the increase of 10 yen compared to the previous term.

In the space related field that we are working on as a new business, we are carrying out the operation of the ultra-small satellite "CE-SAT-I" which was launched and put into orbit in June 2017 successfully. We were able to take a number of ground photographs by a photographing system which are consisted of a telescope and a Canon EOS 5D Mark III camera. It enabled us to achieve a ground sampling distance of 1 m. From now on, we will accelerate our preparation for the commercialization of our space business, including the external sale of satellite bodies, photographed images and components manufactured in-house.

Although the future of the global economy is still expected to remain uncertain and unpredictable, we will continue to unite the power of all our employees and work on improving our performance even more than ever we did it.

We look forward to your continued support and encouragement.

MANAGEMENT POLICY

Aiming to improve the corporate quality,

“GROWTH & EXCELLENCE”

- ❖ Forming a considerate person as a member of society
- ❖ Company & Employee receiving respect and trust from the world

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“CE-SAT-I” News

Our Ultra-Small Satellite “CE-SAT-I” was successfully launched!

On Friday, June 23, 2017 (JST) at 12:59 pm, the ultra-small satellite “CE-SAT-I” which we had designed was successfully launched from the Satish Dhawan Space Centre in India on the Polar Satellite Launch Vehicle of the Indian Space Research Organization (Picture 1).

After a flight of 17 minutes and 1 second, the satellites achieved a polar Sun Synchronous Orbit of 505 km (Picture 2: Photographs taken by a camera in the rocket as to the separation of the satellite from the rocket).

The first communication with the Akagi ground station was at 8:25 pm on the same day and we confirmed that the satellite was operating properly. The satellite is passing over Japan twice a day, each in the morning and at night and communicates with the ground station located in our Akagi plant. The satellite has succeeded in taking high-resolution images of the ground (Picture 3, 4 and 5).

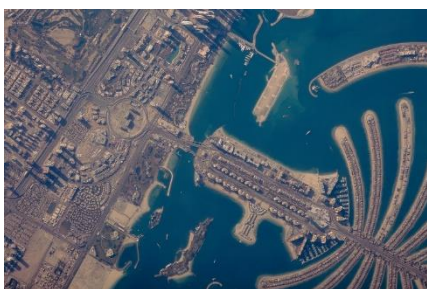
CE-SAT-I is an ultra-small satellite with a size of $50 \times 50 \times 80$ [cm], mass 65 [kg], equipped with a computer manufactured by Canon Electronics Inc. and Canon EOS 5D Mark III camera. It has the ability to distinguish 1 m objects on the ground from the space.



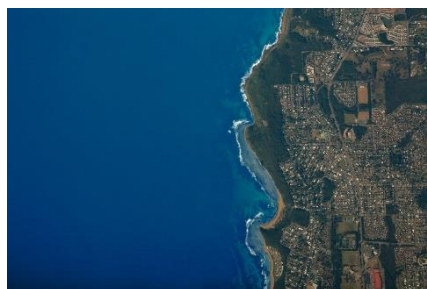
Picture 1: Launch of PSLV
Credit : ISRO/Antrix



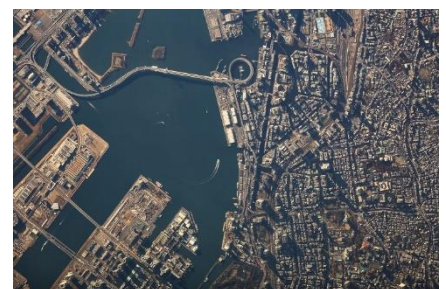
Picture 2: Release of CE-SAT-I
Credit : ISRO/Antrix



Picture 3: Dubai UAE



Picture 4: Sydney Australia



Picture 5: Tokyo

“CE-SAT-I” News

“CE-SAT-I” received “Good Design Award 2017”!

On November 2017, “CE-SAT-I” received the Good Design Award in the category of “Social Infrastructure Systems and Infrastructure.” It was appreciated that the information obtained by observing the earth by Canon EOS 5D Mark III in the satellite was utilized to drive industrial growth and enrich lives and, as a whole, contribute to a “Better Living” (Picture 6). The Good Design Award is an award organized by Japan Institute of Design Promotions and is a uniquely comprehensive platform for design evaluation and advocacy.

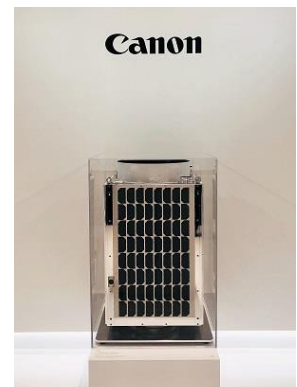
CE-SAT-I was exhibited at "GOOD DESIGN EXHIBITION 2017" held in Tokyo Midtown (Minato-ku, Tokyo) for 5 days from 1st to 5th of November (Picture 7). CE-SAT-I was exhibited at the Canon booth, a special booth offered to the award-winning top ranked companies, along with the award-winning products of other Canon Group companies. (Picture:8).



Picture 6: Certificate of commendation



Picture 7: GOOD DESIGN EXHIBITION 2017



Picture 8: CE-SAT-I exhibited at the Canon

The future of “CE-SAT-I”

On November 15, 2017, we obtained an approval from the Prime Minister of Japan on the use of the satellite remote sensing system mounted in CE-SAT-I which complied with the requirement of "Law Concerning the Proper Handling of Satellite Remote Sensing Records (provisional translation)". CE-SAT-I was the first private domestic satellite obtaining the said approval.

Now, we are conducting demonstration experiments such as communication between the satellite and the ground stations and taking photographs of the earth from the space. From now on, we will prepare for the commercialization of our space business, including an external sale of satellite bodies, images photographed by the satellite and main components and parts of the satellite. We would appreciate your warm attention to Canon Electronics' commitments to the space business.

(Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.)

Notice of Convocation of the Ordinary General Meeting of Shareholders for the 79th Business Term

March 5, 2018

To our shareholders:

Hisashi Sakamaki
President & CEO
CANON ELECTRONICS INC.
1248 Shimokagemori, Chichibu-shi, Saitama

Notice is hereby given that the Ordinary General Meeting of Shareholders for the 79th Business Term of CANON ELECTRONICS INC. (the “Company”) will be held as described below and that you are invited to attend the Meeting.

If you do not expect to attend the Meeting, you may exercise your voting rights in writing. After reviewing the following Reference Documents for General Meeting of Shareholders, please indicate your for/against for each of the propositions on the enclosed Voting Form, and return it to us so that it reaches us by **no later than 5:00 p.m. on March 27, 2018 (Tuesday), (Japan time)**.

1 Date and Time **9:00 a.m. on March 28, 2018 (Wednesday)
(Japan time)**

2 Venue: **Meeting Room at Misato Plant of the Company
1611 Oaza-Amakasu, Misato-machi, Kodama-gun,
Saitama**

3 Purpose of the Meeting

Matters to be reported:

1. Reports on the contents of the Business Report and the Consolidated Financial Statements for the 79th Business Term (from January 1, 2017 to December 31, 2017), and reports on the Auditing Results of Accounting Auditor and Audit & Supervisory Board regarding the Consolidated Financial Statements
2. Reports on the content of the Financial Statements for the 79th Business Term (from January 1, 2017 to December 31, 2017)

Matters to be resolved upon:

Propositions:

- | | |
|-------------|--|
| Item No.1 - | Dividend from Surplus |
| Item No.2 - | Election of Twelve Directors |
| Item No.3 - | Election of One Audit & Supervisory Board Member |
| Item No.4 - | Grant of Bonus to Directors |

4 Guidance Notes on the Exercise of Voting Rights

Please refer to the “Guidance Notes on the Exercise of Voting Rights” on the following page (written in Japanese only).

Notes:

1. Upon attending the Meeting, please present the enclosed Voting Form to the receptionist at the place of the Meeting.
2. Any changes in the matters described in Reference Documents for General Meeting of Shareholders, Business Report, Financial Statements and Consolidated Financial Statements will be posted on our website on the Internet (written in Japanese only).

(<http://www.canon-elec.co.jp/>)

Guidance Notes on the Exercise of Voting Rights

Voting right at shareholders meeting is an important right of the shareholders. You are kindly requested to exercise the voting rights after reviewing the Reference Document for General Meeting of Shareholders. There are two ways to exercise the voting rights.

Exercise of Voting Rights by Attending the Meeting

Please bring and present the enclosed Voting Form to the receptionist at the place of the Meeting. Also please bring this Convocation Notice for the 79th Business Term with you.

- **Date and time of the Meeting: 9:00 a.m. on March 28, 2018 (Wednesday)**
- **Place of the Meeting: Meeting Room at Misato Plant of the Company**

Exercise of Voting Rights in Writing by Post

Please indicate your for/against for each of the propositions on the enclosed Voting Form and return it to us by post without a stamp.

- **Deadline: Reach us by no later than 5:00 p.m. on March 27, 2018 (Tuesday) (Japan time)**

Disclosure on the Internet

Following information are not described in this Convocation Notice for the 79th Business Term, since those information are posted on the Internet based on the provisions of the relevant laws and the Article 14 of the Company Articles of Incorporation.

1. Notes to Consolidated Financial Statements
2. Notes to Financial Statements
3. Statement of changes in Net Asset to Consolidated Financial Statements
4. Statement of changes in Net Asset to Financial Statements

ADDRESS <http://www.canon-elec.co.jp/> (written in Japanese only)

Please note that the Consolidated Financial Statements and the Financial Statements audited by the Accounting Auditor and Audit & Supervisory Board shall include the information listed above 1 to 4 posted on the internet and documents which are described in this Convocation Notice for the 79th Business Term.

Reference Documents for General Meeting of Shareholders

Item No.1: Dividend from Surplus

The basic policy of the Company is, for the purpose of expanding a shareholders value to the future, to enhance an internal reserve and to maintain a stable return to shareholders, mainly in the form of a dividend, by actively developing business and strengthening corporate constitution.

After comprehensively considering the above policy, and also in order to express gratitude to our shareholders for their continuous support, we propose a term-end dividend of 40 yen per share, as follows.

As we have already paid an interim dividend of 30 yen per share, the full-year dividend will be 70 yen per share, which is the increase of 10 yen compared to the previous term.

i) Kind of dividend property: Cash

ii) Matters regarding allocation of the dividend property and its total amount:

40 yen per one common share of the Company

Total amount of dividend 1,632,627,760 yen

(Reference 79th Business Term) The full-year dividend :

70 yen per share

Dividend Payout Ratio 36.9 %

iii) Effective date of the distribution of the dividend from surplus:

March 29, 2018

(Reference)

	79th Business Term (from January 1, 2017 to December 31, 2017)		
	the interim	the term-end	the full-year
Dividends Per Share [yen]	30	40	70
Dividend Payout Ratio [%]	30.8	43.4	36.9
Total amount of dividend [millions of yen]	1,224	1,632	2,857

Item No.2: Election of Twelve Directors

The terms of office of all of the twelve Directors will expire at the end of this Meeting. Therefore, we propose the election of twelve Directors.

The candidates for the Directors are as follows:

Candidate No.	Name	Positions and business in charge in the Company		Attendance Status at Board of Directors Meetings
1	Hisashi Sakamaki	President & CEO	Re-nominated	100% 16 held, 16 attended
2	Takeshi Hashimoto	Executive Vice President and Director, Group Executive of LBP Group and Business Machine Components Group	Re-nominated	94% 16 held, 15 attended
3	Takashi Ehara	Senior Managing Director, Group Executive of Magnetics & Components Group	Re-nominated	100% 16 held, 16 attended
4	Takumi Ishizuka	Senior Managing Director, Group Executive of Corporate Administration Center and General Manager of Human Resources Management Div.	Re-nominated	100% 16 held, 16 attended
5	Tadashi Arai	Managing Director, Deputy Group Executive of Business Machine Components Group and Group Executive of Motor Group and Senior General Manager of Production Engineering Center	Re-nominated	100% 16 held, 16 attended
6	Zhou Yaomin	Managing Director, Group Executive of Materials Research Center & General Manager of Material Research Div.	Re-nominated	100% 16 held, 16 attended
7	Takeshi Uchiyama	Managing Director, President & Representative Director of Canon Electronics Technology Inc.	Re-nominated	100% 16 held, 16 attended
8	Junichi Takahashi	Director, Group Executive of Nickel Alloy Group	Re-nominated	100% 16 held, 16 attended
9	Toshio Uetake	Director, Senior General Manager of Procurement Center and Group Executive of EI Group	Re-nominated	100% 16 held, 16 attended
10	Masakazu Toyoda	Director	Re-nominated Candidate for Outside Director Independent Director	81% 16 held, 13 attended
11	Katsuhiko Utsumi	Director	Re-nominated Candidate for Outside Director Independent Director	94% 16 held, 15 attended
12	Toshikazu Togari		Newly nominated Candidate for Outside Director Independent Director	

Candidate No. 1	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center; font-size: 1.2em; font-weight: bold;">Hisashi Sakamaki</p> <div style="border: 1px solid red; padding: 2px; width: fit-content; margin: 10px auto;">Re-nominated</div> <p>Date of birth: Mar. 6, 1940</p> <p>Number of the Company's shares held: 12,200 shares</p>	<p>As of</p> <p>Jan. 1967: Entered Canon Inc.</p> <p>Mar. 1989: Director</p> <p>Feb. 1991: In charge of Global Corporate Planning</p> <p>May 1992: Group Executive of Production Headquarters and in charge of Environmental Assurance</p> <p>Mar. 1996: Managing Director Audit & Supervisory Board Member of the Company</p> <p>Mar. 1999: President & CEO of the Company (present)</p> <p>[Important concurrent posts]</p> <p>Outside Director of Fujitsu General Limited</p> <p>Outside Director of YAOKO CO., LTD.</p>

【Reasons for being selected as a candidate】

Mr. Hisashi Sakamaki had been leading the development, design, production and environmental conservation divisions of Canon Inc for many years. After he joined, he has been managing the Company as President and CEO with methods of environmental management, and made the Company a highly profitable company with a net profit of over 10%. The Company has selected him as a candidate for director upon determining that his wealth of expertise, ability and insight as a management are vital to the Company's important decision making and supervision of managerial executions.

Candidate No. 2	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center; font-size: 1.2em; font-weight: bold;">Takeshi Hashimoto</p> <div style="border: 1px solid red; padding: 2px; width: fit-content; margin: 10px auto;">Re-nominated</div> <p>Date of birth: Sep. 12, 1962</p> <p>Number of the Company's shares held: 6,100 shares</p>	<p>As of</p> <p>Apr. 1985: Entered Canon Inc.</p> <p>May 2002: General Manager of LBP Administration Div., LBP Group of the Company</p> <p>Apr. 2004: Deputy Group Executive of LBP Group and General Manager of LBP Administration Div.</p> <p>Mar. 2007: Director Group Executive of LBP Group (present)</p> <p>Mar. 2009: Managing Director</p> <p>Jan. 2012: Group Executive of Business Machine Components Group (present)</p> <p>Mar. 2012: Senior Managing Director</p> <p>Mar. 2013: Executive Vice President & Director (present)</p> <p>Nov. 2013: Senior General Manager of Functional Components Business Promotion Center</p> <p>Dec. 2013: Senior General Manager of Production Engineering Center</p>

【Reasons for being selected as a candidate】

Mr. Takeshi Hashimoto has been leading the laser printer division and a laser scanner unit for multi-function peripheral division over the years and contributed greatly to the Company. He serves a position as an executive vice president and director. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 3	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center;">Takashi Ehara</p> <p style="text-align: center; border: 1px solid red; padding: 2px;">Re-nominated</p> <p>Date of birth: Feb. 10, 1957</p> <p>Number of the Company's shares held: 3,900 shares</p>	<p>As of</p> <p>Apr. 1980: Entered the Company</p> <p>Jan. 2002: General Manager of Magnetics & Components Sales Div., Magnetics & Components Group</p> <p>Mar. 2007: Director Group Executive of Magnetics & Components Group and General Manager of Magnetics & Components Sales Div.</p> <p>Apr. 2008: Group Executive of Magnetics & Components Group</p> <p>Mar. 2009: Managing Director</p> <p>Mar. 2013: Senior Managing Director (present)</p> <p>Oct. 2013: Group Executive of Magnetics & Components Group and General Manager of Magnetics & Components Design Div.</p> <p>Mar. 2016: Group Executive of Magnetics & Components Group (present)</p>

【Reasons for being selected as a candidate】

Mr. Takashi Ehara has been leading the camera related division over the years and contributed greatly to the Company. He serves a position as a senior managing director. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 4	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center;">Takumi Ishizuka</p> <p style="text-align: center; border: 1px solid red; padding: 2px;">Re-nominated</p> <p>Date of birth: Dec. 7, 1958</p> <p>Number of the Company's shares held: 4,200 shares</p>	<p>As of</p> <p>Apr. 1982: Entered the Company</p> <p>Jan. 2001: General Manager of Human Resources Management Div.</p> <p>Apr. 2004: General Manager of Human Resources Management Div. and Facilities Administration Div.</p> <p>Mar. 2005: Director</p> <p>Jan. 2006: General Manager of Human Resources Management Div.</p> <p>Apr. 2008: Senior General Manager of Human Resources Management Center</p> <p>Mar. 2009: Managing Director</p> <p>Jan. 2013: Senior General Manager of Human Resources Management Center and General Manager of Finance & Accounting Div.</p> <p>Mar. 2016: Senior Managing Director (present)</p> <p>Aug. 2017: Group Executive of Corporate Administration Center and General Manager of Human Resources Management Div. (present)</p>

【Reasons for being selected as a candidate】

Mr. Takumi Ishizuka has been leading the human resource management division and accounting and finance division over the years and contributed greatly to the Company. He serves a position as a senior managing director. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 5	Brief personal record, position, business in charge and important concurrent posts
<p>Tadashi Arai</p> <div style="border: 1px solid red; padding: 2px; display: inline-block; color: red;">Re-nominated</div> <p>Date of birth: Jan. 19, 1958</p> <p>Number of the Company's shares held: 2,450 shares</p>	<p>As of</p> <p>Apr. 1981: Entered the Company</p> <p>Apr. 2003: General Manager of Business Machine Components Administration Div., Business Machine Components Group</p> <p>Apr. 2005: Plant Manager of Business Machine Components Plant 3, Business Machine Components Group</p> <p>Dec. 2007: Plant Manager of Business Machine Components Plant 4, Business Machine Components Group</p> <p>Mar. 2011: Director</p> <p>Jul. 2011: Deputy Group Executive of Business Machine Components Group and Plant Manager of Business Machine Components Plant 2</p> <p>Oct. 2012: Deputy Group Executive of Business Machine Components Group and Group Executive of Motor Group</p> <p>Jun. 2015: Deputy Group Executive of Business Machine Components Group and Group Executive of Motor Group and Senior General Manager of Production Engineering Center (present)</p> <p>Mar. 2016: Managing Director (present)</p>

【Reasons for being selected as a candidate】

Mr. Tadashi Arai has been leading the motor manufacturing division over the years and contributed greatly to the Company. He serves a position as a managing director. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 6	Brief personal record, position, business in charge and important concurrent posts
<p>Zhou Yaomin</p> <div style="border: 1px solid red; padding: 2px; display: inline-block; color: red;">Re-nominated</div> <p>Date of birth: Nov. 11, 1962</p> <p>Number of the Company's shares held: 1,900 shares</p>	<p>As of</p> <p>Apr. 2000: Entered the Company</p> <p>Feb. 2008: General Manager of Materials Research Div., Materials Research Center, Central Research Laboratory</p> <p>Mar. 2008: Group Executive of Materials Research Center, Central Research Laboratory and General Manager of Materials Research Div.</p> <p>Mar. 2009: Group Executive of Materials Research Center and General Manager of Materials Research Div. (present)</p> <p>Mar. 2012: Director</p> <p>Mar. 2016: Managing Director (present)</p>

【Reasons for being selected as a candidate】

Mr. Zhou Yaomin has been leading the materials research division over the years and contributed greatly to the Company. He serves a position as a managing director. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 7	Brief personal record, position, business in charge and important concurrent posts
<p data-bbox="199 414 566 459">Takeshi Uchiyama</p> <p data-bbox="279 481 502 526" style="border: 1px solid red; padding: 2px;">Re-nominated</p> <p data-bbox="167 548 319 616">Date of birth: Dec. 22, 1964</p> <p data-bbox="167 638 598 705">Number of the Company's shares held: 6,500 shares</p>	<p data-bbox="614 313 678 336">As of</p> <p data-bbox="614 347 1380 403">Apr. 1987: Entered Asia Computer Inc. (present Canon Electronics Technology Inc.)</p> <p data-bbox="614 414 1220 436">Apr. 1998: General Manager of Sales Promotion Div.</p> <p data-bbox="614 448 1220 470">Jun. 1999: Director, Group Executive of Sales Group</p> <p data-bbox="614 481 1428 537">Apr. 2006: Managing Director, Executive Officer, Group Executive of SI Group and Deputy Group Executive of Sales Group</p> <p data-bbox="614 548 1348 604">Dec. 2007: Senior Managing Officer, Group Executive of System Integration Group</p> <p data-bbox="614 616 1284 638">Mar. 2008: President & Representative Director (present)</p> <p data-bbox="614 649 1157 672">Mar. 2010: Director of the Company (present)</p> <p data-bbox="614 683 1093 705">Mar. 2017: Managing Director (present)</p> <p data-bbox="614 716 941 739">[Important concurrent posts]</p> <p data-bbox="614 750 1444 772">President & Representative Director of Canon Electronics Technology Inc.</p>

【Reasons for being selected as a candidate】

Mr. Takeshi Uchiyama has been leading the IT related business over the years and contributed greatly to the Company. He served a position as Managing director of the Company and the president of the subsidiary. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 8	Brief personal record, position, business in charge and important concurrent posts
<p data-bbox="199 1232 566 1276">Junichi Takahashi</p> <p data-bbox="279 1299 502 1344" style="border: 1px solid red; padding: 2px;">Re-nominated</p> <p data-bbox="167 1366 319 1433">Date of birth: Jan. 1, 1960</p> <p data-bbox="167 1456 598 1523">Number of the Company's shares held: 2,350 shares</p>	<p data-bbox="614 1176 678 1198">As of</p> <p data-bbox="614 1209 997 1232">Apr. 1982: Entered the Company</p> <p data-bbox="614 1243 1364 1299">Oct. 2004: General Manager of Materials Research Div., Material Research Center</p> <p data-bbox="614 1310 1444 1366">Feb. 2008: Deputy General Manager of Nickel Alloy Business Promotion Div.</p> <p data-bbox="614 1377 1396 1400">Mar. 2008: General Manager of Nickel Alloy Business Promotion Div.</p> <p data-bbox="614 1411 1316 1433">Apr. 2011: Group Executive of Nickel Alloy Group (present)</p> <p data-bbox="614 1444 965 1467">Mar. 2013: Director (present)</p>

【Reasons for being selected as a candidate】

Mr. Junichi Takahashi has been leading the division for the development of electroforming parts using nickel alloy over the years, and contributed greatly to the Company. He served a position as director of the Company. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 9	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center; font-size: 1.2em; font-weight: bold;">Toshio Uetake</p> <p style="text-align: center; border: 1px solid red; padding: 2px; color: red; font-weight: bold;">Re-nominated</p> <p>Date of birth: Jun. 17, 1960</p> <p>Number of the Company's shares held: 1,000 shares</p>	<p>As of</p> <p>Apr. 1981: Entered Canon Inc.</p> <p>May 2008: President of Canon Engineering Hong Kong</p> <p>Apr. 2011: General Manager of Procurement Management Planning Div., Global Procurement Management Center, Global Procurement Headquarters of Canon Inc.</p> <p>Apr. 2012: Senior General Manager of Procurement Center of the Company</p> <p>Feb. 2013: Senior General Manager of Procurement Center and Group Executive of EI Group (present)</p> <p>Mar. 2016: Director (present)</p>

【Reasons for being selected as a candidate】

Mr. Toshio Uetake has been leading the procurement and EI (electronic interconnect) division of the Company, and contributed greatly to the Company. He served a position as director of the Company. The Company has selected him as a candidate for director upon determining that his extensive expertise, wide range of experience in his duty and his good personality and deep insight are vital to further increase the corporate value of the Canon Electronics Group.

Candidate No. 10	Brief personal record, position, business in charge and important concurrent posts
<p style="text-align: center; font-size: 1.2em; font-weight: bold;">Masakazu Toyoda</p> <p style="text-align: center; border: 1px solid red; padding: 2px; color: red; font-weight: bold;">Re-nominated</p> <p style="background-color: #90EE90; padding: 2px; color: black; font-weight: bold;">Candidate for Outside Director</p> <p style="background-color: #ADD8E6; padding: 2px; color: black; font-weight: bold;">Independent Director</p> <p>Date of birth: Jun. 28, 1949</p> <p>Number of the Company's shares held: 0 shares</p>	<p>As of</p> <p>Apr. 1973: Entered Ministry of International Trade and Industry</p> <p>Aug. 2003: Director-General, Commerce and Information Policy Bureau of Ministry of Economy, Trade and Industry</p> <p>Jul. 2006: Director-General, Trade Policy Bureau</p> <p>Jul. 2007: Vice-Minister for International Affairs</p> <p>Aug. 2008: Secretary-General, Secretariat of Strategic Headquarters for Space Policy, Cabinet Secretariat Special Advisor to the Ministry of Economy, Trade and Industry</p> <p>Nov. 2008: Special Advisor to the Cabinet</p> <p>Jun. 2010: Outside Statutory Auditor of Murata Manufacturing Co., Ltd.</p> <p>Jul. 2010: Chairman & CEO of The Institute of Energy Economics, Japan (The organization was changed from incorporated association to general incorporated foundation under the same English name) (present)</p> <p>Jun. 2011: Outside Corporate Auditor of Nitto Denko Corporation (present)</p> <p>Mar. 2015: Outside Director of the Company (present)</p> <p>Jun. 2016: Outside Director of Murata Manufacturing Co., Ltd. (present)</p> <p>【Important concurrent posts】</p> <p>Chairman & CEO of The Institute of Energy Economics, Japan</p> <p>Outside Director of Murata Manufacturing Co., Ltd.</p> <p>Outside Corporate Auditor of Nitto Denko Corporation</p>

【Reasons for being selected as a candidate】

Mr. Masakazu Toyoda has been served, over the years, a key position such as Vice-Minister for International Affairs of Ministry of Economy, Trade and Industry and Special Advisor to the Cabinet, and has a wealth of experience and a sophisticated and wide-range of expertise in the field of economy and international trade. The Company has selected him as a candidate for outside director upon determining that the Company's management may utilize his high-level expertise and wealth of experience gained from his career in the company management, although he did not have an experience in the management of the company other than serving as Outside Director and Outside Auditor.

Candidate No. 11	Brief personal record, position, business in charge and important concurrent posts
<p>Katsuhiko Utsumi</p> <p>Re-nominated</p> <p>Candidate for Outside Director</p> <p>Independent Director</p> <p>Date of birth: Jul. 15, 1946</p> <p>Number of the Company's shares held: 0 shares</p>	<p>As of</p> <p>Apr. 1969: Entered Furukawa Electric Co., Ltd.</p> <p>Jun. 1993: General Manager of Electronic Device Sales Department, Sales & Marketing Division</p> <p>Jun. 1997: General Manager of the Chubu Branch</p> <p>Jun. 2000: Director, General Manager of the Chubu Branch</p> <p>Jun. 2003: Managing Director and Corporate Senior Vice President</p> <p>Apr. 2004: Managing Director and Corporate Senior Vice President, CMO and General Manager of the Export Security Administration Department</p> <p>Jun. 2005: President and Representative Director of The Furukawa Battery Co., Ltd.</p> <p>Jun. 2012: Senior Adviser</p> <p>Mar. 2015: Outside Director of the Company (present) Outside Director of Lilycolor Co., Ltd. (present)</p> <p>Apr. 2015: President and Representative Director of JATEC Co., Ltd.</p> <p>[Important concurrent posts]</p> <p>Outside Director of Lilycolor Co., Ltd.</p>

【Reasons for being selected as a candidate】

Mr. Katsuhiko Utsumi has a high-level expertise and a wealth of experience in management of the company for many years and also serves the outside directors of the other companies. The Company has selected him as a candidate for outside director upon determining that the Company is able to obtain from him valuable comments and suggestions for company management.

Candidate No. 12	Brief personal record, position, business in charge and important concurrent posts
<p>Toshikazu Togari</p> <p>Newly nominated</p> <p>Candidate for Outside Director</p> <p>Independent Director</p> <p>Date of birth: Nov. 28, 1947</p> <p>Number of the Company's shares held: 0 shares</p>	<p>As of</p> <p>Jul. 1971: Entered Ministry of Labour</p> <p>Jul. 1999: Deputy Vice-Minister of Minister's Secretariat, Ministry of Labour</p> <p>Jan. 2001: Deputy Vice-Minister of Minister's Secretariat, Ministry of Health, Labour and Welfare</p> <p>Aug. 2002: Director-General of Employment Security Bureau</p> <p>Aug. 2003: Vice-Minister for policy coordination</p> <p>Jul. 2004: Vice-Minister</p> <p>Oct. 2007: President of Japan Organization for Employment of the Elderly and Persons with Disabilities</p> <p>Apr. 2008: Visiting Professor of Hosei Graduate School of Regional Policy Design (present)</p> <p>Jun. 2011: Chairman and Representative Director of Zaikei-Jutaku-kinyu Co., Ltd. (present)</p> <p>May 2014: Chairman of Nihon-Kango-Kasei-Shokai-Jigyo Association (present)</p> <p>[Important concurrent posts]</p> <p>Visiting Professor of Hosei Graduate School of Regional Policy Design Chairman and Representative Director of Zaikei-Jutaku-kinyu Co., Ltd. Chairman of Nihon-Kango-Kasei-Shokai-Jigyo Association</p>

【Reasons for being selected as a candidate】

Mr. Toshikazu Togari has been served, over the years, a key position such as Vice-Minister of Ministry of Health, Labor and Welfare and has a wealth of experience and a sophisticated and wide-range of expertise in the field of employment and labor. He also engages in the management of the company and the university professor etc. The Company has selected him as a candidate for outside director upon determining that the Company's management may utilize his high-level expertise and wealth of experience gained from his career in the company management.

Special matters concerning candidates for the Directors

1. Special interest in the Company

None of the candidates for the Directors have any special interest in the Company.

2. Violation of Law by the company where candidate for Director, Mr. Katsuhiko Utsumi has a concurrent post and his response to that issue.

Lilycolor Co., Ltd. where Mr. Katsuhiko Utsumi serves as an outside director, received a cease and desist order and an order for payment of surcharge from the Fair Trade Commission, under the provisions of an “Act on Prohibition of Private Monopolization and Maintenance of Fair Trade”. He has been kept working on calling attention of the importance of the compliance and the internal control systems etc. in the company and, after the violation was known to him, based on his experience, he recommended to set up a third party committee in order to make a survey on the actual facts and gave various opinions to further strengthen internal control system so as to prevent recurrence of the events.

3. Candidate for the Outside Directors (Messrs. Toyoda, Utsumi and Togari)

- (1) Mr. Masakazu Toyoda, Mr. Katsuhiko Utsumi and Mr. Toshikazu Togari are candidates for Outside Directors defined by Item 7, Paragraph 3, Article 2 of the Enforcement Regulations of the Companies Act.
- (2) The Company regards Mr. Masakazu Toyoda, Mr. Katsuhiko Utsumi and Mr. Toshikazu Togari as Independent Directors who satisfy the “Independence Standards for Independent Outside Directors/Audit & Supervisory Board Members” as stipulated by the Company (reference below).
- (3) Mr. Masakazu Toyoda and Mr. Katsuhiko Utsumi will have served for three years as Outside Directors of the Company as of the end of this Meeting.
- (4) The Company has entered into contracts with Mr. Masakazu Toyoda and Mr. Katsuhiko Utsumi limiting the amount of their damage compensation liabilities defined in Paragraph 1, Article 423 of the Companies Act to the limit prescribed by the relevant laws and regulations. Should they be elected, the Company will continue the aforementioned contracts with them. Should Mr. Toshikazu Togari be elected, the Company will enter into contract with him limiting the amount of their damage compensation liabilities defined in Paragraph 1, Article 423 of the Companies Act to the limit prescribed by the relevant laws and regulations.
- (5) The Company has notified Mr. Masakazu Toyoda and Mr. Katsuhiko Utsumi as independent directors to the Tokyo Stock Exchange on which the Company is listed as provided under the regulations of the said Exchange. Should Mr. Toshikazu Togari be elected, the Company will notify him to the Tokyo Stock Exchange as an independent director.

【Reference】

Enactment of “Independence Standards for Independent Outside Directors/Audit and Supervisory Board Members” of Canon Electronics Inc.”

Canon Electronics Inc. hereby establishes the “Independence Standards for Independent Outside Directors/Audit and Supervisory Board Members” in order to clarify the standards for ensuring independence of Independent Outside Directors/Audit and Supervisory Board Members of Canon Electronics Inc..

Independence Standards for Independent Outside Directors/Audit and Supervisory Board Members

Canon Electronics Inc. deems that a person who satisfies the requirements for Outside Directors/Audit and Supervisory Board Members prescribed by the Companies Act of Japan, and meets the independence criteria set by Securities Exchanges in Japan, and does not fall into any of the items below, is an “Independent Outside Director/Audit and Supervisory Board Member” (a person who is independent from the management of Canon Electronics Inc. and unlikely to have conflicts of interest with general shareholders).

1. A person/organization for which Canon Electronics Group (Canon Electronics Inc. and its subsidiaries; hereinafter the same) is a major client, or a major client of Canon Electronics Group, or an executing person of such organization or client
2. A major lender to Canon Electronics Group, or an executing person of such lender
3. A large shareholder of Canon Electronics Inc., or an executing person of such shareholder
4. A person/organization receiving large amounts of contributions from Canon Electronics Group, or an executing person of such organization
5. A consultant, accounting professional or legal professional who has received a large amount of money or other properties from Canon Electronics Group, other than as compensation for being a director/Audit and Supervisory Board Member (if the recipient is a corporation, partnership or any other organization, this item applies to any person belonging to said organization.)
6. A certified public accountant belonging to the audit firm engaged to conduct the statutory audit of Canon Electronics Group (including any such accountant to whom this item has applied in the last 3 business years)
7. An executing person of another company in cases where an executing person of Canon Electronics Group is an outside director/audit and supervisory board member of such other company
8. An immediate family member (spouse and a relative within the second degree of kinship) of any of the persons listed in each of items 1 to 7; provided, however that the persons to whom this is applicable shall be limited to key executing persons such as directors, executive officers of companies and partners of advisory firms

Notes:

* In item 1, “major” means in cases where the total amount (for any business year during the last 3 business years) of transactions between Canon Electronics Group and such client exceeds 1% of the consolidated sales of Canon Electronics Group or such client.

* In item 2, “major” means in cases where the debt outstanding exceeds 1% of the consolidated total assets of Canon Electronics Inc. for any business year during the last 3 business years.

* In item 3, “a large shareholder” means a shareholder who directly or indirectly holds 5% or more of the total voting rights of Canon Electronics Inc.

* In item 4, “a large amount” means in cases where the total amount of contributions exceeds JPY 12 million (in cases where the recipient is an individual) or 1% of the annual gross income of such recipient (in cases where the recipient is an organization), for any business year during the last 3 business years of Canon Electronics Inc.

* In items 1 to 4 and 7, an “executing person” means an executive director, advisory director, executive officer and employee including manager (in items 1 to 4, including a person to whom this item has applied in any business year during the last 3 business years).

* In item 5, “a large amount” means in cases where the total amount of money or other properties received by said consultant, etc., exceeds JPY 12 million (in cases where the recipient is a person) or 1% of the annual gross sales of such consultant, etc. (in cases where the recipient is an organization).

Item No.3: Election of One Audit & Supervisory Board Member

The Audit & Supervisory Board Member, Mr. Shunji Onda will resign at the end of this Meeting. Therefore, we propose the election of one Audit & Supervisory Board Member.

The candidate for the Audit & Supervisory Board Member is as follows.

Prior to our proposal of this item, we have already obtained the consent of the Audit & Supervisory Board.

Candidate	Brief personal record, position and important concurrent posts
Junichiro Hayashi Newly nominated Date of birth: Oct. 27, 1957 Number of the Company's shares held: 0 shares	As of Apr. 1981: Entered Canon Inc. Jul. 2011: General Manager of Quality Assurance Div. of the Company (present) Jul. 2014: Managing Director (present)

【Reasons for being selected as a candidate】

As Mr. Junichiro-Hayashi has been leading the Quality Assurance Division of the Company, he has an insight and experience on each business unit of the Canon Electronics Group. The Company has selected him as a candidate for Audit & Supervisory Board Member upon determining that the Company judges that his good personality and deep insight is vital to the effective audits of the Canon Electronics Group.

Note: There is no special interest between a candidate and the Company.

Item No.4: Grant of Bonus to Directors

It is proposed that bonus be granted to the ten Directors excluding Outside Directors as of the end of this term, in appreciation of their services during this business term, which totals 32,950,000 yen considering the business results for this business term and the members to be granted, etc.

(Materials delivered pursuant to Article 437 and Article 444 of the Companies Act)

BUSINESS REPORT (From Jan. 1, 2017 to Dec. 31, 2017)

1 Current Conditions of the Canon Electronics Group

(1) Business Progress and Results

The world economy in the current business term as a whole showed gradual recovery including the growth of the economy in the United States which was recovered moderately by the growing of consumption and increase in number of employees. However, there were still uncertainties about the future prospect of the economies and the politics in China and emerging Asian countries and the political situations in the European countries etc. With respect to the Japanese economy, thanks to increase of corporate profits, improvement of employment situations and stable consumer price, moderate recovery trend continued about the personal consumption.

As for the currency, both the US dollar and the Euro had a rather stronger yen appreciation in the 1st quarter and a weaker yen depreciation in the 2nd quarter compared with the previous term.

Turning to the overview of each business unit of the Canon Electronics Group, in the digital camera market, there was an increasing demand for products that could easily take high-resolution photographs and consequently sales of Mirror-less cameras were performing well. However, due to the influence of smartphone, tough situations continued in the market as a whole.

Document scanner market continued to expand, mainly in emerging countries, due to an increase in demand for digitization of documents and diversification and sophistication of the usage methods of the scanners. Market was gradually expanding in the information related market due to revitalization of the motivations to invest in new fields, such as IoT (Internet of Things), AI (Artificial Intelligence) and Big Data fields, in addition to the investment in IT field.

Under these circumstances, in addition to actively promoting sales of existing products, we strongly promoted order taking activities by adding in the product line-up new products such as “DR-M260” which supports a large number of scan tasks of up to 80 paper feeds by mounting a newly developed DR processor which has made high-speed scanning and the improved image quality possible, and “CA-P1”, a printer-integrated mobile settlement process terminal for card payment which is capable of communicating with the tablets etc.

In addition, we are now working on space related fields as a new business. On Friday, June 23, 2017 (JST), our ultra-small satellite “CE-SAT-I” was successfully launched and put into orbit from the Satish Dhawan Space Centre in India. In addition to the various demonstration experiments of the respective functions, we were successful in taking high-resolution photographs of the ground by a photographing system which were consisted of a telescope and a Canon EOS 5D Mark III camera. It enabled us to achieve a ground sampling distance of 1 m. Further, we obtained an approval from the Prime Minister of Japan on the use of the satellite remote sensing system equipment complying with the requirement of "Law Concerning the Proper Handling of Satellite Remote Sensing Records (temporary translation)". We will accelerate our preparation for the commercialization of our space business, including an external sale of satellite bodies, photographed images and main components and parts of the satellite manufactured in-house.

Net Sales	83,769 million yen Up 0.6% from the previous term
Operating Profit	9,605 million yen Up 18.9% from the previous term
Ordinary Profit	9,886 million yen Up 24.2% from the previous term
Profit Attributable to Owners of Parent	7,739 million yen Up 39.4% from the previous term

(Reference) Canon Electronics Group in Numbers

ROE	9.1%	ROA	9.4%
Equity Ratio	81.2%	Ordinary Profit Ratio	11.8%
Facilities Investment	1,892 million yen	R&D Expenditure	4,600 million yen
Dividend Payout Ratio	36.9%	Number of Employees	5,063 persons

Component Division

(Main Products)

Production and Sale of Shutter Unit, Aperture Unit, Magnetic Sensor, Laser Scanner Unit, Mounting of Printed Circuit Board

Consolidated Net Sales **47,650** million yen Up 7.9% from the previous term

Overview of the Term

As for the Component Division, in the digital camera market, there was an increasing demand for products that could easily take high-resolution photographs, however, due to the influence of smartphones, tough situations continued in the market as a whole. Under these circumstances, we made proactive effort in taking orders especially for the main components such as shutter unit and aperture unit for digital cameras and sales were steadily increased.

With respect to Laser Scanner Unit for Laser Printers and Multifunction Printers, we made continuous efforts to increase productivity and increase the ratio of in-house components, thus reducing cost-of-sale. As the launch of new products, sales were steadily increased.

As for the production of the reader unit for the Multifunction Printers in our Vietnam subsidiary started in the end of the previous term, sales increased in the current term as a result of the steady increase of orders.



Interchangeable Lens Shutter
Unit for digital camera



Laser Scanner Unit

Digital Information Equipment Division

(Main Products)

Production and Sale of Document Scanner, Handy Terminal, Laser Printer

Consolidated Net Sales **26,495** million yen Down 12.4% from the previous term

Overview of the Term

For Document Scanners, we made continuous efforts to expand the sales of imageFORMULA series by enhancing product lineup from low speed to high speed scanners.

In the current term, as the release of new document scanners and the check scanners for overseas, sales in Europe and the US increased and total sales also increased.

For Handy Terminals, area of services and usage in business opportunity have expanded, because we introduced new auto recognition technologies and established differentiation technologies from smartphones and tablets. Although sales of the main body of the Handy Terminal were increased in the current term, sales of related products such as batteries and mobile printers fell compared to the previous term, overall sales decreased.

Sales of laser printer decreased due to reduction in production despite our efforts to efficient parts procurement and improvement of productivity.



Robust, reliable, high-speed
“DR-M260” document scanner



Mobile settlement process terminal “CA-P1”
which supported credit card payment in
collaboration with tablets etc.

Other Product Division

(Main Products)

Business Analysis Service, Information Security Countermeasure Service, Business Card Management Service, Customer Information Management Service, System Development/Maintenance/Implementation, Factory Automation Product, Environment Related Product, Small Injection Molding Machine, 3D Milling Machine, Sphygmomanometer, Hydrogen Peroxide Gas Sterilizer.

Consolidated Net Sales **9,623** million yen Up 8.6% from the previous term

Overview of this Term

In the Information Related Business, we made proactive sales activities in information security countermeasure service “SML” , business analysis service “Log Management” , business card management service “UltimaBlue” and package software for medical institution “Medical Dictionary” .

In particular, we strove to acquire infrastructure-related projects, such as building servers and networks, and acquiring system development, system maintenance and system operations.

We also made efforts to expand sales, especially of “entrance® Banking” , information platform and database for financial institutions, and “SCHOOL AID®” , educational affairs management for high school, thus sales increased.

In Environment Related Product Business, we made proactive sales activities by positioning 3D Milling Machine “MF-150A Mark II” , Food Waste Decomposer “Land care 16 II” , Small Electric Injection Molding Machine “LS-715 series” as our priority products.

Overall sales increased due the increase of number of new orders for the Factory Automation Equipment and increase in sales in the medical fields because we started production of hydrogen peroxide gas sterilizer and the apparatus for measuring blood pressure following the production transfer from other Canon Group company.

Also, as for 3D Milling Machine for the dental market, we are activating sales promotion activities in order for the machine to be released during 2018.

SCHOOL AID®



“Medical Dictionary”



Small 3D Milling Machine for dental market
“MD-350”

(2) Facilities Investment

The investment in facilities by the Canon Electronics Group during this term totaled 1,892 million yen, which are mainly investment in the tooling of new products and equipment renewal etc.

(3) Business Challenges and Countermeasures

The world economy in the current business term was, as a whole, showing gradual recovery, however, there were still uncertainties about the future prospect of the economies and politics in China and emerging Asian countries and the political situations in the European countries. With respect to the Japanese economy, as corporate profits increased and employment situation improved, personal consumption showed moderate recovery. In the meanwhile, the atmosphere surrounding our products still continues to be severe because of the shift to low-priced products due to intense price competition.

Under these circumstances, we will work on the following subjects.

Entry into future growth fields

We are now moving forward with entry into various growth fields. In the space-related fields, following the successful launch of the ultra-small satellite which we designed, we succeeded in taking high-resolution photographs through our demonstration experiments. In the medical fields, we started production of an apparatus for measuring blood pressure, a hydrogen peroxide gas sterilizer, and a medicine packaging machines following the transfer of production. We also accelerate our preparation for the release of 3D Milling Machine for dental market. Further, in the agricultural field, we are preparing to operate a fully automated plant factory.

As we work on new businesses, we will concentrate the full potential of all our employees more than ever and strongly promote the creation of quality “Shitsu no Sozo” (aiming to become a high-quality company with world-class ethics, knowledge, technology and ability to take actions).

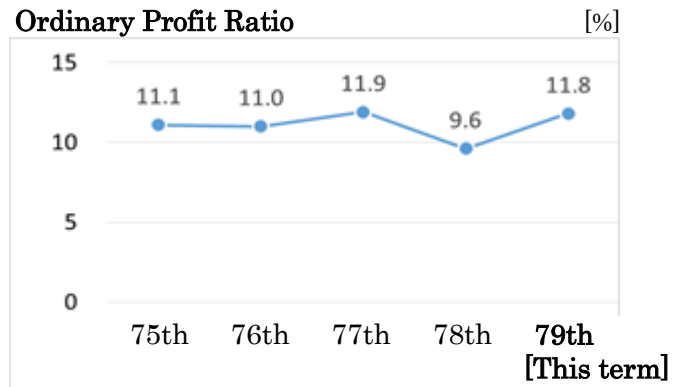
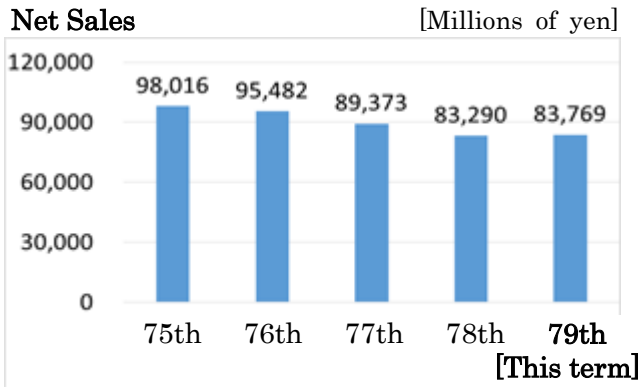
Improvement in the products quality and R&D capabilities

R & D department will carry out "efficient product development" that accurately captures the needs of users and incorporating new ideas aiming to improve product quality, by enhancing information exchange among divisions more closely. Furthermore, in order to achieve "improvement in the quality of R & D capabilities", and in order for each of our employees to act to become a leading expert in their field, we will try to make necessary investment and develop and utilize human resources and create products that will make all customers happy.

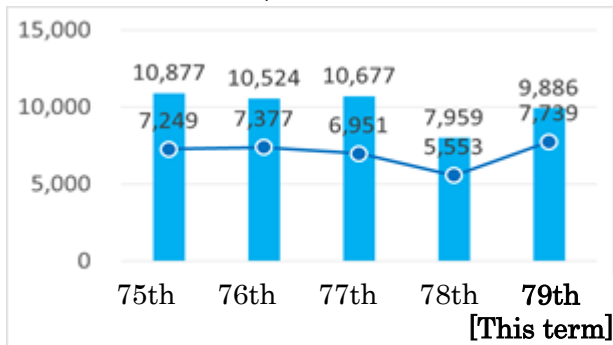
Pursuit of production system matching business, products and production plant

We will thoroughly eliminate all waste in terms of things and information, from parts ordering, production through delivery of products to customers, constantly review the functions of the production plants and improve productivity. We also continue pursuing a site-centric principle that makes people working at production plants feel rewarding and feel speedy. We respond quickly and flexibly to environmental changes and continue to provide customers with truly valuable products with high functionality and high quality, at low cost.

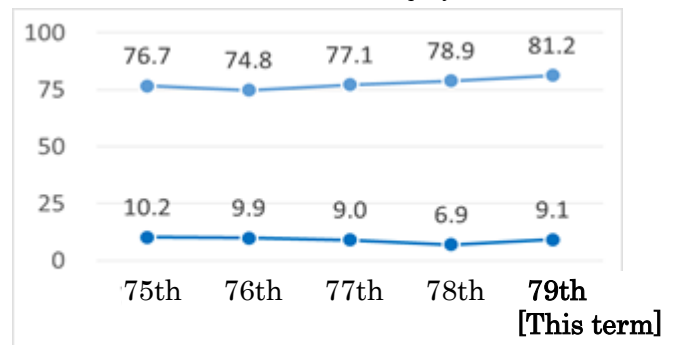
Financial Highlights (Consolidated)



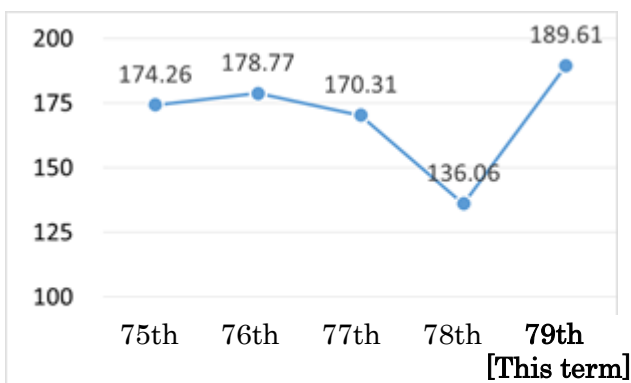
Ordinary Profit / Profit Attributable to Owners of Parent [Millions of yen]



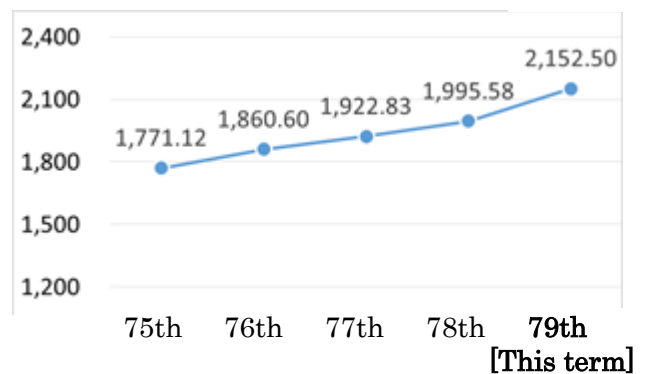
Equity Ratio / ROE [%]



EPS [yen]



BPS [yen]



Status of Assets and Earnings (Consolidated)

	75th Business Term	76th Business Term	77th Business Term	78th Business Term	79th Business Term (This term)
Net Sales (millions of yen)	98,016	95,482	89,373	83,290	83,769
Ordinary Profit (millions of yen)	10,877	10,524	10,677	7,959	9,886
Ordinary Profit Ratio (%)	11.1	11.0	11.9	9.6	11.8
Profit Attributable to Owners of Parent (millions of yen)	7,249	7,377	6,951	5,553	7,739
Profit Ratio (%)	7.39	7.72	7.77	6.66	9.24
BPS (yen)	1,771.12	1,860.60	1,922.83	1,995.58	2,152.50
EPS (yen)	174.26	178.77	170.31	136.06	189.61
Total Assets (millions of yen)	96,013	101,542	101,780	103,171	108,221
Net Assets (millions of yen)	73,953	75,996	78,539	81,515	87,985
Equity Ratio (%)	76.7	74.8	77.1	78.9	81.2
ROE (%)	10.2	9.9	9.0	6.9	9.1
ROA (%)	11.6	10.7	10.5	7.8	9.4
Dividend Payout Ratio (%)	34.4	33.6	35.2	44.1	36.9
Number of Employees (persons)	5,477	4,839	4,440	4,314	5,063

(4) Parent Company and Principal Subsidiaries

Relation with Parent Company

Parent Company Name	Location	Activities	Number of Voting Rights (Ratio of Voting Rights)	Relation with the Company
Canon Inc.	Ohta-ku Tokyo	Manufacture and sale of business machines, cameras and optical products	225,006 (55.3%)	The company manufactures camera units , laser printer and laser scanner units for the Parent Company's products

Note: In transaction with the Parent company, the terms are negotiated and determined by presenting the preferred prices from the Company taking into account market prices and total cost.

Thus, the board of directors assesses that the Company's profit is not harmed in the transactions with the Parent company.

Principal Subsidiaries

Company Name	Capital Stock	Ratio of Voting Rights of the Company	Main Activities
Canon Electronics (Malaysia) Sdn. Bhd.	22,500 (thousands of M\$)	100.0%	Manufacture and sale of precision machineries
Canon Electronics Vietnam Co., Ltd.	54,000 (thousands of US\$)	100.0%	Manufacture and sale of electronic machineries
Canon Electronics Business Systems Inc.	10 (millions of yen)	100.0%	Sale of business machines etc.
Canon Esquisse System Inc.	100 (millions of yen)	100.0%	Consulting for implementation of Customer Information Management systems, sale of a business card management services and information security solutions
Canon Electronics Technology Inc.	2,400 (millions of yen)	100.0%	Design, development, operation, and maintenance of computer software and computer systems

Note: The Specified Wholly Owned Subsidiary is not existed at the end of this business term.

Consolidated Status

The number of consolidated subsidiaries was 10.

Outline of Consolidated Results is described in page 26

(5) Employees

Consolidated

Number of Employees

5,063 (Increase of 749 employees from the previous term)

Non-Consolidated

Number of Employees

1,716 (Increase of 3 employees from the previous term)

(6) Canon Electronics Group Global Network

Name	Location	
Canon Electronics Inc.	Headquarters	Chichibu-shi, Saitama
	Tokyo Head Office	Minato-ku, Tokyo
	Chichibu Plant	Chichibu-shi, Saitama
	Misato Plant	Misato-machi, Kodama-gun, Saitama
	Akagi Plant	Showamura, Tone-gun, Gunma
Canon Electronics (Malaysia) Sdn. Bhd.	Headquarters	Malaysia
Canon Electronics Vietnam Co., Ltd.	Headquarters	Vietnam
Canon Electronics Business Systems Inc.	Headquarters	Chichibu-shi, Saitama
Canon Esquisse System Inc.	Headquarters	Minato-ku, Tokyo
Canon Electronics Technology Inc.	Headquarters	Minato-ku, Tokyo

2 Shares of the Company

Number of Shares Issuable 60,000,000 shares

Issued Shares, Capital Stock, Number of Shareholders

		As of the beginning of This Term	Change during This Term	As of the end of This Term
Issued Shares	(share)	42,206,540	-	42,206,540
Capital Stock	(yen)	4,969,150,000	-	4,969,150,000
Number of Shareholders	(person)	16,428	- 1,791	14,637

Major Shareholders (Ten shareholders)

Name of Shareholders	Number of Shares Held (thousands of shares)	Shareholding Ratio (%)
Canon Inc.	22,500	55.1
BNP Paribas Sec Services Luxembourg/Jasdec/ Aberdeen Global Client Assets	944	2.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	801	1.9
Japan Trustee Services Bank, Ltd. (Trust Account)	595	1.4
Japan Trustee Services Bank, Ltd. (Trust Account9)	493	1.2
The Dai-ichi Life Insurance Company, Limited	414	1.0
State Street Bank and Trust Company 505223	370	0.9
Japan Trustee Services Bank, Ltd. (Trust Account5)	349	0.8
The Bank of New York Mellon 140042	295	0.7
The Bank of New York Mellon 140044	280	0.6

Note: Shareholding ratio is calculated by deducting the number of treasury shares (1,390,846 shares) from total shares issued.

Shareholding Ratio by Category

Financial Institutions	4,549,400 shares (10.8%)
Securities Companies	312,088 shares (0.7%)
Other Domestic Companies	23,493,593 shares (55.7%)
Foreign Companies, etc.	5,789,708 shares (13.7%)
Individuals and others	8,061,751 shares (19.1%)
	42,206,540 shares

Note: Category of Individuals and others includes the number of Treasury shares (1,390,846 shares) .

3 Directors and Audit & Supervisory Board Members

(1) Directors and Audit & Supervisory Board Members

Position	Name	Business in Charge or Important Concurrent Posts
President & CEO	Hisashi Sakamaki	Outside Director of Fujitsu General Limited Outside Director of YAOKO CO., LTD.
Executive Vice President	Takeshi Hashimoto	Group Executive of LBP Group and Business Machine Components Group
Senior Managing Director	Takashi Ehara	Group Executive of Magnetics & Components Group
Senior Managing Director	Takumi Ishizuka	Group Executive of Corporate Administration Center and General Manager of Human Resources Management Div.
Managing Director	Tadashi Arai	Deputy Group Executive of Business Machine Components Group and Group Executive of Motor Group and Senior General Manager of Production Engineering Center
Managing Director	Zhou Yaomin	Group Executive of Materials Research Center
Managing Director	Akiyoshi Kimura *	Chairperson of Canon Space Solution Committee
Director	Takeshi Uchiyama	President & Representative Director of Canon Electronics Technology Inc.
Director	Junichi Takahashi	Group Executive of Nickel Alloy Group
Director	Toshio Uetake	Senior General Manager of Procurement Center and Group Executive of EI Group
Director	Masakazu Toyoda	Chairman & CEO of The Institute of Energy Economics, Japan Outside Director of Murata Manufacturing Co., Ltd. Outside Corporate Auditor of Nitto Denko Corporation
Director	Katsuhiko Utsumi	President and Representative Director of JATEC Co., Ltd. Outside Director of Lilycolor Co., Ltd.
Standing Audit & Supervisory Board Member	Tatsuya Kawana	
Audit & Supervisory Board Member	Shunji Onda	
Audit & Supervisory Board Member	Shuji Iwamura	Attorney (Advisor of Nagashima Ohno & Tsunematsu) Outside Corporate Auditor of FamilyMart UNY Holdings Co., Ltd. Outside Corporate Auditor of Riken Corporation Outside Audit & Supervisory Board Member of The Hokkaido Bank, Ltd. Governor and Auditor of Government Pension Investment Fund, Japan
Audit & Supervisory Board Member	Seiho Nakata	Certified Public Accountant President & Representative Director of Knowledge Network Inc. Outside Audit & Supervisory Board Member of Advanex Inc. Part-time Auditor of Chuo Senden Kikaku Co., Ltd.

Notes: 1. A Director with asterisk were newly elected at the Ordinary General Meeting of Shareholders for the 78th Business Term held on March 29, 2017, and assumed their office.

- Directors Mr. Masakazu Toyoda and Mr. Katsuhiko Utsumi are Outside Directors defined by Item 15, Article 2 of the Companies Act of Japan. Also, the Company has notified the above Outside Directors as independent directors to Tokyo Stock Exchange, Inc. on which the Company is listed as provided under the regulations of Tokyo Stock Exchange, Inc.
- Audit & Supervisory Board Members Mr. Shuji Iwamura and Mr. Seiho Nakata are Outside Audit & Supervisory Board Members defined by Item 16, Article 2 of the Companies Act of Japan. Also, the Company has notified the above Outside Audit & Supervisory Board Members as independent auditors to Tokyo Stock Exchange, Inc. on which the Company is listed as provided under the regulations of Tokyo Stock Exchange, Inc.
- Audit & Supervisory Board Member Mr. Seiho Nakata is qualified as a Certified Public Accountant and has a wealth of experience in finance and accounting.
- "Business in Charge or Important Concurrent Posts" of Director Mr. Katsuhiko Utsumi as of January 1, 2018 is as follows: Director of Lilycolor Co., Ltd.

(2) Remuneration and Other Amounts to Directors and Audit & Supervisory Board Members

Members

Directors 14 persons 359 million yen
(including 13 million yen for 2 Outside Directors)

Audit & Supervisory Board Members 4 persons 31 million yen
(including 10 million yen for 2 Outside Audit & Supervisory Board Members)

- Notes: 1. The above numbers of Directors respectively include two Director who have retired at the end of the Ordinary General Meeting of Shareholders for the 78th Business Term held on March 29, 2017.
2. Directors' remuneration and other amounts do not include amount paid as salary for employees to those Directors who are also employees.
3. Remuneration and other amounts to Directors include accrued director's bonuses for this term in the amount of 32 million yen.

(3) Outside Directors and Outside Audit & Supervisory Board Members

Relation Between Important Organization of Concurrent Post and Canon Electronics Inc.

Name	Concurrent Post	Organization of Concurrent Post	Relation with the Company
	Chairman & CEO	The Institute of Energy Economics Japan	No special relation
Masakazu Toyoda	Outside Director	Murata Manufacturing Co., Ltd.	No special relation
	Outside Corporate Auditor	Nitto Denko Corporation	No special relation
Katsuhiko Utsumi	President and Representative Director	JATEC Co., Ltd.	No special relation
	Outside Director	Lilycolor Co., Ltd.	No special relation
	Advisor	Nagashima Ohno & Tsunematsu	No special relation
Shuji Iwamura	Outside Corporate Auditor	FamilyMart UNY Holdings Co., Ltd.	No special relation
	Outside Corporate Auditor	Riken Corporation	No special relation
	Outside Audit & Supervisory Board Member	The Hokkaido Bank, Ltd.	No special relation
	Governor and Auditor	Government Pension Investment Fund, Japan	No special relation
	President & Representative Director	Knowledge Network Inc.	No special relation
Seiho Nakata	Outside Audit & Supervisory Board Member	Advanex Inc.	No special relation
	Part-time Auditor	Chuo Senden Kikaku Co., Ltd.	No special relation

Principal Activities

Name	Principal Activities
Masakazu Toyoda Outside Director	Attended 13 out of 16 Board of Directors meetings held during this term, and provided input based on his experience and insight in the field of economy and international trade when necessary.
Katsuhiko Utsumi Outside Director	Attended 15 out of 16 Board of Directors meetings held during this term, and provided input based on his experience and insight in business management over the years when necessary.
Shuji Iwamura Outside Audit & Supervisory Board Member	Attended all 16 of Board of Directors meetings and all 7 of Audit & Supervisory Board meetings held during this term, and provided input based on his experience and insight as a legal profession when necessary.
Seiho Nakata Outside Audit & Supervisory Board Member	Attended all 16 of Board of Directors meetings and all 7 of Audit & Supervisory Board meetings held during this term, and provided input based on his experience and insight as a Certified Public Accountant and in business management when necessary.

Outline of Contracts for Limitation of Liability

Pursuant to the provision of Paragraph 1, Article 427 of the Companies Act, the Company has entered into a contract with Outside Directors and Outside Audit & Supervisory Board Members which sets forth the limitation on their damage compensation liabilities resulting from negligence of the Director's or Audit & Supervisory Board Member's duty. The amount of the limitation on the damage compensation liabilities under the said contract shall be the amount provided by the relevant laws and regulations.

4 Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Remuneration and Other Amounts to Accounting Auditor for This Term

	Amount
(i) Remuneration and other amounts payable by the Company for the services defined in Paragraph 1, Article 2 of the Certified Public Accountants Act	66 million yen
(ii) Total amount of cash and other financial benefits payable by the Company and its subsidiaries to the Accounting Auditor	76 million yen

Notes: 1 In the audit agreement between the Company and the Accounting Auditor, remuneration amounts are determined on a lump-sum without breakdown into a separate remuneration amount for auditing in accordance with the Companies Act and in accordance with the Financial Instruments and Exchange Law. Accordingly, the amounts shown in (i) above represent total amounts of remuneration and other amounts for both of these auditing services.

2 The Audit & Supervisory Board has received necessary documents and reports from the Directors, related internal divisions, and the Accounting Auditor, as well as confirming the audit plan, status of the performed audit for the previous term, and that the estimated remuneration is appropriate for the relevant term, etc. As a result, the Audit & Supervisory Board reached an agreement regarding the remuneration to Accounting Auditor, upon judging it to be a rational standard for maintaining the improvement of audit quality.

(3) Policy Regarding Decision to Either Dismiss or Not Reappoint Accounting Auditor

The Audit & Supervisory Board, by unanimous agreement, as needed, will dismiss the Accounting Auditor when confirmed that the Accounting Auditor falls under any Item of Paragraph 1, Article 340 of the Companies Act.

In addition to the above, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, making it unlikely that the Accounting Auditor will be able to properly perform an audit, the Audit & Supervisory Board will decide the contents of the item to be proposed at a General Meeting of Shareholders regarding the dismissal or refusal of reappointment of the Accounting Auditor.

(4) Business Suspension Disposition to Which the Accounting Auditor Was Subject during the Past Two years

(i) Subject of disposition

Ernst & Young ShinNihon LLC

(ii) Contents of disposition

- Suspension of accepting new engagements : three months
(From January 1, 2016 to March 31, 2016)
- Business improvement order (improvement of the operation control structure)

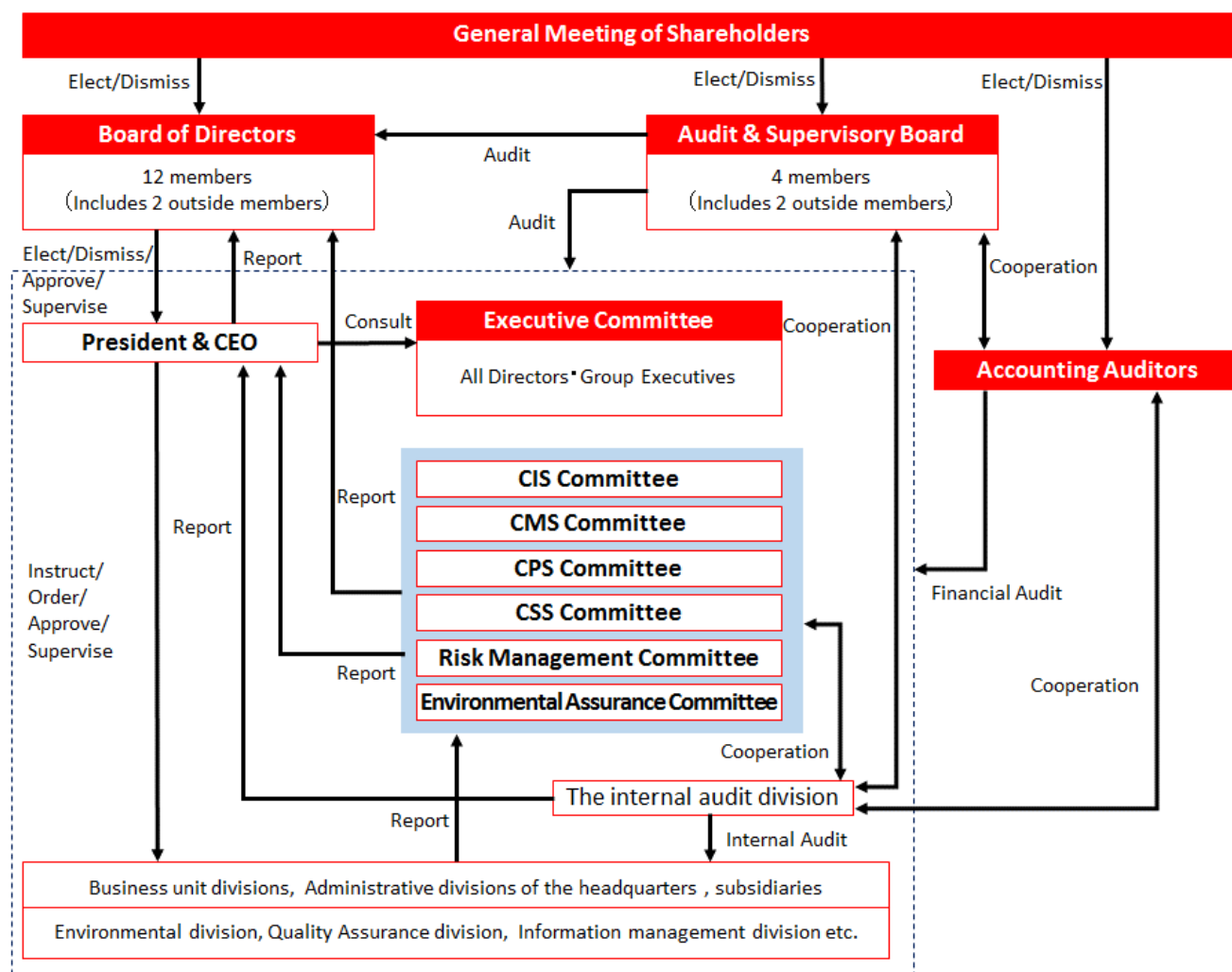
(iii) Reason for disposition

- In regard to the audit of financial statements for TOSHIBA CORPORATION in the fiscal year ended March 31, 2010, the fiscal year ended March 31, 2012, and the fiscal year ended March 31, 2013, the above mentioned auditing firm's certified public accountants, in negligence of due care, attested financial statements containing material false matters as those containing no material false matters.
- The above mentioned auditing firm's operation of the services was found to be grossly inappropriate.

5 Basic Policy Regarding Systems Necessary to Ensure the Properness of Operations (the “Internal Control System”) as well as the outline of activities for the aforementioned systems

To ensure the properness of operations and to work for continuous improvement in corporate value, Canon Electronics Inc. (the “Company”) and the enterprises consisting of the Company and its subsidiaries (the “Canon Electronics Group”), shall foster a law-abiding awareness based on the Spirit of “Three Selves” (Self-motivation, Self-management, and Self-awareness) - a Canon universal principle - and “Canon Group Code of Conduct.” Furthermore, the Canon Electronics Group shall firmly strive to ensure “management transparency” through clearly defined approval processes and authorities of the President & CEO, group executives of the Company and the executive officers of each subsidiary of the Company.

(Reference) Corporate Governance Chart



1. System for Compliance as well as the outline of activities for the aforementioned system

(Item 6, Paragraph 4, Article 362 of the Companies Act, and Item 4, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)

- (1). The Board of Directors shall make decisions on important Canon Electronics Group managerial matters after careful deliberation. Additionally, the Board of Directors shall have President & CEO and executive directors (collectively the “Directors etc.”) give reports regarding their execution of duties.

(Outline of Activities)

During the current business term, 16 Board of Directors meetings were held. At these meetings, in addition to deliberating and deciding on important matters, the Board of Directors received reports from Directors etc. in charge of major divisions concerning the execution of business.

- (2). The Board of Directors adopted the “Canon Group Code of Conduct,” as a standard for Directors etc. and employees to adhere in the execution of their duties. The Company shall promote compliance activities to develop law-abiding, independent and strong individuals with a high sense of ethics.

(Outline of Activities)

In addition to implementing compliance training that follows the Canon Group Code of Conduct, the Company established “Compliance Week”, an event held once every six months to provide an opportunity for discussion on familiar risks of law-and-regulation violations by each respective workplace and to ensure thorough compliance awareness.

- (3). As a part of the Company’s risk management system, the Company shall put in place business procedures (checking systems) that prevent violation of laws and regulations and the Company’s articles of incorporation in the course of daily business. It shall also maintain a compliance education system.

(Outline of Activities)

Through the Risk Management Committee’s activities, risks were grasped, business processes were inspected and improved. The activity is described in (1), 2 below.

- (4). The internal audit division of the Company, which has the authority to audit the execution of duties by Directors etc. and employees, shall also conduct audits regarding the status of compliance with laws and regulations and the Company’s articles of incorporation.

(Outline of Activities)

Audit & Supervisory Board Members, the Accounting Auditors, the internal audit division (Internal Auditing Office) conducted audits and frequently exchanged information when necessary, they gave proposals for improvement to the management.

- (5). If an act that violates laws and regulations, or the Company’s articles of incorporation is discovered in the Canon Electronics Group, employees have the ability to anonymously report such fact to any Directors etc., including Outside Directors and outside Audit & Supervisory Board Members by means of a whistleblowing system. Additionally, the Company shall declare to prohibit any disadvantageous treatment of any whistleblower under its principle.

(Outline of Activities)

The Company disseminated the establishment of the contact counter for reporting internal problems and dealt with whistleblower reports. The Company also explicitly declared to prohibit any disadvantageous treatment of any whistleblower under its principle.

In the current business term, there were no whistleblower reports relating to serious violations of laws and regulations, or the like.

2. System for Risk Management as well as the outline of activities for the aforementioned system

(Item 2, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)

- (1). The Company established the Risk Management Committee in accordance with the basic policy regarding risk management. This Committee shall develop various measures with regard to improving the risk management system. These measures include the system for grasping any significant risks (violation of laws and regulations, inappropriate financial reporting, quality issues, worker's accident, natural disasters etc.) that the Canon Electronics Group may face in the course of business. Additionally, in accordance with any action plan that is approved by the Board of Directors, this Committee shall evaluate the status of improvement and implementation of the risk management system and report its findings to the Board of Directors.

(Outline of Activities)

Established under the Risk Management Committee are the following three subcommittees: "the Financial Risk Management Subcommittee", which is in charge of improving systems to ensure the reliability of financial reporting, "the Compliance Subcommittee", which is in charge of improving systems to ensure compliance of corporate ethics and major laws and regulations such as the antitrust law, the Foreign Exchange Control Law, the Labor Act, and "the Business Risk Management Subcommittee", which is in charge of improving systems to manage quality risks, information leakage risks and other significant business risks. These subcommittees carried out evaluation based on their respective roles of the status of improvement and implementation of Canon Electronics Group's risk management system. The result of such evaluation did not discover any major flaws in the system.

- (2). Even if the authority to decide certain items is delegated from the Board of the Directors to the President & CEO, the Executive Committee and Management Committees shall carefully deliberate those items in cases that are considered particularly important.

(Outline of Activities)

Various items of Canon Electronics Group's business were carefully reported and deliberated, and decided at the Executive Committee which was held 12 times in the current business term as well as a meeting attended by the executives of the Canon Electronics Group and a meeting attended by the group executives of the Company held every month.

3. System for Efficient Execution of Duties as well as the outline of activities for the aforementioned system

(Item 3, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)

- (1). Directors etc. shall execute shared duties under the supervision and direction of the President & CEO.

(Outline of Activities)

The President & CEO and other Directors etc. executed the duties including the settlements of account allocated to them in accordance with the related regulations.

- (2). The President & CEO shall formulate mid-term management plans. Based upon these plans, the President & CEO shall manage operations from a unified group approach.

(Outline of Activities)

The President & CEO decided on a mid-term management plan and necessary measures, which has been decided based on discussions with group executives of the Company and the executives of the subsidiaries in Japan and overseas, and ensures the cohesion of the Group's corporate management.

4. System for Group Management as well as the outline of activities for the aforementioned system

(Item 5, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)

In accordance with the basic policy of group companies management, prescribed by the Board of Directors of the Company regarding important decisions of subsidiaries, the Company strengthens the internal control system of the Canon Electronics Group by setting following items that require obtaining approval from the Company or report to the Company.

The items are as follows:

- a. to obtain prior approval from the Company or report to the Company on important decisions.

(Outline of Activities)

The Company received reports on certain subjects from subsidiaries and provided prior approval to subsidiaries at a meeting attended by the executive officers of the subsidiaries which was held every month.

- b. to grasp significant risks that the subsidiary may face in the course of business and to verify and evaluate the status of improvement and implementation of the risk management system and report their findings to the Company in accordance with the basic policy regarding risk management”.

(Outline of Activities)

In order to conduct evaluation of the status of improvement and implementation of the risk management system described in (1), 2 above, the subsidiaries being evaluated implemented evaluation of the respective targeted risks. The result of such evaluation did not discover any major flaws in the system.

- c. to design an appropriate organization under the governing laws of incorporation and to clearly define approval processes and authorities of executive officers,

(Outline of Activities)

Each subsidiary performed, as appropriate, a review of the appropriateness of organizational design, and approval criteria and processes in accordance with the applicable laws and regulations and the nature of business and other factors. The company established a system in which subsidiaries are required to obtain an approval from the Company for settlement of certain sum of money that are more than a predetermined amount. The result of such evaluation did not discover any major flaws in the system.

- d. in addition to thoroughly instilling compliance awareness through the Canon Group Code of Conduct, to put in place business procedures/checking systems that prevent violation of laws and regulations and subsidiaries’ articles of incorporation in the course of daily business and prepare a compliance education system as a part of the subsidiaries’ risk management system.

(Outline of Activities)

In addition to the activities of (1), 2 above, each subsidiary conducted training and discussion as necessary and ensures utmost compliance.

- e. to establish a whistleblowing system and declare to prohibit any disadvantageous treatment of any whistleblower based on its principle.

(Outline of Activities)

Each company established a whistleblowing system and totally prohibits any disadvantageous treatment of any whistleblower.

5. System for Storing and Managing Information as well as the outline of activities for the aforementioned system

(Item 1, Paragraph 1, Article 100 of the Enforcement Regulations of the Companies Act)

Information related to the execution of duties of Directors, including meeting minutes of the Board of Directors and settlement documents, shall be maintained and managed by respective divisions in charge of such management in accordance with the relevant laws and regulations, and other related rules. Directors, Audit & Supervisory Board Members, and members of the internal audit division have the ability to inspect this information at any time.

(Outline of Activities)

During the current business term, whenever deemed necessary, Directors, Audit & Supervisory Board Members and members of the internal audit division perused or obtained copies of meeting minutes of the Board of Directors and the Executive Committee meetings, and other records such as settlement documents of the President & CEO for the execution of their duties.

6. System for Auditing by Audit & Supervisory Board Members as well as the outline of activities for the aforementioned system

(Paragraph 3, Article 100 of the Enforcement Regulations of the Companies Act)

- (1). When Audit & Supervisory Board Members request the Company to assign employee to assist their duties, the Company shall appoint such employee. The employee is outside the control of Directors in respect of the duties of Audit & Supervisory Board Members to be assisted, though the employee hold a post concurrently. Any change in such employee shall require the prior consent of the Audit & Supervisory Board.

(Outline of Actions)

The employees of the administrative divisions of the headquarters, from time to time, assisted Audit & Supervisory Board Members.

- (2). Audit & Supervisory Board Members shall grasp the execution of duties by Directors, attending not only meetings of the Board of Directors, but also other important meetings such as meetings of the Executive Committee and Risk Management Committee.

(Outline of Activities)

Audit & Supervisory Board Members, including Outside Audit & Supervisory Board Members, in addition to attending almost all the Board of Directors meetings, also attended the Executive Committee meetings and the Risk Management Committee as necessary.

- (3). The administrative divisions of the headquarters, such as human resources, finance & accounting, and legal affairs, shall hold meetings with Audit & Supervisory Board Members and report on the execution of duties in a timely manner. Additionally, if any material breach of laws and regulations occurs, the relevant division shall immediately report this to Audit & Supervisory Board Members.

(Outline of Activities)

The managers in charge of the administrative divisions of the headquarters and its members reported to Audit & Supervisory Board Members in respect of the important matters and had discussion with the Members. In the current business term, there were no reports to Audit & Supervisory Board Members relating to serious violations of laws and regulations, or the like.

- (4). Audit & Supervisory Board Members shall have accounting auditors periodically give reports.
(Outline of Activities)
Audit & Supervisory Board Members, in addition to periodically receiving reports from the Accounting Auditor on the results of the audit of the business term in accordance with the relevant laws and regulations, they also held hearings with the Accounting Auditor to inquire on the status of audits as necessary.
- (5). Audit & Supervisory Board Members shall hold periodic meetings with counterparts of domestic subsidiaries of the Company and work to improve the auditing system from a unified group perspective by sharing information. Additionally, Audit & Supervisory Board Members shall grasp the execution of duties by officers etc. of subsidiaries by making visiting audits at subsidiaries.
(Outline of Activities)
Audit & Supervisory Board Members drew up an annual audit plan and periodically perform visiting audits at subsidiaries. In addition, at the time of visiting audits at subsidiaries, Audit & Supervisory Board Members shared information with audit & supervisory board members of the subsidiaries individually.
- (6). The Company shall declare to prohibit any disadvantageous treatment of any person that reports to Audit & Supervisory Board Members under its principle.
(Outline of Activities)
The company declared in the internal notification the establishment of the contact counter for reporting internal problems to prohibit of disadvantageous treatment of any person that reports to Audit & Supervisory Board Members.
- (7). The Audit & Supervisory Board shall draw up an annual audit plan and an annual budget covering the audit of the Company and its subsidiaries. And the Company shall secure necessary funds for the annual budget. When an outlay outside the budget is incurred, due to a special audit etc., the expense shall be reimbursed by the Company.
(Outline of Activities)
In the current business term, there were no shortfalls in the budget allocated for the implementation of audits in accordance with the audit plan.

6 Basic policy regarding the determination of distribution of surplus as dividend etc.

The basic policy of the Company is, for the purpose of expanding a shareholders value to the future, to enhance an internal reserve and to maintain a stable return to shareholders, mainly in the form of a dividend, by actively developing business and strengthening corporate constitution.

CONSOLIDATED FINANCIAL STATEMENTS
Consolidated Balance Sheets

[Millions of yen]

	As of Dec. 31, 2017	As of Dec. 31, 2016 (Reference)		As of Dec. 31, 2017	As of Dec. 31, 2016 (Reference)
ASSETS			LIABILITIES		
Current assets:	70,698	63,905	Current liabilities	17,420	16,274
Cash and deposits	26,434	16,270	Accounts payable - trade	10,947	12,105
Notes and accounts receivable-trade	23,393	22,394	Electronically recorded obligations - operating	2,006	-
Merchandise and finished goods	969	975	Accrued expenses	1,330	1,295
Work in process	3,028	2,233	Income taxes payable	1,260	629
Raw materials and supplies	86	76	Provision for bonuses	352	377
Short-term loans receivable	15,000	20,000	Provision for directors' bonuses	32	27
Deferred tax assets	297	280	Provision for loss on order received	11	188
Other	1,488	1,673	Other	1,479	1,650
Allowance for doubtful accounts	-	(0)	Non-current liabilities	2,815	5,381
Non-current assets	37,522	39,266	Provision for directors' retirement benefits	221	230
Property, plant and equipment	32,761	34,409	Net defined benefit liability	2,421	4,878
Buildings and structures, net	11,337	11,935	Deferred tax liabilities	19	58
Machinery, equipment and vehicles, net	3,767	4,299	Other	152	213
Tools, furniture and fixtures, net	2,964	3,265	Total liabilities	20,235	21,655
Land	14,620	14,618	NET ASSETS		
Construction in progress	71	290	Shareholders' equity	88,503	83,215
Intangible assets	1,493	1,447	Capital stock	4,969	4,969
Investments and other assets	3,267	3,408	Capital surplus	9,595	9,595
Investment securities	1,041	565	Retained earnings	76,519	71,229
Deferred tax assets	1,406	2,060	Treasury shares	(2,580)	(2,579)
Other	820	782	Accumulated other comprehensive Income	(648)	(1,762)
Allowance for doubtful accounts	(0)	(0)	Valuation difference on available-for sale securities	348	203
			Deferred gains or losses on hedges	-	(40)
			Foreign currency translation adjustment	524	719
			Remeasurements of defined benefit plans	(1,520)	(2,645)
			Non-controlling interests	129	63
Total assets	108,221	103,171	Total net assets	87,985	81,515
			Total liabilities and net assets	108,221	103,171

Consolidated Statements of Income

	Year ended Dec. 31, 2017	[Millions of yen] Year ended Dec. 31, 2016 (Reference)
Net sales	83,769	83,290
Cost of sales	62,732	64,610
Gross profit	21,036	18,679
Selling, general and administrative expenses	11,430	10,602
Operating profit	9,605	8,077
Non-operating income	291	128
Interest and dividend income	74	91
Foreign exchange gains	170	-
Other	46	36
Non-operating expenses	10	246
Foreign exchange losses	-	197
Other	10	48
Ordinary Profit	9,886	7,959
Extraordinary income	28	47
Gain on sales of investment securities	7	47
Gain on sales of non-current assets	20	0
Extraordinary losses	15	65
Loss on sales and retirement of non-current assets	15	1
Loss on valuation of golf club membership	-	64
Profit before income taxes	9,899	7,941
Income taxes-current	2,073	2,087
Income taxes-deferred	80	292
Profit	7,745	5,561
Profit attributable to non-controlling interests	6	7
Profit attributable to owners of parent	7,739	5,553

FINANCIAL STATEMENTS

Balance Sheets

[Millions of yen]

	As of Dec. 31, 2017	As of Dec. 31, 2016 (Reference)		As of Dec. 31, 2017	As of Dec. 31, 2016 (Reference)
ASSETS			LIABILITIES		
Current assets	61,899	55,225	Current liabilities	20,951	19,016
Cash and deposits	20,125	9,225	Accounts payable-trade	10,498	12,125
Notes receivable-trade	264	24	Electronically recorded obligations - operating	2,006	-
Accounts receivable-trade	21,029	21,006	Short-term loans payable	5,000	4,000
Merchandise and finished goods	751	676	Accounts payable-other	224	158
Work in process	2,226	1,600	Accrued expenses	1,081	991
Raw materials and supplies	58	54	Income taxes payable	1,191	544
Short-Term loans receivable	15,770	20,840	Accrued consumption taxes	67	229
Accounts receivable-other	1,196	976	Deposits received	479	402
Deferred tax assets	259	272	Provision for bonuses	269	271
Other	217	549	Provision for directors' bonuses	32	27
Non-current assets	48,576	48,912	Other	99	265
Property, plant and equipment	30,060	31,079	Non-current liabilities	236	1,174
Buildings, net	9,523	9,899	Provision for retirement benefits	-	931
Structures, net	295	299	Provision for directors' retirement benefits	221	230
Machinery and equipment, net	2,702	3,044	Other	14	12
Vehicles, net	34	20	Total liabilities	21,187	20,191
Tools, furniture and fixtures, net	2,867	2,978	NET ASSETS		
Land	14,575	14,572	Shareholders' equity	88,959	83,793
Construction in progress	61	264	Capital stock	4,969	4,969
Intangible assets	860	571	Capital surplus	9,595	9,595
Leasehold right	57	57	Legal capital surplus	9,595	9,595
Software	779	487	Other capital surplus	0	0
Right of using facilities	17	18	Retained earnings	76,975	71,808
Other	5	7	Legal retained earnings	129	129
Investments and other assets	17,656	17,261	Other retained earnings	76,846	71,679
Investments securities	982	520	General reserve	19,000	19,000
Shares of subsidiaries and associates	14,651	14,511	Retained earnings brought forward	57,846	52,679
Long-term prepaid expenses	26	30	Treasury shares	(2,580)	(2,579)
Prepaid pension cost	0	-	Valuation and translation adjustments	329	153
Deferred tax assets	1,218	1,467	Valuation difference on available-for-sale securities	329	193
Other	777	732	Deferred gains or losses on hedges	-	(40)
Total assets	110,476	104,138	Total net assets	89,288	83,946
			Total liabilities and net assets	110,476	104,138

Statements of Income

	Year ended Dec. 31, 2017	[Millions of yen] Year ended Dec. 31, 2016 (Reference)
Net sales	72,146	74,137
Cost of sales	53,659	57,214
Gross profit	18,487	16,922
Selling, general and administrative expenses	9,435	8,642
Operating profit	9,051	8,280
Non-operating income	690	83
Interest and dividend income	557	61
Foreign exchange gains	107	-
Other	25	21
Non-operating expenses	10	548
Interest expenses	6	11
Foreign exchange losses	-	529
Other	4	7
Ordinary profit	9,731	7,815
Extraordinary income	20	47
Gain on sales of non-current assets	20	0
Gain on sales of investment securities	-	47
Extraordinary losses	13	65
Loss on sales and retirement of non-current assets	13	1
Loss on valuation of golf club membership	-	64
Profit before income taxes	9,739	7,796
Income taxes-current	1,940	1,866
Income taxes-deferred	182	329
Profit	7,616	5,600

ACCOUNTING AUDIT REPORT OF ACCOUNTING AUDITOR ON CONSOLIDATED FINANCIAL STATEMENTS
(TRANSLATION)

Independent Auditor's Report

February 8, 2018

The Board of Directors
Canon Electronics Inc.

Ernst & Young ShinNihon LLC

Sayaka Shimura
Certified Public Accountant
Designated and Engagement Partner

Ryo Kayama
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Canon Electronics Inc. (the "Company") applicable to the fiscal year from January 1, 2017 through December 31, 2017.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Canon Electronics Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

**ACCOUNTING AUDIT REPORT OF ACCOUNTING AUDITOR
(TRANSLATION)**

Independent Auditor's Report

February 8, 2018

The Board of Directors
Canon Electronics Inc.

Ernst & Young ShinNihon LLC

Sayaka Shimura
Certified Public Accountant
Designated and Engagement Partner

Ryo Kayama
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Canon Electronics Inc. (the "Company") applicable to the 79th fiscal year from January 1, 2017 through December 31, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Canon Electronics Inc. applicable to the 79th fiscal year ended December 31, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

AUDIT REPORT OF AUDIT & SUPERVISORY BOARD

Audit Report

Regarding the performance of duties by the Directors for the 79th business term from January 1, 2017, to December 31, 2017, we have prepared this Audit Report upon deliberation based on the audit reports prepared by each Audit & Supervisory Board Member and hereby report as follows:

1. Auditing Methods Employed by the Audit & Supervisory Board Members and Audit & Supervisory Board and Details of Such Audit

- (1) We established auditing policies, allocation of duties and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding their execution of audits and results thereof, as well as reports from the Directors, other relevant personnel, and the Accounting Auditor regarding performance of their duties, and sought explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with such as the Directors, the internal auditing and other employees, made efforts to establish the environment for collecting information and auditing, and conducted the audit by the following methods.
 - (i) Each Audit & Supervisory Board Member participated in the meetings of the Board of Directors and other important meetings, received reports from such as the Directors and employees regarding performance of their duties, sought explanations as necessary, examined important authorized documents and associated information, and studied the operations and status of assets at the headquarters and principal offices. With respect to subsidiaries, we communicated and exchanged information with Directors and Audit & Supervisory Board Members of subsidiaries, and received business reports from subsidiaries as necessary.
 - (ii) We periodically received reports from Directors, employees and others, requested explanations as necessary, and expressed opinions, regarding the resolution of the Board of Directors on the establishment of following systems (Internal Control System) and the status of operation of the organized system based on such resolution, both of which are described in the Business Report;
 - i) the system for ensuring that the performance of duties by the Directors conforms to the applicable laws and regulations and Articles of Incorporation, and
 - ii) the system stipulated in Item 1 and Item 3, Article 100, of the Enforcement Regulations of the Companies Act, which are necessary for ensuring the properness of operations of the enterprises consisting of the Company and its subsidiaries.
 - (iii) We examined the contents of the matters considered and the assessment and reason described in this Business Report under (a) & (b) of Item 5, Article 118 of the Enforcement Regulations of the Companies Act taking into account of the status of deliberations of the Board of Directors etc.
 - (iv) We monitored and verified whether the Accounting Auditor maintained their independence and implemented appropriate audits, and we received reports from the Accounting Auditor regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "System for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Company Accounting Regulations) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, we examined the business report and the accompanying detailed statements, the financial statements (balance sheet, statement of income, statement of changes in net assets, and notes to non-consolidated financial statements) and the accompanying detailed statements as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of equity, and notes to consolidated financial statements) for this business term.

2. Audit Results

- (1) Results of Audit of Business Report and Other Relevant Documents
 - (i) We confirm that the business report and the accompanying detailed statements fairly represent the Company's conditions in accordance with the related laws and regulations and Articles of Incorporation.
 - (ii) We have found no significant evidence of wrongful act or violation of related laws and regulations, nor the Articles of Incorporation with regard to the execution of duties by the Directors.
 - (iii) We confirm that the content of the resolution of the Board of Directors regarding the Internal Control System is proper. In addition, we have found no matters on which to remark in regard to the description of the business report and the execution of duties by the Directors regarding the Internal Control System.
 - (iv) With respect to the transactions with Parent Company, etc. which are described in this Business Report, we have found no matters on which to remark in respect to the matters considered and the Board of Directors' assessment and reason as to the harm to the Company's profit.
- (2) Results of Audit of financial statements and the accompanying detailed statements
We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst Young ShinNihon LLC, are proper.
- (3) Results of Audit of consolidated financial statements
We confirm that the methods and results of the audit conducted by the Accounting Auditor, Ernst Young ShinNihon LLC, are proper.

February 8, 2018

Audit & Supervisory Board, Canon Electronics Inc.
Audit & Supervisory Board Member Tatsuya Kawana
Audit & Supervisory Board Member Shunji Onda
Audit & Supervisory Board Member Shuji Iwamura
Audit & Supervisory Board Member Seiho Nakata

Note: Audit & Supervisory Board Members, Shuji Iwamura and Seiho Nakata are Outside Audit & Supervisory Board Members, as provided in Item 16, Article 2, and Paragraph 3, Article 335, of the Companies Act.

Those are the materials delivered pursuant to Article 437 and Article 444 of the Companies Act.

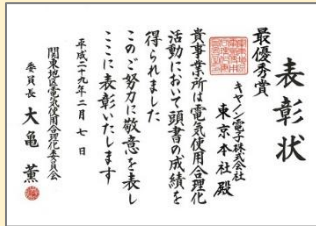
General Share Information

Business term	From January 1 to December 31 of each year
Ordinary general meeting of shareholders	March of each year
Record date for above	December 31 of each year
Record date for interim dividends	June 30 of each year
Record date for end-of year dividends	December 31 of each year
Manager of the register of shareholders / Account management institution for the special account(tokubetsu koza)	2-1, Yaesu 1-chome, Chuo-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Inquiries regarding share handing procedures	<p>Should you have any inquiries about Address change, Requests for purchase or sale of shares less than one unit and Dividend transfer designation pertaining to shares of Canon Electronics Inc., please contact your securities company etc.</p> <p>Should you have any inquires about procedure for payment of accrued dividends or about the above procedures in cases where your shares are managed in a special account (tokubetsu koza), Mizuho Trust & Banking Co., Ltd. handles these procedures, so please contact as shown below.</p> <p>Stock Transfer Agency Department of Mizuho Trust & Banking Co., Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-8507</p> <p>Phone 0120-288-324 (Toll free, available in Japan only)</p>
Number of shares constituting one unit	100 shares
Method of public notice	Electronic means (http://www.canon-elec.co.jp/) However, if the Company is unable to give an electronic public notice due to an accident or any other unavoidable reasons, the notice shall be given in the Nikkei.
Stock exchange listings	Tokyo Stock Exchange (First Section)
Securities code	7739

Topics

Tokyo HQ received high-ranking award with respect to Energy Conservation Activities

In regards to energy conservation activities at our Tokyo Headquarters, on February 2017, we received the highest ranking award from the Kanto District Electricity Usage Rationalization



Committee as the top energy management businesses. This was the second time we won the highest ranking award.

In this award, particularly the accumulation of energy conservation activities and the reduction rate of CO2 emissions per employee were highly valued.

We will make strong commitment to promote environmental management.

Ultra small satellite "CE-SAT-I" related news

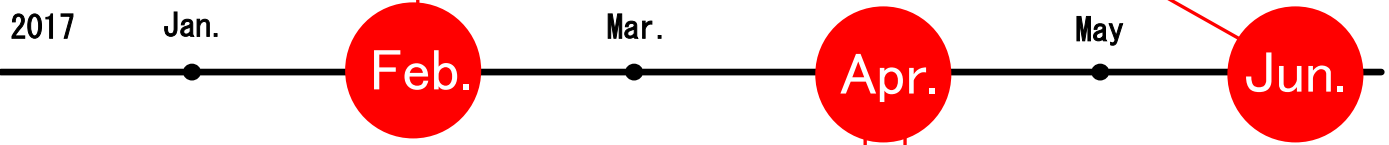


Credit : ISRO/Antrix

On June 23, 2017, the ultra-small satellite "CE-SAT-I" designed by the Company was launched in the PSLV rocket of the Indian Space Research Organization.

On November 1, 2017, design of the "CE-SAT-I" received the "Good Design Award 2017".

- Please refer to page 3 & 4 for details.



Sponsorship to "7th Photo Contest of YASAI OKOKU SHOWA Village"

"The Photo Contest of YASAI OKOKU SHOWA Village" was held at Showa village, Tone-gun, Gunma prefecture where our Akagi Plant locates. We have been sponsoring the contests from the start of the contest. This time, which was the seventh time, there are entries for 441 works and on April 2017, we awarded "Canon Electronics Co., Ltd. Award" to excellent works and presented Canon products to those with excellent results.



Canon Electronics Prize General Section "A Warm Cheer"

Social Contribution Activities ~ Environmental Conservation Activities by New Employees ~

On April 21st, 2017, at the Mitsumine Shrine in Chichibu city, Saitama prefecture, 38 new employees carried out environmental conservation activities. This activity has been continued since 2005 and aims to have them understand the importance of environmental conservation activities, while experiencing part of social contribution activities.

The Company, as a part of its social contribution activities, supported the renovation of Mitsumine Shrine as well as sponsoring the Chichibu Night Festival (Chichibu Yomatsuri) which is the national important intangible cultural folk asset and which had been approved and registered as UNESCO's intangible cultural heritage.



Release of New Document Scanner imageFormula DR-M260

On August 2017, we started selling the document scanner “DR-M260” which supported a large number of scan tasks with up to 80 paper feeds and realized high-speed scanning and image quality improvement by



installing a newly developed DR processor. Not only a plain paper of different size used in business, it corresponds to various manuscripts such as thin paper, order form, proof of delivery and business cards etc. By applying a wide range of sheet feeding power to high-speed scanning, we accomplished faster and smoother scanning.

Akagi Plant was awarded “Excellent Workplace for Skill Certification”

On November 2017, Akagi plant was awarded “Excellent Workplace for Skill Certification” by Gunma prefecture.



In this award, the Akagi plant has been valued to effectively utilize the skill certification system to develop skilled workers in order for the skills to be inherited and the skills and technologies to be developed.

We will continue to actively develop skilled people to the future.

Jul.

Aug.

Sep.

Oct.

Nov.

Dec.

Release of Mobile Settlement Process Terminal CA-P1

On September 2017, we started selling a printer-integrated mobile settlement process terminal “CA-P1” which supported credit card payment in collaboration with tablets etc.



It makes various settlements such as cash cards and electronic money possible, and after settlement you can issue transaction records etc. from a built-in printer. It supports a wide range of business such as mobile sales in the retail industry, account transfer contracts at financial institutions and sales summary chart and work report.

Our President’s latest book “How to become needed in the company after reaching 60 years old” was now published.



Publisher:
“GENTOSHA INC.”

Date of publication:
20th December 2017

Price:
1,200 yen excluding tax

How should we spend our days in order to become someone that is needed, instead of someone wanting to stay, as an active business person or even after retirement? How can we continue to perform at our best? Lots of advice on what we should value, based on the author’s experience, is written throughout the 4 chapters. Please take some time to read it.