Canon Sustainability Report **2013**

Canon

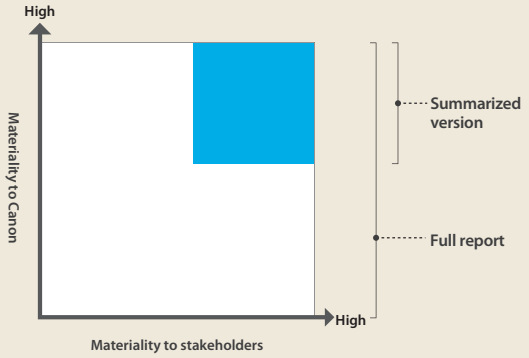
Editorial Policy

Our report focuses on Canon's efforts toward realization of a sustainable society.

To meet the expectations of our various stakeholders, Canon publishes the *Canon Sustainability Report* every year. The report offers a comprehensive description of our efforts to achieve a sustainable society.

For 2013, we are publishing the full report in PDF format, enabling readers to view its contents all at once. We also offer in the same format a summarized version of the report, highlighting only key points for quick review.

Contents of PDF Report



Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2012 (January 1 to December 31, 2012). The scope of Canon's environmental activities is not limited to development, production and sales operations at operational sites, but covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product usage by customers. Supplemental information on important targets, indicators, and initiatives prior to 2011 and beyond 2013 is referenced in this report. Information that is specific to a region or organization is indicated. In this publication, "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.

Reference Guidelines

- GRI Sustainability Reporting Guidelines, Version 3.1 (G3.1)
- Environmental Reporting Guidelines (2012 version) from Japan's Ministry of the Environment
- Environmental Accounting Guidelines (2005 version) from Japan's Ministry of the Environment

Published

June 2013 (previous: July 2012, next planned: June 2014)

Other Information

Previously disclosed data has been revised to reflect changes in calculation methods and the expanded scope of sites covered. Accordingly, some data in this report differs from data presented in last year's report.

Canon's website contains the most recent information on our CSR activities.

CSR Activities
http://www.canon.com/csr/index.html

Contents

Disclaimer

This report contains not only past and present facts about Canon, but also future forecasts based on plans, prospects, management policies and strategies as of the publication date. These future forecasts are assumptions or estimations based on information available at the time the report was prepared. Due to a range of variables, however, the results or circumstances of our future business activities may vary from the forecasts contained herein. We ask for your understanding in this regard.

Promoting CSR activity through a corporate philosophy of *Kyosei*

Canon adopted *kyosei* as its corporate philosophy in 1988, the 51st year since our founding. This philosophy clarifies Canon's stance on partnerships formed with stakeholders around the world.

Kyosei means aspiring to a society in which all people, regardless of race, religion, or culture, harmoniously live and work together for the common good into the future.

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

Canon's Stakeholders

Company Overview

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

Common stock: ¥174,762 million
Group companies: 275 consolidated subsidiaries
9 equity method affiliates

Note: Figures for common stock and Group companies are as of December 31, 2012.

In addition to achieving sound business growth, we are committed to contributing to society as a good corporate citizen.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Meeting Stakeholder Expectations with New and Challenging Reforms

In 2013, in response to the drastically changing business environment, we will decisively carry out reforms focused on future prospects as we pursue sound business growth.

With the domino effect triggered by the debt crisis in Europe, the global economic slowdown, and the continued challenges posed by the historically high yen, 2012 proved to be an extremely difficult year. But amid this difficult business environment, Canon remained focused on achieving the goals we set for Phase IV (2011–2015) of the Excellent Global Corporation Plan, our medium- to long-term management plan, releasing more new products than usual and implementing various measures. Unfortunately, despite these efforts, we were not able to avoid a decrease in sales and profit.

Canon, however, will overcome these difficult times, pressing forward toward a path of growth by continuing to transform our operations in response to changes in the times and business environment.

Such activities, however, cannot be undertaken without ensuring environmental stability and social development. Even in the face of adverse business conditions, we must remain mindful of a corporation's role as a public institution and strive to fulfill the responsibilities expected of us by our stakeholders. Accordingly, guided by our Canon Group CSR Activity Policy, we must promote CSR activities that effectively leverage the company's advanced technological strengths, global business deployment, and diverse, specialized human resources.

Driving Social Development through Product Strength and Advanced Technologies

Since its founding, Canon has contributed to social development by releasing technologically advanced products to the world. In 1940, Canon developed Japan's first indirect X-ray camera, thus contributing to the maintenance of proper public health at the time. Since then Canon has worked steadily and diligently, and today offers a range of digital radiography systems and ophthalmic devices. In addition, the company collaborates with world-leading university hospitals and research centers to develop cutting-edge imaging technologies and medical equipment that enable the early detection of diseases while reducing the burden on patients.

Additionally, in 2011, we launched a new business with the release of the Cinema EOS System, which has helped open up new possibilities within the filmmaking industry and supported the development of film culture. We are also pursuing further expansion in our network camera business and are confident that we can respond to the need for safer and more secure communities.

We are determined to keep in step with the needs of an

ever-changing society, contributing to the greater good by delivering products and services that make full use of Canon's advanced technological strengths.

Reducing Environmental Burden with Customers Through Visualization

Ensuring a stable global environment is essential for society to achieve sustainable development. As stated in Canon's Environmental Vision, we are committed to realizing a society that promotes enriched lifestyles while preserving the global environment by reducing environmental burden at every stage of product lifecycle.

Reducing impact on the environment also requires the cooperation of the customers who use our products. To help customers better grasp this reduction in environmental impact, we promote the visualization of environmental burdens. For instance, Canon multifunction office systems were the first multifunction devices to acquire certification under Japan's Carbon Footprint Program, which calculates and discloses aggregate greenhouse gas emissions in terms of CO_2.

Contributing as a Leading Imaging Company to the Development of Culture and Science

Since cameras represent Canon's original mainstay business from which the company grew, we have not only contributed to the development of the culture of photography, but also applied this technology toward the advancement of other forms of culture. For example, through our support of the Tsuzuri Project, we make use of cutting-edge digital technologies to create high-resolution facsimiles of precious cultural assets from Japanese antiquity, such as decorative folding screens and sliding door paintings. These facsimiles are then displayed to the general public as a means of sharing Japan's cultural assets with future generations.

Additionally, Canon took the lead in the development of the lens unit of the ultra-wide-field prime-focus camera installed in the Subaru Telescope, which is located in Hawaii and operated by the National Astronomical Observatory of Japan. Thanks to the development of this camera, which went into use in 2012, the time required for observations has been dramatically reduced. As a result, research focused on unraveling the origins of the universe is expected to proceed at a faster pace than before.

Finally, in addition to our strength in imaging technologies, we also contribute to society as a global corporation, supporting development in Japan and internationally through the Canon Institute for Global Studies, which analyzes a variety of social issues from a global standpoint and proposes strategic solutions, and the Canon Foundation, which fosters cutting-edge scientific and technological research.

Timely and Ongoing Aid for Regions Hit by Natural Disasters

When natural disasters strike, such as the Great East Japan Earthquake in 2011, the flooding in Thailand in 2011, and Hurricane Sandy, which hit the eastern United States in 2012, countless people suffer and the impact on their lives is great. With the aim of helping areas affected by disaster recover as quickly as possible, Canon provides aid in the form of timely donations and fundraising, and also offers support through such means as communication activities that focus on photography.

In order to help as many people as possible, we also provide humanitarian aid in cooperation with such international organizations as the Red Cross or the Office of the United Nations High Commissioner for Refugees.

Contributing to Society through an Adaptable Workforce that Respects Humanity and Diversity

A respect for humanity is firmly rooted in Canon's corporate DNA. In 2012, we launched a project in Japan promoting company-wide employee diversity with activities designed to link diversity with organizational growth for the company.

In the face of a rapidly changing business environment, nurturing employees capable of adapting to such changes is of vital importance. We expect our employees to maintain an enterprising spirit in their everyday work while adhering to the *San-ji* (Three Selfs) Spirit—self-motivation, self-management and self-awareness. We know that by fostering globally minded professionals capable of personal growth, we can help support sustainable social development.

As a good corporate citizen, Canon is dedicated to the realization of a better society, and we will continue to strive to be a truly excellent global corporation worthy of admiration and respect worldwide.

We look forward to your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

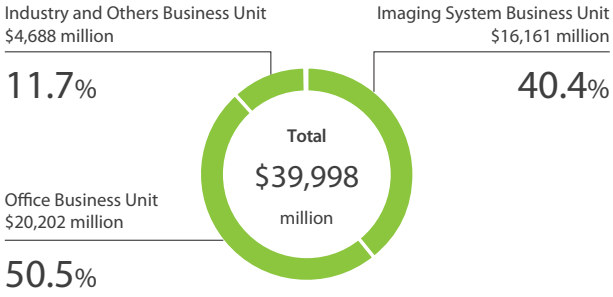
Pursuing greater growth through a foundational strategy of diversification and globalization.

Diversification: Businesses and Products

Since our beginning as a camera manufacturer, Canon has leveraged core imaging technologies to expand into other business areas, such as business machines and semiconductor equipment. Within each of our business units—Imaging System, Office, and Industry and Others—we seek to realize technological innovations that will lead to a society in which enriched lifestyles and sustainability are mutually attainable.

In 2012, in addition to strong sales of new digital cinema cameras and the color production printing systems developed in cooperation with Océ, Canon also released an MR System, which combines real and virtual CG worlds to speed up the product design process, as well as the first Canon-brand OCT ophthalmic instrument designed to measure the retina in three dimensions. While nurturing products such as these, Canon is creating fresh growth in new directions.

2012 Sales Ratio per Segment



Notes: Sales ratios do not total 100% due to sales between segments of 2.6% (–$1,053 million).

US dollar amounts are translated from yen at the rate of JPY87= US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 28, 2012, solely for the convenience of the reader.

Imaging System Business Unit

- Interchangeable-lens digital cameras
- Digital compact cameras
- Digital camcorders
- Digital cinema cameras
- Interchangeable lenses
- Compact photo printers
- Inkjet printers/multifunction printers
- Large-format inkjet printers
- Commercial photo printers
- Image scanners
- Broadcast equipment
- Multimedia projectors
- Calculators

Office Business Unit

- Office multifunction devices
- Digital production printing systems
- Laser printers/multifunction printers
- Facsimile machines
- Toner cartridges
- Cloud-based document services
- Solutions software

Industry and Others Business Unit

- Semiconductor lithography equipment
- Flat-panel-display lithography equipment
- Digital radiography systems
- Ophthalmic equipment
- Network cameras
- Handy terminals
- Document scanners
- Color label/card printers
- Components
- Die bonders
- Organic EL display manufacturing equipment
- Vacuum deposition equipment


Laser printers


Interchangeable-lens digital cameras


Digital radiography systems


Office multifunction devices


Semiconductor lithography equipment

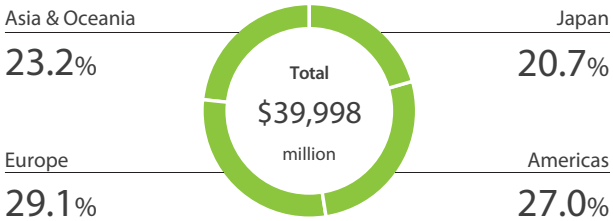

Inkjet multifunction printers

Globalization: Markets and Operational Sites

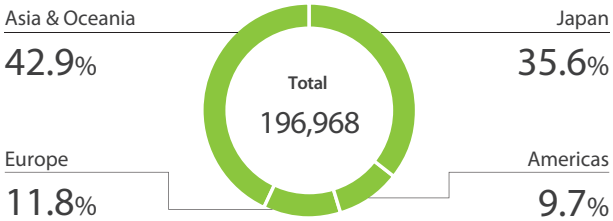
Since our founding, Canon has taken a global approach to business development by establishing operational sites worldwide, starting with our branch office in New York in 1955. Currently, we maintain sales, production and R&D sites in the Americas, Europe and Asia/Oceania. In accordance with our corporate philosophy of *kyosei*, we respect the laws, customs and cultures of each country and region in which we operate, and our workforce of more than 190,000 employees supports the Canon brand in the more than 180 countries and regions where it is a registered trademark.

In 2012 we strengthened our local manufacturing and sales networks in emerging markets, establishing new production sites in Thailand, the Philippines and Brazil, while expanding sales and service bases in such places as China, India, and Vietnam.

2012 Sales Distribution Ratio by Region



2012 Employee Distribution Ratio by Region



Europe

Sales
$11,656 million

Employees
23,161

Asia & Oceania

Sales
$9,260 million

Employees
84,487

Japan

Sales
$8,279 million

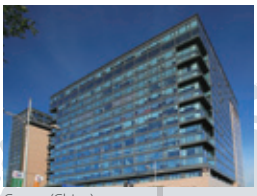
Employees
70,234

Americas

Sales
$10,803 million

Employees
19,086


Canon Europe Ltd.


Canon (China) Co., Ltd.


Canon Inc.


Canon U.S.A., Inc.


Canon Australia Pty. Ltd.


Canon Marketing Japan Inc.

Through continued self-reform and sound growth, Canon aims to be an admired and respected corporate group.

Following the principles of *kyosei*, Canon aims to continue contributing to society through technological innovation, garnering the admiration and respect of people around the world.

We launched our medium- to long-term management plan, the Excellent Global Corporation Plan, in 1996 in order to help realize these goals. In 2011, we embarked on Phase IV of the plan. Remaining committed to sound growth despite the hostile business environment of recent years, Canon continues to anticipate the changing times and to evolve as a company.

Excellent Global Corporation Plan

1996–2000 Phase I

This phase called for a transformation of the management mindset to "total optimization," and a focus on profit. We engaged in a variety of business innovations, including reform in activities such as production and development.

2001–2005 Phase II

Aiming to become No. 1 in all core business areas, Canon actively focused on strengthening product competitiveness by moving forward with product digitalization. The company also conducted structural reforms across all Canon Group companies worldwide.

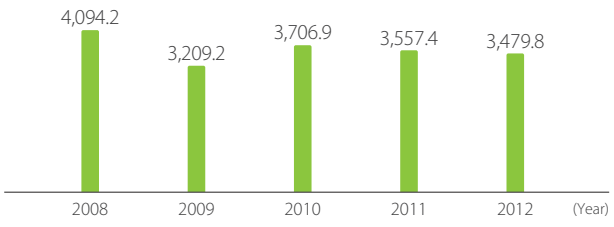
2006–2010 Phase III

We sought to enhance existing businesses and expand into new ones, while building a solid financial base by engaging in IT reforms to achieve real-time management.

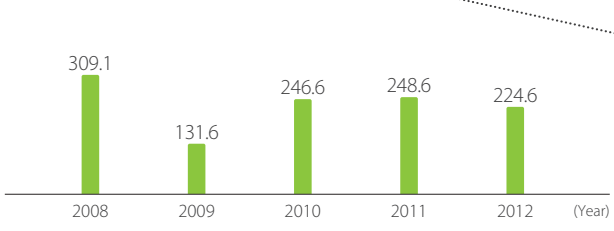
2011–2015 Phase IV

In order to achieve our management goals for 2015, Canon is currently pursuing six key strategies (see p. 8). In addition to reinforcing our market position through the release of powerful hit products, and attaining the global No. 1 position in all of our core businesses, we also plan to develop new sectors in the medical and industrial fields. We will also pursue opportunities offered by the rapidly changing business environment, such as the growth of emerging markets. By focusing on the business foundations of development, supply, production and sales, we will challenge ourselves to achieve sound growth while maintaining high profitability.

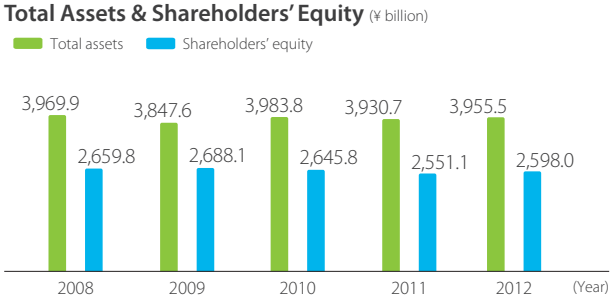
Net Sales (¥ billion)



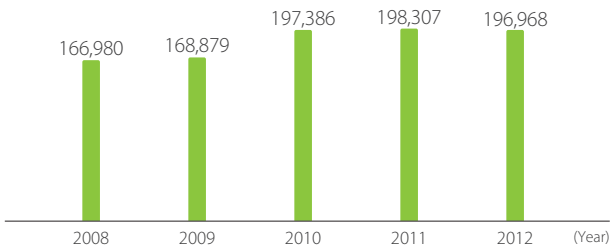
Net Income (¥ billion)



Total Assets & Shareholders' Equity (¥ billion)



Employees



Note: Data is based on consolidated calculations.

6 Key Strategies (Phase IV)

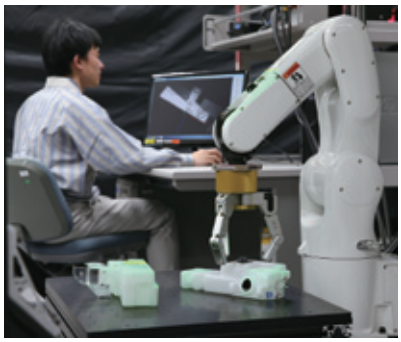
Achieve the overwhelming No. 1 position in all core businesses and expand related and peripheral businesses

Launch competitive products through innovation and increase profits in our solutions and services businesses in addition to expanding related and peripheral businesses, such as network and digital cinema cameras.

Our interchangeable-lens digital camera, a powerful mainstay at sporting events

Develop new business through globalized diversification, and establish the Three Regional Headquarters management system

While cultivating new pillars of business in such sectors as medical and industrial equipment, build a global research and development structure by establishing innovation centers in Japan, the United States and Europe, to pursue new businesses.



Development of intelligent robotics for industrial use

Establish a world-leading globally optimized production system

Construct a globally optimized production system for optimal production site placement by comprehensively assessing logistics, procurement, labor, and various risks, and further proceed with in-house manufacturing and production automation.

Automation of toner cartridge production at Canon Virginia

Comprehensively reinforce global sales capabilities

Continue developing new markets in emerging and resource-rich economies in global growth centers such as Asia, South America and Africa, and building sales networks tailored to each area, while also strengthening the solutions business in developed markets.

China/Shanghai Canon Showroom

Build the foundations of an environmentally advanced corporation

While maintaining our efforts to develop technologies for energy and resource conservation, strive to create products with reduced environmental impact throughout their lifecycles, so as to contribute to the development of a society that equally supports enriched lifestyles and the environment.

The environmentally friendly imageRUNNER ADVANCE

Impart a corporate culture, and cultivate human resources befitting a truly excellent global company

Demonstrate an enterprising spirit based on the *San-ji* (Three Selfs) Spirit, cultivating and handing down a corporate culture in which all employees unfailingly take on the challenges of transformation, while making use of international training programs and nurturing global human resources.

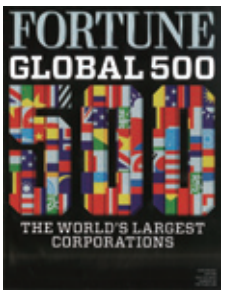
International training program for management

Global Rankings in 2012

FORTUNE
FORTUNE Global 500*

- Revenues:
  224th in the world (2011: 204th)
- Profits:
  166th in the world (2011: 171st)

July 23, 2012 issue. Evaluation of five performance measures for fiscal 2011, including revenues, profits, and assets.



Financial Times
FT Global 500

- Market capitalization:
  100th in the world (2011: 122nd)
  (7th in the Technology Hardware & Equipment Sector)

July 19, 2012 issue. Market capitalization ranking on March 30, 2012 (the number of outstanding shares multiplied by share price).

* FORTUNE Global 500 is a registered trademark of Time Inc. in the United States.

Our CSR approach focuses on the Five Key Activities of our Canon Group CSR Activity Policy.

CSR Activity Policy

At the heart of Canon is a corporate culture dedicated to contributing to society through its business operations. Through diversification and globalization we excel in the areas of advanced technologies, global business deployment, and diverse specialized human resources.

Capitalizing on these strengths with the aim of contributing to the betterment of society as a good corporate citizen, we established the Canon Group CSR Activity Policy in January 2012. As part of this policy, we define five areas of priority, or "key activities," for the Canon Group to address.

Following the CSR Activity Policy ensures that the entire Group shares a core set of values while pursuing CSR activities specifically tailored to individual countries and regions. Our goal is to create a corporate group that grows together with society.

Canon Group CSR Activity Policy

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

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

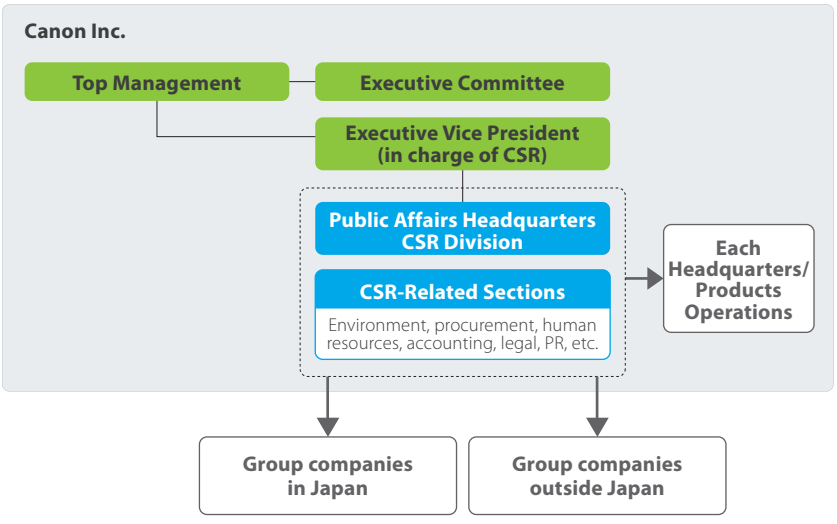
Therefore, Canon will promote its CSR activities within
the international and local communities,
effectively leveraging the company's
advanced technological strengths, global business deployment,
and diverse, specialized human resources.

Key Activities

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

CSR Promotion System

CSR activities at Canon are proposed under the leadership of the director in charge of CSR, with the support of the CSR Division as well as relevant divisions such as environment, procurement, human resources, accounting, legal and PR. Proposals are then put into action by each division and Group company.



Contents of CSR Activities Reporting

Canon lists five key activities in the Canon Group CSR Activity Policy. In the Key Activities Report, notable activities of high importance to stakeholders carried out in 2012 are introduced according to these themes. Additionally, other activities of high importance to stakeholders are reported on elsewhere according to ISO 26000 Core Subjects.

Key Activities Report

Contributing to Cultural Improvement; Support the Arts, Science, Sports, etc.

P19

Contributing to Society through Business Activities

P11

Providing Humanitarian Support to People and Regions Facing Harsh Conditions due to Disasters, etc.

P21

Contributing to the Promotion of Both Enriched Lifestyles and the Global Environment

P15

Contributing to the Realization of a Sound and Fair Society

P23

Reporting in Accordance with the ISO 26000 Core Subjects

Global Environmental Conservation ▸P25

Respecting Human Rights ▸P69

Establishing a Proper Workplace Environment ▸P75

Fair Operating Practices ▸P87

Customer Care ▸P99

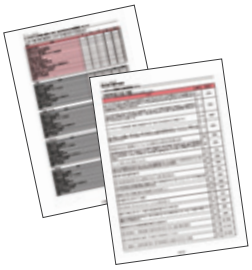
Regional and Community Contributions ▸P109

Organizational Governance ▸P115

We aim to improve CSR activities and reporting through a fuller grasp of stakeholders' interests and expectations.

Canon annually carries out a questionnaire survey in order to better understand the interests and expectations of stakeholders. In 2012 we prepared questions on our Five Key Activities as well as Seven ISO 26000 Core Subjects in order to learn more about what areas our stakeholders are interested in and what their expectations for Canon are. With regard to the key activities, over 80% of respondents considered them to be an area of interest.

The results of this survey will be put to use to improve future activities and reporting.



Survey Summary

- **Method:** Questionnaire survey
- **Target:** Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia; Respondents: 80
- **Survey period:** December 2012–January 2013

Contributing to Society through Business Activities

Basic Approach and Policies

Contemporary society faces a range of difficult issues. With the complex interaction between differing regions and countries, individual governments increasingly find themselves facing problems that are too complicated to address alone. As a result, the expectation placed on corporate social contribution has grown larger than ever before.

At Canon we recognize that our corporate operations are supported by the overall development of society. By effectively leveraging advanced technologies and other resources developed by our company, and by addressing social issues from both a global and local perspective, we are contributing to the realization of a better society.

Stakeholder Feedback

- With Canon's developments in medical equipment, network cameras and other devices, I look forward to new innovations in the medical field, and to the safeguarding and improvement of public safety. (Consumer, Asia)
- I would like to see Canon raise its corporate image by contributing to industries where the need for Canon's imaging technology is most strongly felt. (Shareholder/investor, Americas)

Introduction of lower x-ray exposure Canon digital radiography (DR) system at Canadian children's hospital

Safe Even for Infants: Aiming for Low Patient-Impact Medical Treatments

Clear Imaging with Lower X-ray Exposure through Canon DR Technology

With the increasing digitalization of medical technology, digital x-ray imaging (digital radiography, or DR) is growing increasingly widespread.

Compared to film-based x-ray technology, DR not only allows for quicker confirmation of images but also facilitates the sharing of image data between doctors and hospitals for more efficient diagnoses.

Through the pursuit of sensitive, high-resolution DR technology, Canon is helping to reduce the x-ray exposure to patients for lower-impact medical treatment.

CXDI-70C Wireless DR system

Child-Safe DR System Adopted by Leading Canadian Children's Hospital

Canon's low-exposure DR technology has garnered the attention of medical professionals around the world. In April 2012, the Canon DR System was adopted by Canada's largest pediatric hospital, The Hospital for Sick Children ("SickKids Hospital").

Affiliated with the University of Toronto, SickKids is an intensive research hospital with on-staff specialists from a wide range of healthcare and research fields. Offering comprehensive care, research and teaching, SickKids is dedicated to the improvement of pediatric medicine.

In order to realize lower-impact treatment for patients in as many hospitals as possible, Canon U.S.A. will continue to promote widespread use of DR technology in the North American market.

SickKids, Canada's largest children's hospital

Stakeholder Opinions

I have been deeply impressed by the weight of Canon's contributions to the medical industry.

Our recent decision to adopt the Canon DR system was based on its low x-ray exposure, which makes it an excellent choice for treating young children and infants. Lightweight and durable, Canon DR systems also feature a range of other invaluable features, such as high resolution and fast display time.

Thanks to the Canon DR system I can now view images a mere three seconds after they are taken, and can immediately judge the necessity of taking additional shots. My appreciation goes without saying!

I definitely look forward to seeing the future contributions Canon's technological expertise will make to the medical industry.

Deanna Khill

X-Ray Technologist
The Hospital for Sick Children

Technology for the Future

Collaborative Research with American Hospitals for the Development of New Medical Devices

In November 2012 Canon entered into a partnership for collaborative research with Harvard Medical School's two affiliated hospitals. Our shared objective is to develop medical devices through the combination of advanced optics and pioneering diagnosis. As such, we are working towards development and practical implementation of new devices in such fields as biomedical optical imaging and medical robotics. Canon U.S.A. has also established a new Healthcare Optics Research Laboratory, where research and development will be carried out in close cooperation with hospital researchers and specialists.

Site visit at commencement ceremony for collaborative research project

Introducing Innovation to the Film Industry through Superior Technology

The Cinema EOS System supports film creators worldwide

Cinema EOS System Receives High Praise from Hollywood

In November 2011 Canon marked its full-scale entry into the film production market with the release of the Cinema EOS System, which spans the EF lens, digital cinema camera and digital single lens reflex (SLR) camera product categories. Smaller in size, lighter in weight, and lower in price, the system has had a significant impact on film professionals around the world.

The Cinema EOS System product line

Improved Large-Format CMOS Sensor Wins Emmy® Award

Canon was awarded the 2012 Technology and Engineering Emmy® Award by America's NATAS* for improvements to its large-format CMOS sensors for use in HD broadcast video cameras (also installed in digital cinema cameras). The award recognizes technological development and innovation in the broadcasting industry.

The new large-format CMOS sensors are incorporated into Canon's digital cinema cameras, enabling the creation of beautiful images similar to those obtained with 35mm film.

* **NATAS:** The National Academy of Television Arts and Sciences

The 64th Technology and Engineering Emmy® Award

Stakeholder Opinions

I look forward to the new opportunities being offered to our young creators.

Since 2013, we have been using the digital cinema camera EOS C100 in lessons at our school. Capable of capturing unimaginably beautiful shots, the camera has a wide range of applications, including feature films as well as television commercials and dramas. Since the camera is also outstanding in terms of cost performance, it will certainly give our young creators working without a production budget increased opportunities to create high-quality works.

Riku Umemura

Lecturer in Film Creators Course
Digital Hollywood Tokyo Main Campus

Column

Expansion of 4K compatible input/output devices

Boasting four times the pixel count of full HD, high-resolution, high-definition 4K images have aroused strong interest within the video and imaging industry in recent years.

In addition to 4K-compatible digital cinema cameras, digital SLR cameras and lenses, Canon is also engaged in development of an industrial display for the editing of 4K images. From input to output, Canon will offer total support for video production professionals.

30-inch 4K video display under development

Small, Quick and Clear—Network Cameras Ensure Safety and Security

Canon Network Cameras Safeguard Society

As awareness of safety and crime prevention rises, the use of internet- or LAN-based network cameras to monitor remote locations has grown increasingly popular.

In addition to superior resolution, Canon also offers solutions designed to meet the diverse needs of public facilities and private corporations alike through a wide range of products customizable for location, situation and purpose. This is one of the many ways in which Canon helps to contribute to a safe and secure society.

Full HD Compatible Network Camera VB-H41

Surveillance Cameras for Unmanned Trains and Stations

Unmanned trains and stations are a distinctive feature of Yokohama's new Seaside Line transportation system. Canon network cameras are employed to ensure safety at each station along the line. Currently, cameras are installed on the platforms and concourses of all stations, allowing for real-time surveillance from a central control room, as well as video recording and playback at each station.

Previously, surveillance at Seaside Line stations was carried out using stationary analog cameras, which resulted in blind spots and limited coverage. Canon networks cameras expand the scope of coverage by allowing horizontal and vertical movement as well as zooming. Canon network cameras also offer a wealth of other features to increase safety at unmanned stations, such as one-click access to video feeds by touching 'camera marks' on the floor plan screen, and instant response to restroom alarms.

The Yokohama City Seaside Line

Station platform with network cameras

Stakeholder Opinions

Canon supports safe and secure operations.

At the Seaside Line we value safety and security above all else. As our previously installed analog cameras began to wear out, we started to feel the limitations of an analog system and began looking into use of network cameras. Recognizing the various merits, such as crisp real-time imaging and compatibility with our existing analog systems, we decided to take the plunge and install Canon network cameras along the entire line. We are extremely grateful to Canon for patiently providing solutions to each and every one of our concerns.

Daisuke Hagiwara

Head of Telecommunications, Engineering Department, Vehicle Electrical Division Yokohama New Transit Co., Ltd.

Contributing to the Promotion of Both Enriched Lifestyles and the Global Environment

Basic Approach and Policies

Following the Canon Group Environmental Charter we aim to "maximize resource efficiency," creating greater value while using less resources. As a keystone in this mission we created the Canon Environmental Vision: Action for Green, which aims to promote environmental management by simultaneously realizing "maximum product functionality" and "minimal environmental burden."

In order to achieve our goals it is necessary to reduce environmental impact at all stages of product lifecycle; namely Produce, Use and Recycle. Action plans are created for all stages of the lifecycle, and progress is meticulously monitored.

Stakeholder Feedback

- I'd like to see the environmental impact of products visualized so that everyday people can also understand them. (Municipal official, Japan)
- The current trend among consumers is to choose products that are both high quality and low price. But a truly great product is also an eco-friendly one that shows consideration for the global environment. (NGO, Asia)

The imageRUNNER ADVANCE, combining high functionality with low environment impact

Making CO_2 Reduction a Feature of Product Selection: Visualization of CO_2 Emissions throughout Product Lifecycle

Carbon Footprints Visualize CO_2 Emissions

Carbon Footprint of Products (CFP) is a system to calculate the greenhouse gas emissions of a product over its entire lifecycle, from raw material procurement to production, distribution, use and EoL (End of Life), and display the total in CO_2 equivalent.

Originating in the UK, the CFP system has since spread throughout Europe and Asia, and in May 2013 ISO technical specification for quantification and disclosure were published. In Japan, trial runs of the system were first handled in part by the Ministry of Economy, Trade and Industry and then taken over by JEMAI*. The system entered full operation in July 2012.

***JEMAI:** Japan Environmental Management Association for Industry

Nine Multifunction Devices Acquire CFP Certification from JEMAI

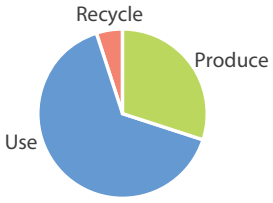
In the future, CFPs are expected to become one of the standards by which consumers select products to purchase. In December 2012 Canon acquired CFP certification from JEMAI for nine models in its imageRUNNER ADVANCE series of multifunction devices.

As we work toward evaluating and reducing environmental impact throughout product lifecycles, we plan to expand CFP certification for products other than multifunction devices, and to continue to offer customers products with lower overall impact.

imageRUNNER ADVANCE C5255

imageRUNNER ADVANCE C5255

Visualization of CO_2 emission
Carbon Footprint of Products
Per product
http://www.cfp-japan.jp/english/CR-DG01-12004



- Sales area : Around the world (Quantified by the shipping ratio)
- Scenario : Multi Function Device (EP type)
- Print volume : 1,805,000 sheets
- The CO_2 emissions from the copy papers are excluded.
- Approximately 17% of CO_2 emissions can be reduced if 2-in-1 print is applied to 902,500 sheets (50% of print volume).

Stakeholder Opinions

Canon has made impressive efforts towards raising environmental awareness of users.

Within the field of electronic and electrical goods, not only is Canon's extensive CFP disclosure the first of its kind in Japan, but it also deserves attention as an international forerunner towards visualization of environmental impact in the global market. Particularly impressive is Canon's attention toward CO_2 emissions during the "use" stage of product lifecycle, and their suggestions for more environmentally friendly use, which help users to reduce environmental impact on a daily basis.

As Canon continues to implement practical use and expansion of CFP certification for all of its products, I look forward to seeing the appeal that their superior environmental performance has on global markets, and their future success in minimizing environmental impact throughout the product lifecycle.

Takehisa Kabeya

Director
LCA Center, Japan Environmental Management Association for Industry

In Order to Offer Customers Environmentally Conscious Products, We are Working to Acquire Environmental Labels from Regions All Over the World.

The EPEAT Environmental Label, a Leading Factor in American Product Procurement

In recent years many companies and government agencies have been enacting strict environmental procurement standards, often relying on the acquisition of "environmental labels" as the criteria in their decisions.

For instance, in the United States, EPEAT*, an environmental rating system for electronic products, was introduced in 2006, and is considered an important purchasing tool by the federal government.

EPEAT rates products according to various environmental criteria such as reduction or elimination of hazardous substances, energy consumption and corporate performance. Product categories include imaging equipment, computers and displays, and televisions. EPEAT-registered products are classified as "gold," "silver" or "bronze" depending on their level of environmental performance.

* **EPEAT:** Electronic Product Environmental Assessment Tool

World's First Gold Rating in Imaging Equipment Category

EPEAT was originally applied only to computers and displays. However, in 2013 the scope was widened to cover imaging equipment, which includes such products as multifunction devices.

Imaging equipment is rated according to 33 mandatory and 26 optional criteria. On January 29, 2013, the launch date of EPEAT's imaging equipment registration program, eight Canon multifunction device models were registered with the gold rating—the first imaging equipment gold products in the world to be registered. Two silver products were also registered at that time, bringing the total number of EPEAT-registered products to 10. Registration of Canon models continues to expand, and as of May 7, 2013, 8 gold models, 44 silver models and 30 bronze models have been registered.

As we continue to expand our list of registered products, we will promote the use of EPEAT-registered products to American customers.

Developer Feedback

Working to meet more stringent criteria has enabled us to raise the level of our environmental approach.

The requirements for EPEAT registration, especially in regards to optional criteria, greatly exceed the demands of other eco-labels. Demands are placed not only on individual products but also on the corporation as a whole. Fulfilling these requirements necessitated a new set of initiatives in addition to our Environmental Frontrunner Program. Our efforts, however, not only resulted in new products that fulfill a stringent set of environmental standards, but also raised the overall level of our environmental initiatives.

As market demand for environmentally conscious products increases, we plan to continue to set high benchmarks in our approach to the environment and thus make the Canon name synonymous with environmental awareness.

Akihiko Sato
Staff Engineer
Office Imaging Products Planning Center
Office Imaging Products Operations
Canon Inc.

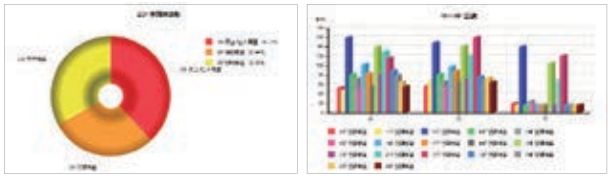
EPEAT Environmental Label

	GOLD	SILVER	BRONZE
Registration Criteria	Required: 100%/Optional: 75%	Required: 100%/Optional: 50%	Required: 100%
Registered Canon Products (as of May 7, 2013)	**8** models	**44** models	**30** models

We are Reducing Consumption a Step Further through Advanced Energy-Saving Measures.

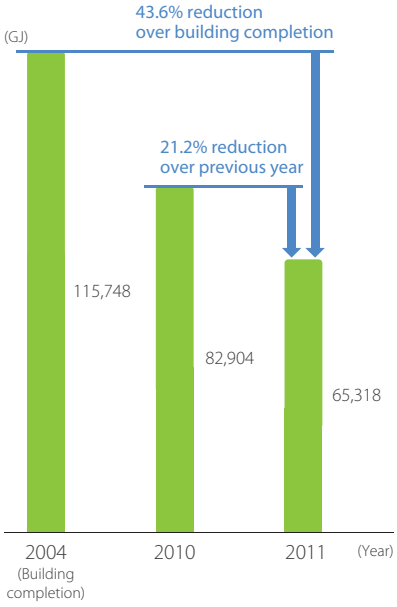
Completed in April 2003, Canon Marketing Japan's Canon S Tower was constructed to include advanced energy-saving features. With operational improvements to even further reduce energy consumption, primary energy usage was reduced by an additional 24.0% over the three years starting from 2008. Following on the heels of this success, in 2011 all employee computers were configured to display energy usage per floor. This measure helps to encourage employee involvement. As a result, energy consumption was reduced by an additional 21.2% over the previous year, for a total reduction of 43.6% over initial construction.

In recognition of these ongoing efforts, in January 2013 the Energy Conservation Center, Japan (ECCJ) awarded Canon S Tower the "Prize of the Chairman of ECCJ" in the Energy Conservation Excellent Examples category of their FY2012 Grand Prix.



Air-conditioning power usage per floor, viewable from employee computer screens

Energy Usage at Canon S Tower



First Manufacturing Company to Acquire R2 Environmental Certification, Covering Everything from Manufacturing to Product Recycling

In March 2013, our American production and recycling center, Canon Virginia (CVI) acquired Responsible Recycling (R2) certification from an American inspection agency, becoming the first manufacturing company to do so. The United States Environmental Protection Agency (EPA) was involved in establishing the R2 private industry inspection system. In order to acquire R2 certification, a third-party auditor must confirm that the company's recycling methods, procedures, recycling data management and so on are adequately in line with legal requirements. CVI was certified in recognition of its thorough approach to recycling and compliance. R2 certification verifies that CVI's environmental initiatives are in compliance with the law, and that its initiatives, operational procedures and data management are of the highest level.

The U.S. government promotes safer and more effective recycling of electrical and electronic equipment by working in cooperation with the industry to urge companies and consumers to utilize certified recycling firms. Certification programs were previously focused primarily on such recycling firms. CVI, however, became the first manufacturing firm to acquire its own R2 certification. Their acquisition of the certification, which covers everything from manufacturing to product recycling, comes as the fruit of many long years of commitment, and is evidence of Canon's dedication to the environment.

Canon manages the lifecycle of its products, from development to recycling, within the Group, and plans to continue to implement ever more effective recycling measures.

Employees of R2-certified Canon Virginia

Contributing to Cultural Improvement; Support the Arts, Science, Sports, etc.

Basic Approach and Policies

Since its founding, Canon has worked to elevate the culture of photography through its core camera business, and has remained strongly mindful of its ability to enrich society through cultural developments that bring joy and inspiration to people's lives.

As part of this commitment, one of the key tenets of our CSR activities is to support cultural diversity through the promotion of arts, science and sports. As a good corporate citizen firmly rooted in local communities, Canon leverages advanced technological strengths cultivated over many generations so as to support cultural development and advancement.

Stakeholder Feedback

- I want to see not only specialized support for scientific research, but also broad support for education. (Consumer, Asia)
- As a global corporation, I want to see the frequency and scope of Canon's support for culture, science and sports expand, with social initiatives not only in specific regions but also throughout the world. (Shareholder/investor, Asia)
- When a corporation makes contributions to scientific developments and helps to preserve cultural assets it is very significant for all of us. (International organization official, Europe)

The Subaru Telescope equipped with the Hyper Suprime-Cam ultra-wide-field prime focus camera

Drawing a Step Closer to Unraveling the Origins of the Universe with the Ultra-Wide-Field Subaru Telescope

Since being put into operation in 1999, the Subaru Telescope operated by the National Astronomical Observatory of Japan, installed at the NAOJ Hawaii Observatory, has been on the cutting edge of research into astronomy and the cosmos. Canon has contributed to the outstanding success of the telescope, such as the discovery of the most distant galaxies, by developing and manufacturing the sophisticated "wide field corrector" lens unit included in its prime focus camera.

In recent years, we have also been involved in the planning of the Hyper Suprime-Cam (HSC), an ultra-wide-field prime focus camera, taking on the development and manufacturing of its new wide field corrector. Since the camera needed to be installed within the existing structure of the telescope, strict restrictions on weight and dimensions had to be satisfied. Drawing on our many years of experience in advanced design, metrology, and precision-machining technologies, we not only overcame these hurdles, but went even farther, expanding the telescope's maximum field of view three-fold. In practical terms this means that areas of space formerly estimated to require 16 years to survey can now be completed in two.

Engineering observations with the HSC began in August 2012. We look forward to even greater advancements in research towards unravelling the origins of the universe.

Wide field corrector installed in the HSC

What was Hidden Can Now be Seen! Introducing a New Style in Art Appreciation

In 2007, in cooperation with the Kyoto Cultural Association (a specified NPO), Canon embarked on the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project. The program combines Canon's cutting edge digital technology with the traditional arts and crafts of Kyoto to create unique high-resolution reproductions of Japan's ancient cultural assets, such as folding screen and sliding door paintings. While the original assets are preserved in good conditions, their reproductions can be gifted to museums or other facilities where they can be widely appreciated.

As part of this initiative, we also participate in educational programs for children using pieces created for the Tsuzuri Project. Working together with Mitsui Memorial Museum, we organized a school visit for 62 junior high school students in Musashino, Tokyo, in January 2013. Participants shared their impressions with us afterward, making such comments as "Being able to view the art up close really let me see the details," and "I was surprised at how different the pictures looked when you viewed them from other positions."

Canon staff visit middle school

Stakeholder Opinions

Experiencing traditional Japanese art up close was an amazing opportunity for the children.

I had always been conscious of the importance of firsthand appreciation in our art lessons, but with no art museums in close proximity to the school, museum visits always seemed out of the question. I can't begin to express how thankful I was for this school visit, which gave the children an opportunity to experience traditional Japanese art up close. I hope that this lesson will help inspire them to take an interest in Japanese art.

Midori Nakamura

Musashino Dairoku Junior High School (Tokyo)

Providing Humanitarian Support to People and Regions Facing Harsh Conditions due to Disasters, etc.

Basic Approach and Policies

In recent years, frequent natural disasters, including earthquakes and floods, have resulted in serious injury and damage in regions throughout the world. With business operations worldwide, Canon continually engages in disaster relief efforts, including monetary donations and fundraising activities, which are designed to support affected areas in recovering as quickly as possible.

When carrying out relief efforts, we pay close attention to feedback from affected persons and local authorities, allowing us to act in a timely and effective manner. We pride ourselves on providing relief that utilizes our unique technologies, experience and expertise to the fullest.

Stakeholder Feedback

- Rather than simply pursue humanitarian and disaster relief on their own, I'd like to see Canon work with governments and other companies to raise issues and create even greater change. (Consumer, Asia)
- As a global corporation, I hope that Canon will work to provide humanitarian aid not only to regions affected by natural disaster, but also those regions directly facing strife, energy disputes or other societal problems. (Shareholder/investor, Asia)
- In addition to Japan and America, I'd like to see support and activities expand to areas in need throughout the world. (NGO, Asia)

Supporting the Community of Iwaki, Fukushima with the Family Digital Camera Photo Shoot

Reclaiming Smiles: Supporting Recovery Efforts Following the Great East Japan Earthquake

Canon uses the power of photography to offer continuous support to areas that have been severely affected by the March 2011 Great East Japan Earthquake.

In May 2012, Canon, Inc. and Fukushima Canon collaborated to hold the Digital Camera Photo Shoot, in Koorimachi, Fukushima, for the benefit of local residents, including those living in temporary housing.

Additionally, in July, we held the Canon Photo Studio of Memories in collaboration with NPO Marine Support Northeast Japan Youth Aid Team. The studio was set up at a summer festival held in a temporary housing area within Higashi Matsushima, Miyagi. Smiling festival visitors had their picture taken, and the photos were printed out on the spot and presented as souvenirs. One visitor expressed her appreciation, saying "I really wanted to take a picture of us together as a family. Thank you."

A special event entitled Michi no Café was also held in August, in Ishinomaki, Miyagi. Jointly coordinated by Canon, Starbucks, and the Matsushita Institute of Government and Management, the café is an ongoing project, hosted regularly since July 2011. Visitors have their photograph taken as they relax and enjoy themselves, and are later presented with their own personal copy to take home.

Michi no Café photo print service

Column

Canon France joins relief efforts

Canon France has been working hard to familiarize the international community with recovery efforts related to the earthquake.

In March 2012, Canon France provided a loan of photographic equipment for the 3.11 Memorial Concert as well as assistance in printing large-format photographs for the accompanying Photo Exhibition—Tohoku, held at the UNESCO office in Paris. They also contributed to "Renaissance du Japon après le 11 Mars 2011," an exhibition held from June through July at Paris' Hôtel de Ville (City Hall).

3.11 Memorial Concert

Funds are Donated to Disaster-Stricken Regions around the World

Canon provides aid through various means, including monetary donations and fundraising activities, to areas affected by natural disaster around the world. After investigating the need and viability of aid to a particular region, we dedicate ourselves to offering timely relief, and also conduct a follow-up assessment of our activities. For long-term aid, we are careful to implement appropriate programs at each phase of a project.

For those whose lives have been impacted by disaster, Canon's greatest wish is that they may return to normal life as quickly as possible. To aid this process, Canon made the following contributions in 2012:

Period	Target	Contributor	Amount
July 2012	Kyushu flood relief	Canon Group	10 million yen
September 2012	Philippines flood relief	3 affiliated Philippine companies	1 million pesos
September 2012	Yunnan, China earthquake relief	Canon Zhuhai	50,000 yuan
November 2012	America flood relief	Canon U.S.A.	100,000 dollars
December 2012	Philippines flood relief	3 affiliated Philippine companies	500,000 pesos

Contributing to the Realization of a Sound and Fair Society

Basic Approach and Policies

The realization of a sound and fair society is a common desire of people throughout the world. Fully aware of its responsibilities as a global corporation, Canon works with stakeholders to promote initiatives that will meet the expectations of society in each country and region where it operates.

To prevent the scandals, legal breaches and other problems that can instantly undermine the trust built up by a company, we have been focusing on compliance geared at stopping problems before they happen. We are also working on diversity initiatives designed to create environments in which employees can work with peace of mind and to their fullest potential, regardless of differences such as race, gender, age or customs.

Stakeholder Feedback

- For a global corporation, making the most of the talents of a diverse workforce is one of the prerequisites for increasing competitive power. This is why I believe diversity promotion is an important theme for Canon. (Consumer, Japan)
- I want to know more about Canon's initiatives for key stakeholders to realize a sound and fair society. (Shareholder/investor, Americas)
- I expect Canon to promote more equal opportunities and fair treatment for people with disabilities, just as they have done for women. (NGO, Europe)

With planning and design headed up by female members of staff, the PowerShot N compact digital camera capitalizes on a uniquely female point of view

Turning Diversity into Company Growth: Promoting Active Involvement of Female Employees in Management

Following our philosophy of *kyosei*, Canon welcomes diversity in all forms, not only visible distinctions like race, gender and age, but also internal differences such as customs or values. Promoting diversity allows us to make the most of these differences and further grow our organization.

In October 2012, Canon Inc. established VIVID (VItal workforce and Value Innovation through Diversity) as a company-wide project for the promotion of diversity. The purpose of the program is to raise employee awareness and revitalize our organization through the creation of environments in which our diverse workforce can achieve its full potential.

One of VIVID's primary activities is to offer special support for female employees. VIVID members selected from each headquarters review the issues facing female employees from a variety of perspectives. Specific measures to spur on the activities of motivated employees, and improve workplace awareness and practices, are developed on a company-wide basis.

Women's leadership training

Trainee Feedback

I plan to challenge myself to become a role model for the next generation.

I have been participating in the women's leadership training program since 2012. I think this network of motivated female coworkers who participated in the training with me will prove to be a big support in my future work. Additionally, monthly mentoring sessions have given me the opportunity to experience the role of management, which has encouraged me to set my goals higher than before.

I'd like to channel the energy from this training to take on the challenge of becoming a role model for the next generation.

Waka Hasegawa

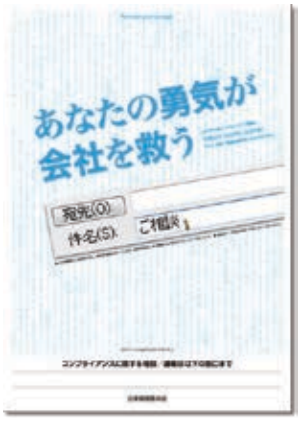
Printing Process & Materials R&D Center
Corporate R&D Headquarters
Canon, Inc.

Providing Reporting Hotlines as a Tool in Compliance Management

At Canon Inc. we have a system of Compliance Hotlines to receive information and tips related to issues of compliance. Aiming for early detection and resolution of potential problems, these hotlines serve as an important tool in compliance management. We have worked hard to improve our system for promoting hotline use.

The anonymity of hotline callers is protected, and workers are guaranteed they will not suffer negative consequences if they call in. Additionally, we raise awareness of the hotline services by such means as an intranet compliance site, compliance training, and informative posters.

Reporting hotlines have been established at all Group companies in Japan as well as principal Group companies outside Japan. The Compliance Office at Canon Inc. works in close coordination with divisions in charge at Group companies to continuously respond to incoming tips and increase system reliability.



A poster to raise awareness of reporting hotlines

Global Environmental Conservation

The PIXMA MG6300 series multifunction inkjet printer

With a supply chain that spreads throughout the world, Canon establishes action plans to reduce environmental impact at every stage of the Produce–Use–Recycle product lifecycle.

We monitor our yearly progress following these plans, making sounds strides towards "energy conservation," "resource efficiency" and the "reduction of hazardous substances."

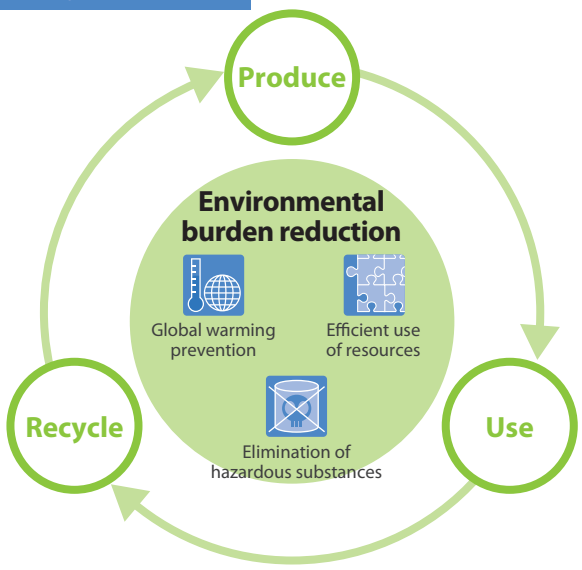
ACTION for GREEN

Canon's Environmental Vision

Enriched lifestyles up

Environmental burden down

A Society based on *kyosei*, harmony between mankind and the Earth



2013 Environmental Goals

Lifecycle

Improve lifecycle CO_2 by

3% per product **(compared to 2012)**

Production

Improve raw materials/use CO_2 by

3% per product **(compared to 2012)**

Operational sites

Improve energy unit consumption rate at operational sites by

1.2% **(compared to 2012)**

Stakeholder Feedback

- Problems surrounding energy are an issue of great concern for society. If we are going to realize a sustainable society, we need an environmental approach that covers the gamut of procurement, production, consumption and disposal. (Community representative, Japan)
- In addition to addressing existing pollution, I'd like to see more thought given to eliminating environmental impact from the very first stage of manufacturing. (Consumer, Japan)

2012 Topics

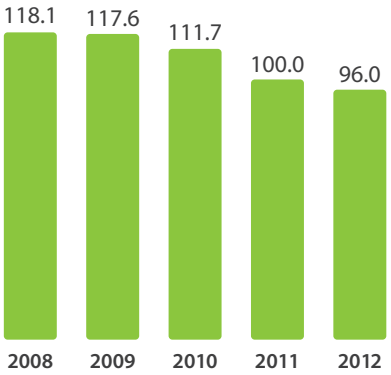
Lifecycle CO_2 emissions

reduced by **4.0%** per product

Aiming to reduce the environmental impact of all products throughout their lifecycle, we at Canon declared our intent of reducing lifecycle CO_2 emissions by 1.4% (as an overall target) per product in comparison to the previous year, and implemented measures to achieve that goal.

In 2012, due in large part to improvements in distribution, emissions were reduced by a full 4.0% over the previous year, meaning that target goals were achieved.

CO_2 Emissions per Product over Lifecycle



* Setting 2011 results at 100

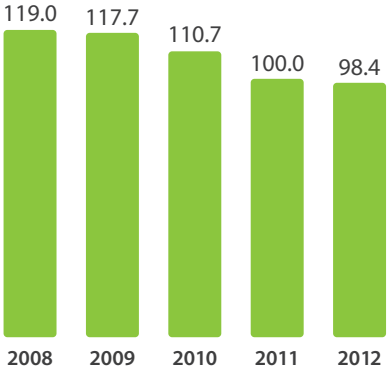
CO_2 emissions from raw materials and customer use

reduced by **1.6%** per product

CO_2 produced during procurement of materials and parts as well as during customer use accounts for 71% of emissions in the entire product lifecycle. In order to limit environmental impact during these stages, Canon set a goal of reducing emissions by 1.7% per product in comparison to the previous year and implemented measures to achieve this goal.

In 2012 we focused on reducing emissions during use for our consumer products through such measures as lower energy consumption. We succeeded in reducing CO_2 emissions by 1.6%; however, the amount fell short of our goal.

CO_2 Emissions per Product due to Materials and Use



* Setting 2011 results at 100

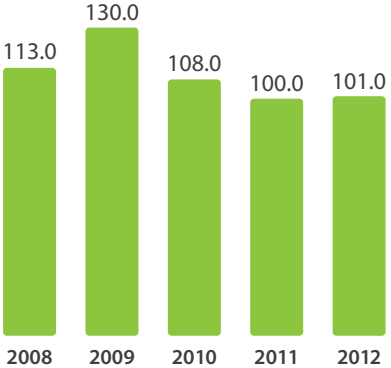
Energy use per product at manufacturing bases

increased by **1.0%**

In order to decrease environmental impact at manufacturing bases we aimed to reduce energy consumption, setting a goal of a 1% decrease in consumption per product produced. Measures were implemented in order to achieve this goal.

In 2012 we worked diligently to reduce regular consumption through improvement to manufacturing processes, introduction of energy-saving equipment, thorough elimination of waste, and other such measures. However, due to adverse economic conditions the number of products produced decreased, causing energy consumption to increase by 1.0%, meaning that the goal was not met.

Energy Use per Product Produced



* Setting 2011 results at 100

Action Plan

As a result of activities in 2012, more environmentally conscious plans were implemented in development and design, leading to the release of smaller, lighter weight products. Through improvements to manufacturing processes, elimination of unnecessary waste, and other measures, energy use and waste produced at manufacturing bases were also decreased. In distribution, meanwhile, CO_2 emissions were reduced through such measures as modal shifts and shortened routes. A wider range of energy-saving products was also introduced, while visualization of environmental impact over product lifecycles was further pursued.

Action Plan

	Action Plan for 2012		2012 Results	Action Plan for 2013
Produce	Reducing CO_2 from raw materials/ procured goods	Reduce waste in resource investment and energy in cooperation with suppliers	• Designers at Canon ANELVA visited suppliers to build reciprocal understanding (approximately 60% of designers participated), resulting in an approximately 30% reduction in resource usage and 70% in energy usage due to changes in sheet metal thickness, manufacturing methods and so on.	Reduce waste in resource investment and energy in cooperation with suppliers
		Reduce environmental impact through the use of simulations during development	• Used simulations to run objective-setting trials for inkjet printers. • Created CO_2 emission guide and prepared work environments for standard application.	Reduce environmental impact through the use of simulations during development
	Promoting environmentally conscious design	Promote ultra-compact, lightweight, easy-to-use designs	• New models were designed for better usability over past products. Specifically, the PIXMA MG6300 series 2012 models were reduced in size by approximately 15% compared to PIXMA 6200 series 2011 models through the introduction of more resource-efficient technologies. • Metal parts for the RK-F2 Full Auto Ref-Keratometer ophthalmological device were converted to molded parts, resulting in an approximately 15 kg, or 30%, decrease in weight compared to the previous RK-F1 model.	Implement smaller, lighter weight products
		Use low-environmental-impact materials and promote designs with product lifecycles in mind	• Increased use of recycled plastics in inkjet printers. Recycled plastics were used in three 2012 models (MG5400, MG6300, iP7200 series), two spring 2013 models (MX520, MX920 series) and three 2012 large-format printer models (iPF9400, iPF8400, iPF6400).	Promote designs with product lifecycles in mind
	Handling of hazardous substances in procured goods and legal compliance	Expand green procurement; enhance environmental data management systems	• Improved management of molded functions in integrated chemical management system and strengthened checks for optimization and regulations. Currently expanding changes to all operations.	Enhance environmental information management
		Instill confidence by strengthening compliance systems	• Began early upgrading of all medical equipment (scheduled to be completed in June 2013) in anticipation of new regulations to be applied according to recast RoHS Directives (July, 2014). • Began official application of the JEITA industry-standard "Chemical Substance Product Component Inspection Sheet" as of July (environmental assessment of partners), helping to promote reciprocal optimization between Canon and suppliers.	Strengthen compliance systems
	Reducing CO_2 at operational sites	Reinforce energy-saving production technologies; promote installation of energy-saving equipment	• Through optimizations to the toner production process, energy efficiency was increased and yearly CO_2 emissions were reduced by approximately 1,000 tons. • Reduced air-conditioning energy usage at Canon Chemicals through the use of high reflection paint on the roof of the hazardous materials warehouse. • Revised temperature control system for molding process at Canon Taiwan, improving energy efficiency by approximately 20%.	Reinforce energy-saving production technologies; promote installation of energy-saving equipment
		Raise efficiency by thoroughly managing energy use	• Expanded functionality for electric power monitoring systems, strengthening controls for predicted and actual electricity usage and reducing usage amounts. Also complied with calls for reduced electricity usage in summer in western Japan. • Reduced operating hours for compressor at Canon Zhuhai through improvements to jig and tool structure of clinching machinery (CO_2 emissions reduced by approximately 320 tons per year). • Awarded the "Prize of the Chairman of ECCJ" in the category of Energy Conservation Excellent Examples in the FY 2012 Energy Conservation Grand Prix, sponsored by the Energy Conservation Center Japan, in recognition of energy-saving measures at Canon Marketing Japan's headquarters building S Tower.	Raise efficiency by thoroughly managing energy use
		Use energy sources with less environmental impact	• Switched to fuel with low CO_2 emission factor at Canon Components (switched from kerosene to utility gas). • Expanded use of renewable energy at Océ production bases (4 locations) by 99.8%.	Use energy sources with less environmental impact
	Resource efficiency at operational sites	Improving resource and energy waste reduction through MFCA, production innovations, etc.	• Waste output and energy consumption reduced at Canon Dalian, Canon Zhuhai and Canon Taiwan through efforts to eliminate wastefulness (manufacturing waste at Canon Dalian reduced 16 tons, resin waste at Canon Zhuhai reduced 5 tons, energy consumption at Canon Taiwan reduced 1,200 Mwh through revisions to paint-drying process, etc.). • Implemented intermittent operation, reducing pump operation and wastewater, for pure water processing system at Fukushima Canon. Water use reduced by 27,000 m^3 per year.	Strengthen waste reduction through expansion of resource conservation measures
		Improve the rate of transition to resource recycling and recycling technologies	• Introduced special solder-recycling equipment to separate scrap solder produced during base mounting into pure solder and oxides, allowing for reuse of solder (recycling rate of solder in 2012: approximately 73%).	Improve the rate of transition to resource recycling and recycling technologies
	Management of hazardous substances and legal compliance	Strengthen management systems for regulated chemical substances	• Strengthened control systems for purchasing chemical substances, and improved coordination between procurement system and chemical substances control system. Implemented preparations in anticipation of 2013 system.	Strengthen management systems for regulated chemical substances
		Employ preemptive development and use of substitute substances	• Changed a portion of the solvents used in wafer fabrication process to those not falling under the PRTR Law.	

Action Plan

Action Plan for 2012			2012 Results	Action Plan for 2013
Produce	Reducing CO_2 during distribution	Shift to modes of transportation with less environmental impact (modal shift)	• Implemented ocean shipment in place of air shipment for international transportation, reducing CO_2 emissions from flights by 250,000 tons.	Shift to modes of transportation with less environmental impact
		Reduce waste in transport distances, loading methods and distribution processes	• Shortened shipping distance between Aomori and Tokyo by changing port of export (from Tokyo to Sendai), reducing CO_2 emissions by approximately 73 tons. • Shortened shipping distances by switching to direct delivery from China/Suzhou to Tokyo/Osaka ports, rather than shipping via Fukuoka Port, reducing CO_2 emissions by approximately 151 tons. • Shortened total shipping distances and improved loading efficiency by consolidating products which were previously shipped directly from Asia to Miami with product destined for other locations. Consolidating products in Los Angeles reduced CO_2 emissions by approximately 113 tons. • Shortened total shipping distances by reusing import containers, previously returned empty, for export as well, reducing CO_2 emissions by approximately 215 tons.	Reduce waste in transport distances, loading methods and distribution processes
	Improving packaging processes	Simplify packaging through improved technologies and product strength	• Reduced packaging of BCI-351 ink cartridges (Japanese model number) by approximately 51% compared with BCI-7e model, improving load efficiency.	Simplify packaging and reduce waste during packing process
		Eliminate waste from the packaging process and make it efficient	• Changed packing/packing style of imageRUNNER ADVANCE C2000/C5000 multifunction devices. Number of products per container (40 ft.) increased by approximately 7% for C2000 series (not available in Japan) and approximately 17% for C5000 series (for sale in Japan only). • Increased returnability of packing for parts shipment between production sites (China/Japan), reducing waste by approximately 280 tons.	
Use	Reducing CO_2 during use	Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc.	• Introduced energy-saving technologies to the PIXMA MG6300 series, such as a low-power mode transition system which reduces power supply to unnecessary functions. Power consumption was reduced by approximately 17% compared with PIXMA MG6200 series 2011 models. Power consumption during sleep mode when Wi-Fi is enabled was also reduced by approximately 22%.	Combine increased functionality and image resolution with lower energy consumption
	Providing usage proposals	Propose equipment settings and usage that balance convenience and environmental performance	• Installed remote shutdown feature on imageRUNNER ADVANCE 4000 series and later multifunction devices. Allowing for simultaneous shutdown of products on the same network helps reduce management burden and contributes to energy conservation at the office.	Propose equipment settings and usage that balance convenience and environmental performance
			• Expanded lineup of multifunction inkjet printers equipped with Eco-Mode (MG6300, MG5400, MG4200, MX890, MX510 series).	
		Strengthen the customer/product interface through Eco-Use support technologies, etc.	• Continued implementing computer monitor display of CO_2 emissions reductions for multifunction inkjet printers (MX890, MX510 series).	Promote disclosure (visualization) of product environmental information
	Improving product value during use	Promote disclosure of product environmental information	• Acquired Carbon Footprint certification from the Japan Environmental Management Association for Industry for nine models in the imageRUNNER ADVANCE series of multifunction devices (as of December 2012).	
		Promote both energy efficiency and improved imaging value	• Released the Cinema EOS System for film production. Smaller in size and lighter in weight, the system features increased maneuverability while also achieving highly sensitive but low-noise imaging. Also contributes to energy conservation through simplified lighting equipment and reduced exposure time.	
Recycle	Strengthening recycling systems	Expand "Collection and Recycle" systems for used products throughout the Canon Group	• Expanded collection of used ink cartridges (results as of March 31, 2013). - Collection points for the Ink Cartridge Satogaeri Project carried out in Japan were increased to approximately 3,600 post offices and 2,200 local governments (an increase of approximately 500 locations over 2011). - Schools participating in collection through Bellmark were increased to approximately 15,300 (an increase of 800 over 2011). - Worldwide collection expanded to 31 countries and regions (an increase of 13 over 2011).	Expand "Collection and Recycle" systems for used products throughout the Canon Group
			• Began production and shipping of Canon's first remanufactured POD color multifunction device at Canon Virginia, the imagePRESS C7000VPe, creating a new remanufactured device business model.	
		Encourage remanufacturing, parts reuse and recycling	• Initiated a Reuse System for collection, recycling and reuse of unmarketable flat panel display components. • Expanded ink cartridge models using recycled materials from collected used cartridges. • Developed four models for the Refreshed series of remanufactured products (iR 3025F-R, iR 3035F-R, iR 5065N-R, iR C3380F-R).	Encourage remanufacturing, parts reuse and recycling
	Improving recycling processes	Create advanced materials recycling technologies	• Developed color toning materials using reconstituted plastics, included standard in exterior of imageRUNNER ADVANCE C7000/C9200 multifunction device series. • Increased efficiency of recycling, including sorting and pelletization, through automation of deconstruction, separation, pulverization and cleaning. • Increased efficiency of case-cutting process during used ink cartridge disassembly through introduction of new technology.	Create advanced materials recycling technologies

Environmentally Conscious Management

Environmental Charter and Vision

Canon Group Environmental Charter

In light of issues of global sustainability, particularly those of global warming and limited resources, Canon considers environmental assurance activities to be of paramount importance. In order to support such activities, in 1993 we instituted the Canon Group Environmental Charter.

The charter addresses the theme of maximizing resource efficiency from the dual approaches of environmental assurance and economic activities, considers overall product lifecycles, and clearly sets forth environmental assurance activities for the entire Group.

Canon Group Environmental Charter

Corporate Philosophy:

Kyosei

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

Environmental Assurance Philosophy

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

Fundamental Policies for Environmental Assurance

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

EQCD Concept

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

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

Canon Environmental Vision

Through technological innovation and improved management efficiency, Canon aims to realize a society that promotes both enriched lifestyles and the global environment. Throughout the entire product lifecycle — Produce, Use, Recycle — Canon continues to expand activities with its customers and business partners to reduce environmental impact. The Canon Environmental Vision Action for Green aims to combine increased product functionality with minimal environmental burden.

Canon Environmental Vision

Action for Green

Through technological innovation and improved management efficiency
throughout all of its corporate activities,
Canon aims to achieve sustainable corporate growth
while also realizing a society that promotes
both enriched lifestyles and the global environment.
To this end, Canon offers greater value using fewer resources
throughout the entire product lifecycle
—Produce, Use, Recycle—
to achieve highly functional products
with minimal environmental burden.

Canon continues to expand these activities with its customers and business partners.
Canon will contribute to a future that promotes both enrichment and the environment
through technological innovation.

Environmental Assurance Activities

2012 Environmental Assurance Activities

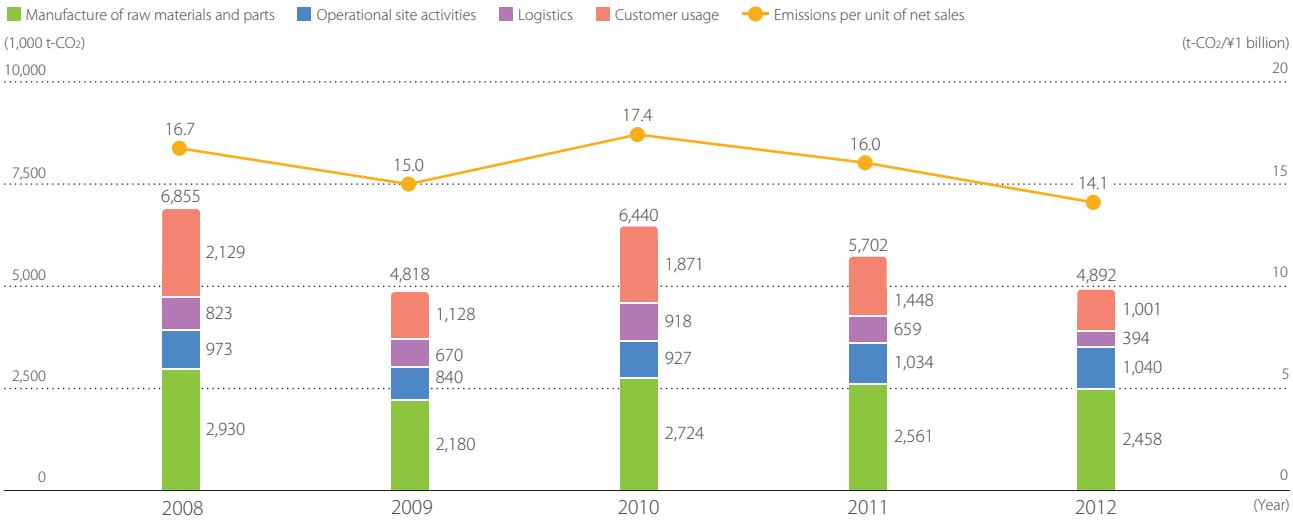
In response to environmental issues such as climate change, limited resources, and industrial and chemical pollution, increasingly stringent laws have been passed in recent years. At the same time, environmental awareness in the market has risen and needs have changed. Failure to meet these changing restrictions and needs would result in a major risk to Canon's business interests. To avoid this risk and reduce environmental impact, Canon pursues greater management efficiency as well as technological innovations that take into account the entire product lifecycle.

Technological innovation at Canon is also spurred by the growing environmental needs of the market, which provide us with the impetus to release new and competitive products. Canon's aim is to create a range of products with added value, combining high functionality with reduced environmental impact.

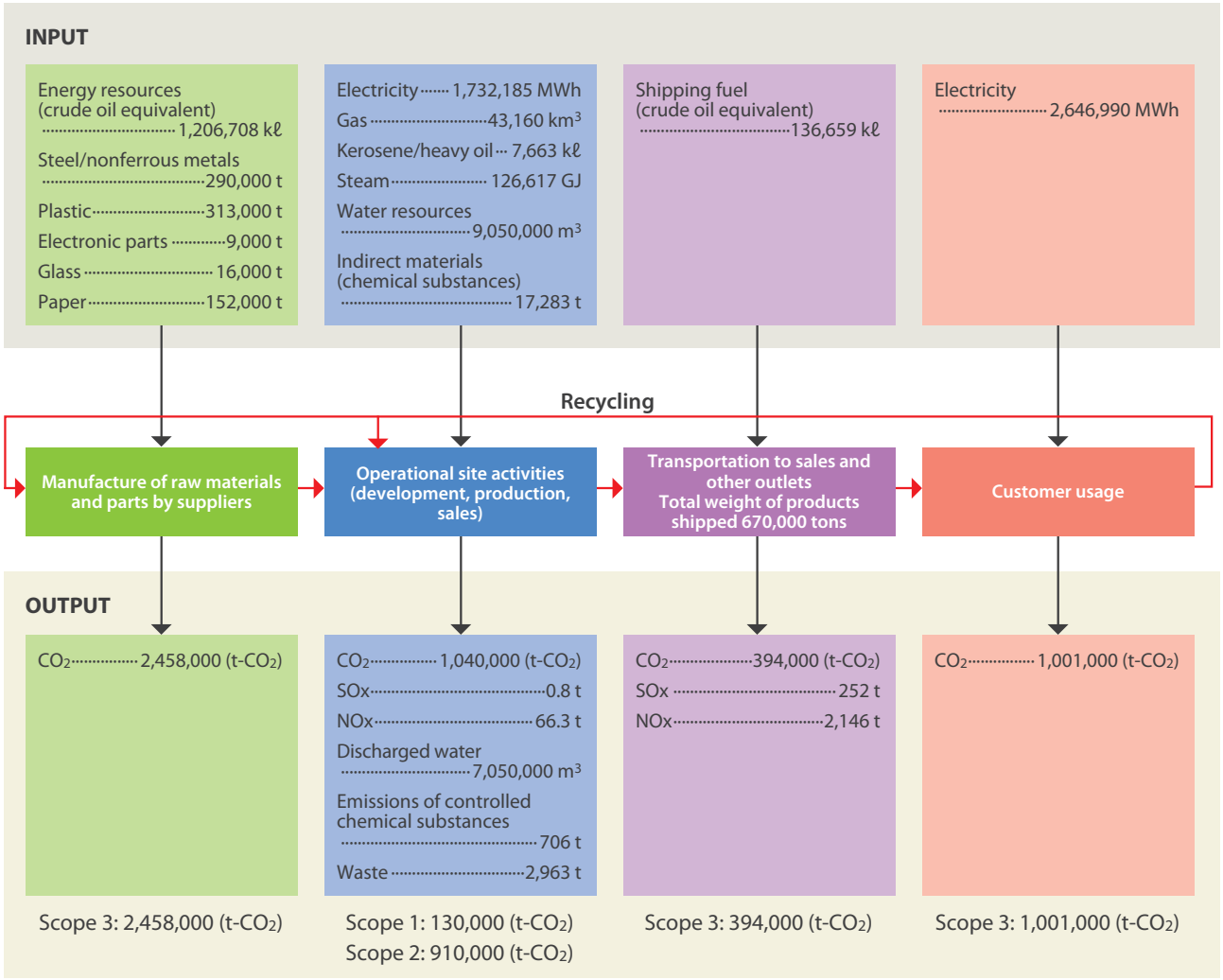
With this goal in mind, we assess the CO_2 emissions of our products over their entire lifecycle (see graph below), and implement concrete plans based on our findings. The progress of these conservation measures is checked each year and plans are revised as necessary.

Entire lifecycle CO_2 emissions in 2012 were approximately 4,890,000 tons, an approximately 14% decrease over 2011. While this decrease is partially due to the negative impact on production brought about by adverse economic conditions, positive causes include energy-saving measures at production bases and improvements in distribution.

Lifecycle CO_2 Emissions



2012 Material Balance



* "Scope 1" covers direct emissions from the use of fuel oil, gas, and similar fuels; "Scope 2" covers indirect emissions due to use of electrical power and heat; "Scope 3" covers other emissions.
* Data for the Océ Group and Canon Marketing Japan are not included.

Basic Approach to CO_2 Calculations

Among the greenhouse gases designated under the Kyoto Protocol, we compile data for CO_2, an energy-derived greenhouse gas. Past data may be revised due to improvements in the precision of data calculations.

We use different CO_2 coefficients for each region and year. In Japan, coefficients are supplied by the Ministry of the Environment and the Federation of Electric Power Companies. Outside Japan they are provided on a regional basis by the International Energy Agency. (Please refer to Operational Sites Covered in the Environmental Section (p. 67).)

For customer use figures, electricity consumption of products shipped in a given year over their average lifespan is calculated using coefficients stipulated by Japan's Ministry of the Environment in 2000. Other CO_2 coefficients are provided by JEMAI-LCA software.

Management System

Environmentally Conscious Management System

Based on our Environmental Vision, Canon is promoting environmentally conscious management in a bid to achieve the Canon Group Environmental Charter goal of maximizing resource efficiency. Accordingly, we have constructed an environmentally conscious management system to bolster the level and efficiency of all our environmental assurance activities.

Our system links the activities of each division (products operations and operational sites of Group companies) to the Plan-Do-Check-Act (PDCA) cycle. In this cycle, we form environmental goals (Plan), reflected in our business targets, followed by environmental assurance activities (Do). We also implement an environmental evaluation system (Check) to assess our performance and then work to improve and enhance our environmental assurance activities (Act).

In addition, we continually make improvements to the environmental-assurance activities of each division by implementing the PDCA cycle for them as well.

Through the two-layer PDCA cycle, we can accelerate the environmental assurance activities of the Group.

Integration of ISO 14001 Certification

Canon has been creating environmental management systems (EMS) and acquiring ISO 14001 certification at operational sites both inside and outside Japan since 1995. After initially establishing and implementing EMS at individual operational sites, since 2004 we have striven to gain consolidated ISO 14001 certification to ensure appropriate decision making from an optimal group-wide perspective, utilizing environmental data compiled from all operational sites. This objective was achieved for manufacturing and marketing subsidiaries within and outside Japan in 2007.

As of the end of 2012, Canon Inc. and 132 Group companies (total of 133 companies) in 39 countries and regions worldwide were covered by consolidated certification.

We will continue to check and improve our environmental management systems by conducting internal and external audits as well as inspections by top management.

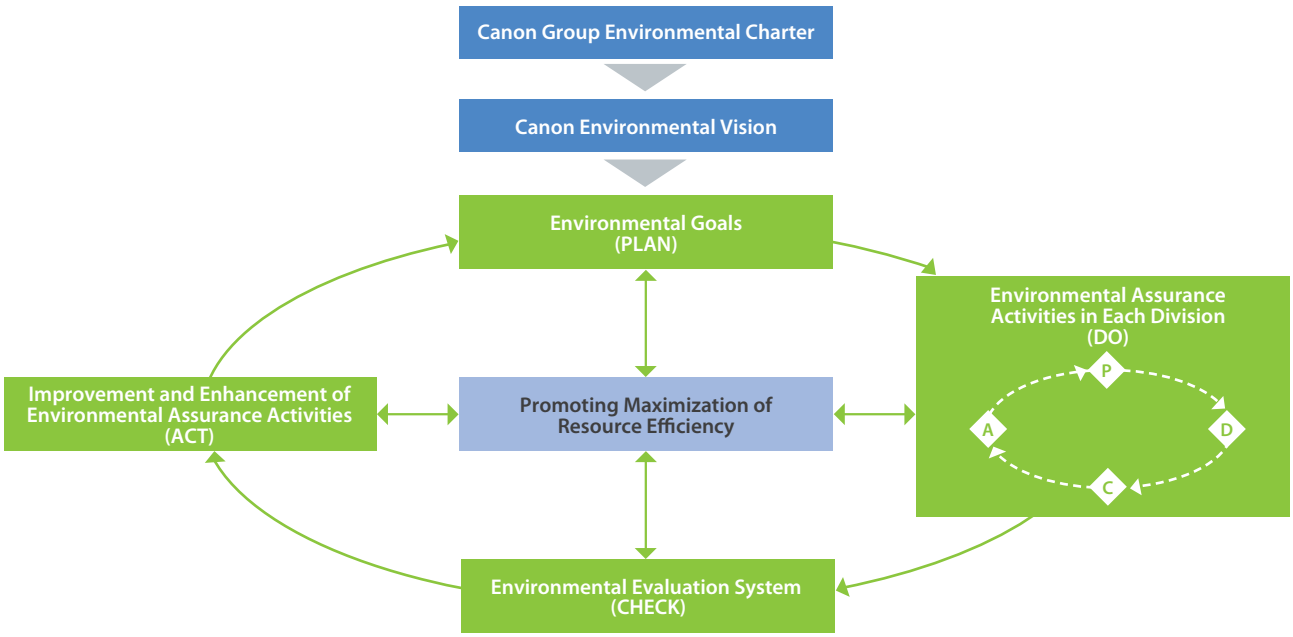
Reference: ISO14001 Certifications Obtained
http://www.canon.com/environment/activity/data/iso14001.html

Global Environmental Promotion System

Canon is building a global environmental promotion system to ensure that Group companies throughout the world approach environmental management in a unified way. Key to this system is Canon's Global Environment Center.

The Global Environment Center collects environmental regulatory information, sets policies and rules for the Group as a whole, and drafts and manages evaluation methods for conservation initiatives. It also plans and implements concrete measures in accordance with its policies. In order to increase the reliability and efficiency of Canon's environmental measures, the center also creates systems for the promotion of

Canon's Environmentally Conscious Management System

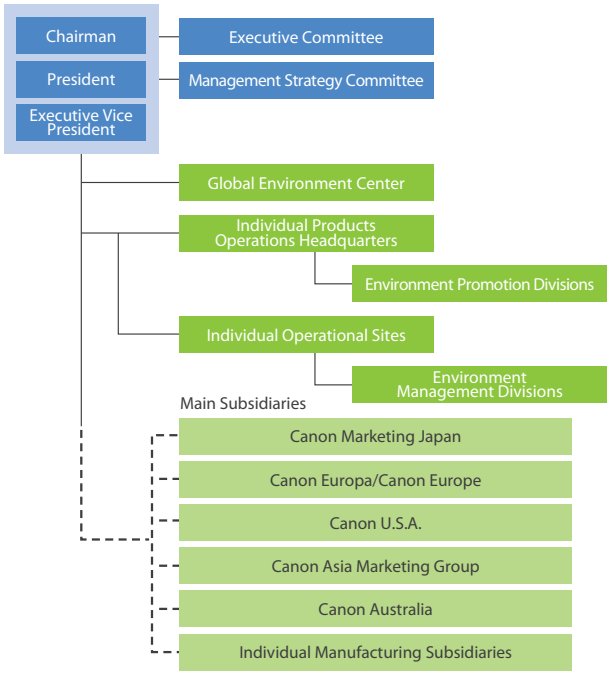


product- and production-oriented environmental activities, and manages Group-wide operation of these systems.

There are also divisions and personnel responsible for supervising the promotion of environmental assurance activities for product manufacturing at operational sites and major subsidiaries. Their duties include checking the status of progress toward the environmental goals set by the Global Environment Center, evaluating compliance with various internal environmental assurance rules, and ensuring that environmental management is being thoroughly executed.

These divisions and personnel provide information from each Group company to the Global Environment Center, enabling it to conduct prompt and appropriate decision making.

Global Environmental Promotion System

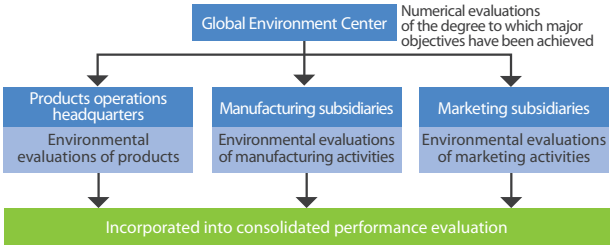


Environmental Evaluation System

Canon utilizes consolidated performance evaluations to assess management conditions at individual products operations headquarters and Group companies. Since 2001, these evaluations have also incorporated an environmental evaluation system. Environmental evaluations are carried out by the Global Environment Center according to a point system in which individual headquarters, manufacturers and sales companies are evaluated on such factors as establishment of environmental goals. These environmental evaluations account for approximately 10% of the overall consolidated performance evaluation. Results are announced to the Group every six months.

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

Environmental Evaluation Process



Environmental Audits

Canon's environmental audits assess compliance with laws and regulations as well as with the Canon Group Environmental Standards*. They also evaluate implementation of the Group's internal EMS and Product Chemical Substance Assurance System, with the objective of achieving continuous improvements.

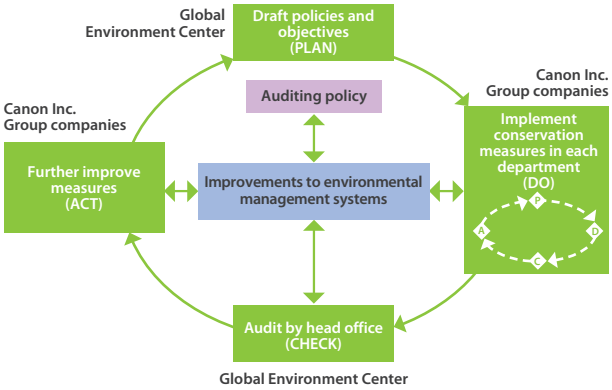
The head of the Global Environment Center functions as the EMS management representative and issues the Canon Group audit policies. In keeping with these policies, the Global Environment Center conducts environmental audits of operational sites, while the audit divisions at those sites and products group operations headquarters conduct both operational site environmental audits and product environmental audits of divisions under their administration. Mutual cross-site audits are also carried out in certain locations.

Audit results are compiled by the Group Audit Management Division of the Global Environment Center. Results are reported to the EMS management representative for consolidated review.

In 2012, auditor training was carried out 12 times by the Global Environment Center in response to requests from operational sites. Also, support was given for audits conducted internally at two sites.

In the future, we shall continue to boost the level of audits through the implementation of such measures.

Audit System



* **Canon Group Environmental Standards**
These standards stipulate reference values and other criteria. Our standards are stricter than existing legal and regulatory requirements for 16 environmental categories, such as water, soil and groundwater quality. Our goal in setting these standards is to ensure thorough compliance with all laws and local ordinances.

Compliance with Environmental Regulations / Risk Communications

Environmental Regulation Compliance Management

Canon promotes various actions to ensure it complies with environmental laws, regulations and standards.

For example, when selecting potential locations for new operational sites for business expansion, Canon carries out surveys of the environmental infrastructure and the surrounding environment, and conducts soil and groundwater assessments that take into consideration the history of land usage.

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

Measures for Responding to Major Global Environmental Laws, Regulations and Standards

Environmental Areas		Major Global Laws, Regulations and Standards	Canon's Actions
CO_2 Reductions (Energy Conservation)	Operational Site	International agreements on global warming • UN Framework Convention on Climate Change	Focusing on reducing CO_2 emissions throughout the entire product lifecycle, emissions due to activities at Canon's operational sites
	Products	International energy conservation standards for products • International ENERGY STAR® Program	Conforming with V1.2 ENERGY STAR® specifications for imaging equipment, issued in January 2011, and preparing for V2.0 revisions
		Improving energy efficiency in Europe • ErP Directive	Conforming to various rules and regulations through improved eco-design systems, in line with advancements in product energy conservation standards. Introduced voluntary agreement on imaging equipment as of January 2012
Recycling (Resource Conservation)		• Recycling regulations in Europe/ WEEE (primarily targeting marketing subsidiaries) • Recycling regulations of US states • Recycling regulations in Asia (South Korea, India, Vietnam, etc.)	Participating in regional recycling schemes and implementing recycling programs at local marketing subsidiaries, conforming with Indian WEEE Directive (effective May 2012), placing logos on products to indicate proper sorting and disposal, and providing information to users as well as recyclers
Management of Chemical Substances		Restrictions on the use of Hazardous Substances in Europe • RoHS (RoHS Directive; Expansion of regulatory compliance also to China, South Korea, India, Vietnam, etc.)	Created declarations of Conformity and technical documentation to conform with EU RoHS recast (published July 2011, implemented January 2013). Preparing for expansion of regulations (in Asia, China, etc.) as well as conformance to Vietnamese RoHS Directive, etc.
		European Regulation on Registration, Evaluation, Authorization and Restriction of Chemical Substances (Substances contained in chemical products and articles are regulated.) • REACH Regulations	Completed the Preliminary Registration of eligible chemicals. Preparing for forthcoming implementation of registration requirements. Active in development and improvement of the framework for electric and electronic industry compliance with REACH regulations. Conducting compliance activities including investigation and notification in line with the framework
		Standardization of green procurement • Participation in creation of IEC TC111 material declaration standards	Collaborating with other electrical and electronic equipment manufacturers to disseminate the Guidelines for the Management of Chemical Substances in Products. The management structure and process described in the guidelines have already been incorporated into the Canon Green Procurement Standards
Eco-Design and Provision and Disclosure of Environmental Information		Providing customers and other parties with environmental information on products	
		Eco-Declarations	Actively participating in the development of declaration formats, such as The Eco Declaration (TED)
		EPEAT	Actively participating in development of criteria for imaging equipment for the Electronic Product Environmental Assessment Tool (EPEAT) for eco-design and used as the green procurement program in the United States

Environmental Risk Communication

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

Canon provides training to employees at its sites with high chemical emissions, instructing them about the risks of these emissions and practical methods of disclosing information to local authorities and residents. As part of this approach, we conduct in-house seminars.

Canon maintains regular contact with local authorities to discuss environmental safety management issues.

Environmental Education

Since 1989, Canon has promoted environmental education aimed at gaining the understanding and recognition of all Group employees on the importance of environmental assurance and encouraging voluntary actions in their daily jobs.

Canon takes a two-pronged approach to environmental education: specialized education and awareness training.

Awareness training aims to impart basic environmental knowledge and targets all employees. Specialized education is geared towards equipping employees with specialized knowledge concerning environmental management, and focuses on personnel involved in environmental assurance activities.

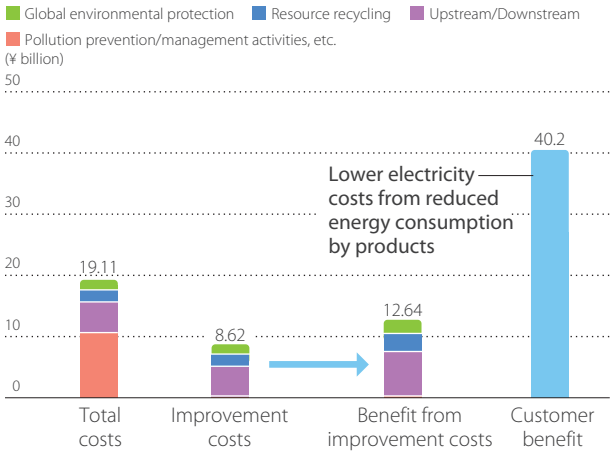
During 2012, 6,593 employees participated in awareness training and 319 in specialized education.

Environmental Accounting

Environmental Accounting

In 2012, we invested ¥19.11 billion in environmental protection. Of this amount, ¥8.62 billion was dedicated to improvements in such areas as countermeasures for global warming and the efficient use of resources, which resulted in benefits of ¥12.64 billion.

2012 Results Through Environmental Accounting



List of Environmental Training Programs

Training Program			Outline
Awareness Training	Global Environmental Education Self-Awareness Program		All Group employees develop a basic understanding of environmental issues.
	Environmental Management Education for Managers		Managers study the relationship between individual workplace tasks and environmental assurance activities, learning how to best influence the organization's environmental measures.
	Environmental Program for Employees Working outside Japan		Employees stationed outside Japan learn about societal trends related to the environment, Canon's endeavors, and various laws and regulations.
Specialized Education	Environmental Auditor Training	Basic Course 1 (operational sites)	Trainees gain basic knowledge and technical skills related to environmental audits of operational sites.
		Basic Course 2 (product environment)	Trainees gain basic knowledge and technical skills related to environmental audits of product environments.
	Product Environmental Assurance Product Inspector Training		Inspection staff and experienced employees study the inspection process involved in product chemical substance assurance, learning about data inspection and verification methods.
	Product Environmental Assurance Supplier Environmental Evaluator Training		Employees scheduled to take responsibility for environmental evaluations of suppliers acquire the necessary knowledge for assessing green procurement (regulatory systems, green procurement standards, evaluation methods, etc.).
	Chemical Substance Manager Training		Employees in charge of product chemical management systems learn about the appropriate use and management of chemical substances, focusing on both environmental and health and safety issues.

Environmental Accounting Results for 2012

Reporting scope: Main subsidiaries and affiliates (expanded from 2004 by adding data for main subsidiaries and affiliates outside Japan).

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

Environmental Protection Cost

(Billions of yen)

Category		Details of Key Activities	2012	
			Investment	Cost
(1) Business Area Cost			3.71	10.93
Details	1) Pollution Prevention	Air, water and soil pollution prevention, etc.	3.11	7.45
	2) Global Environmental Cost	Energy conservation, efficient logistics, prevention of global warming, etc.	0.44	1.51
	3) Resource Recycling Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.16	1.97
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling*1, etc.	0.01	5.12
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.07	2.56
(4) R&D Cost*2		R&D for reducing environmental impact	0.00	0.06
(5) Social Activities Cost		Contributions to environmental and other organizations, sponsorships, memberships, etc.	0.00	0.01
(6) Environmental Remediation Cost		Soil remediation	0.02	0.40
(7) Other		Other environmental protection-related costs	0.00	0.03
Total			3.81	19.11

*1 In connection with the recycling of used products, expenses for product collection, storage, sorting, shipment, etc.
*2 Expenses for basic research on environmental technologies

Environmental Protection Effect

Details of Effect		Environmental Protection Indices	
		Index	Index Value
Effect Related to Business Area Cost	Effect related to resources put into business activities	Energy conservation (t-CO_2)	29,230
	Effect related to waste or environmental impact originating from business activities	Recycled volume (t)	65,166
Effect Related to Upstream / Downstream Cost	Effect related to goods and services produced from business activities	Product energy conservation amount (t-CO_2)*3	1,596,000
		Recovery of used products (t)*4	42,914

*3 CO_2 reduction resulting from energy-saving technologies in electrographic multifunction devices and printers.
*4 Amount of recovered copying machines, cartridges, etc. (including outsourced material recycling and energy recovery)

Economic Effect Associated with Environmental Protection Activities

(Billions of yen)

Details of Effect		2012
Revenue	Sales revenue from waste recycling	1.65
Cost Reduction	Reduction in energy costs from energy conservation	2.12
	Reduction from green procurement	0.00
	Reduction in waste handling costs from resource conservation and recycling	1.35
Total		5.12

Economic Effect of Upstream / Downstream Costs

(Billions of yen)

Details of Effect	2012
Lower energy costs from reduced product energy consumption*5	40.24
Profit from used product recycling	7.52

*5 Calculated as the reduction in annual energy consumption of electrographic multifunction devices and printers (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Biodiversity Initiatives

Basic Approach

Global warming and the loss of diversity among wild plant and animal species are among the most serious environmental issues. Canon's corporate philosophy of *kyosei* embraces biodiversity by taking into account the importance of protecting the environment when conducting business.

For instance, Canon considers the impact on ecosystems and wildlife when constructing buildings and worksites, and tries to preserve a viable habitat for plants and animals. We also consider plants and animals living near our operational sites, and strive to maintain the natural greenery. When developing sites, our goal is to preserve local species and restore the original woodland by planting trees and other vegetation.

We also work with organizations engaged in biodiversity preservation, encourage employee participation in conservation, and support education in local communities.

Regional Initiatives

Preserving Wildlife Habitats at Operational Sites

Located alongside a river and atop a sprawling hillock, the rich natural habitats surrounding Oita Canon and Oita Canon Materials (Oita Plant) are home to salamanders, fireflies and many other living creatures. Striving to preserve the natural environment while developing the site, we created alternative ponds and preserved natural streams, leaving 1/3 of the grounds in their natural state. Additionally, the waterside biotope created for the adjustment reservoir supports a wide diversity of bird, insect, amphibian, and fish life.

In order to preserve the living space of the mudflat and red-clawed crabs that inhabit the area near Beppu Bay surrounding Oita Canon Materials (Kitsuki Plant), we created a small nature reserve, known as Kani no Mori (Crab Forest), which helps our facility blend into the surrounding natural environment. Kani no Mori supports the ecological network connecting forest to ocean, with red-clawed crabs frequently being spotted travelling from the forest to the sea in order to spawn.

Bringing Greenery to Our Operational Sites

A wide variety of plant life, including potential natural vegetation species (vegetation that would be expected in the absence of human intervention) live around Canon Inc.'s Shimomaruko Headquarters, which contains a total green area well above the legal requirement. An abundance of wildlife, including birds such as the titmouse, bulbul and spotbill duck, as well as butterflies and dragonflies, can be found among the rich greenery.

TOPICS

Elementary School Students Release Japanese Pheasants at Oita Canon

In order to preserve the wild pheasant that has lived in the area of the Oita Plant since before the plant went into operation in 2005, Oita Canon Inc. breeds pheasants at its Oita Plant. Pheasants are later released into the Canon Forest.

In 2012 a field trip to the plant was organized for fifth-graders from a neighboring elementary school. After touring the plant, the children learned about biodiversity from Canon employees and were given the opportunity to release birds into the wild. Breeding was unsuccessful in 2011 due to fluctuations in the climate, and we were unable to release any birds. As a result, in 2012 we instituted the P-Project, a proactive plan drawing on the expertise of professional pheasant breeders in order to raise the incubation/brood ratio. The plan resulted in 17 birds being successfully released.

We plan to continue with this initiative in the years to come, preserving Canon Forest as a lush natural environment teeming with wild pheasants.

Children releasing pheasants into the wilds

Our sites near the Tama River, such as the Tamagawa Plant, the Yako Office, and the Kawasaki Office, work hard to maintain greenery to fulfill their role in creating an ecological network.

Spotbill ducks swimming in the pond at our Shimomaruko Headquarters

Supporting Conservation at Yellowstone National Park

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

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

Promoting the Furusato Project

In May 2010 the Canon Marketing Japan Group started the "Furusato Project—Linking Our Dream to the Future," a restoration project with the aim of bequeathing a beautiful verdant *furusato* (hometown) to the children of the future.

This nationwide effort involves forging links with local environmental NPOs to create beautiful *furusato* through such efforts as preserving terraced rice fields and planting forests, reviving arable land that is no longer under cultivation, and reclaiming tidal flats.

Rice planting in Yamanashi Prefecture

Forty volunteer activities were carried out in 14 regions nationwide in 2012, with 758 participants. The Furusato Project has also become involved in recovery efforts underway in the areas affected by the Great East Japan Earthquake by providing multifaceted support through charitable donations to NPOs engaged in the recovery and restoration effort, as well as inviting families to visit project areas and providing photography classes and opportunities to experience nature.

We plan to continue with initiatives in 2013 in 14 different regions.

Long-running Ad Campaign Addresses the Plight of Endangered Animals

Canon believes that one method of conserving biodiversity is to raise awareness of endangered species among the general public.

That is why for over 30 years, since April 1981, Canon has placed ads in *National Geographic* under the title "Wildlife as Canon Sees It." These ads feature photographs of endangered wildlife, appealing to the public to recognize the harsh living environments and unique behavioral traits of these precious creatures.

Environmental ad: "Wildlife as Canon Sees It" (January 2013)

Environmentally Conscious Product Development

Management of Chemical Substances in Products

Eliminating Designated Chemical Substances from Products

Canon has built a group-wide environmental assurance system for managing chemical substances in products. We have also developed products based on in-house standards that are more stringent than laws and voluntary industry restrictions.

Compliance with the EU RoHS Directive

The EU RoHS Directive* restricts the use in electronic and electrical products of six designated substances which affect the environment or the human body (mercury, lead, cadmium, hexavalent chromium, PBB and PBDE).

Canon has been assessing and managing the presence of chemical substances in its product from as far back as 1997. We comply with the RoHS Directive and other European regulations, eliminate designated substances and develop alternative technologies.

A recast of the directive was published in 2011. While restricted substances and maximum allowable concentrations remain unchanged for now, the scope of products covered is to gradually expand to include medical equipment and other items. Additionally, as of 2013, products must display the CE mark and verify compliance through declarations of conformity and technical documentation. Products that already display the CE mark due to compliance with other regulations need only provide verification in the form of declarations of conformity and technical documentation.

In 2012 Canon created an Evidence Management Scheme to help incorporate regulatory revisions and prove compliance. The scheme went into effect in 2013.

* Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment. The directive is required to become law in all EU member states.

Compliance with REACH

In June 2007, the EU integrated its laws and regulations related to chemical substances, implementing the REACH* regulation, which applies to nearly all industrial fields. The REACH regulation governs the manufacture and importation of chemicals and articles containing chemicals (parts, molded products, etc.) in the EU. The regulation mandates the registration of chemical substances as well as the reporting and provision of data on chemical substances of serious concern that are included in articles using the Candidate List of Substances of Very High Concern for Authorization.

In order to comply with REACH, Canon implements the following measures:

* Registration, Evaluation, Authorization and Restriction of Chemicals. The regulation applies directly to all EU member states.

Compliance with chemical products registration

Registration of chemical substances is being enforced in stages based on manufacturing/import volume and toxicity. Canon completed initial registration in 2010, and is working to comply with future registration deadlines in 2013 and 2018.

Article notification compliance

When inspecting articles, Canon combines RoHS Directive requirements with those of other regulations. The results of these inspections are then used as the basis for REACH mandated disclosure. We also comply with the requirement to notify when the presence of substances listed on the Candidate List of Substances of Very High Concern for Authorization exceeds 0.1% of product mass and use is over one ton per year.

TOPICS

Preemptive Compliance with RoHS Recast for Medical Equipment*

Regulations on medical equipment will go into effect under the RoHS recast as of July 2014. Canon has already been at work developing digital radiography systems, retinal cameras and other medical equipment free of RoHS restricted chemical substances, and plans to lead the industry by achieving full compliance a year in advance of the deadline.

* For Canon brand products only

TX-20P Full Auto Non-contact Tonometer

CXDI-80C Wireless Digital Radiography System

Managing Product Environmental Information

Product Environmental Information System

Canon has built a Product Environmental Information System that provides data for planning, development and design, prototype creation, quality assurance, manufacturing, and sales. Available on the Canon Intranet, this system allows all divisions within the Group to share environmental data.

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

The development and design divisions have introduced 3D CAD systems with the aim of reducing losses incurred during prototype creation. In addition to utilizing support tools that use digital data to evaluate such functions as ease of assembly and disassembly, usability, safety, and drive mechanisms, they also make use of product information from digital mockup reviews (DMR*) and the PDM System.

We also conduct environmental response evaluation through Product Environment Assessments carried out at three stages in the commercialization process; namely, product planning, prototyping, and quality control. To manage environmental responses throughout the supply chain we accumulate data about our suppliers through our Supplier Environmental Evaluation System.

This basic environmental data as well as data on chemical content in products and parts are managed by the Product Chemical Substance Management System and the Product Environmental Specification Control System. This linkage makes it possible to share environmental data about products, materials and packaging materials within the Group.

Canon's compliance with regulations such as the WEEE Directive, the RoHS Directive and REACH, as well as our response to eco-labeling worldwide, is based on our Product Chemical Substance Assurance System, which uses the data systems described above.

* **DMR (Digital Mockup Review)**
A mockup is a full-sized model of a product created at the development and design stage. In DMR, the mockup is created using 3D digital data to test assembly/disassembly, usability, safety, drive mechanisms and other functions.

Promoting Environmental Design

Developing Low Environmental Impact Materials

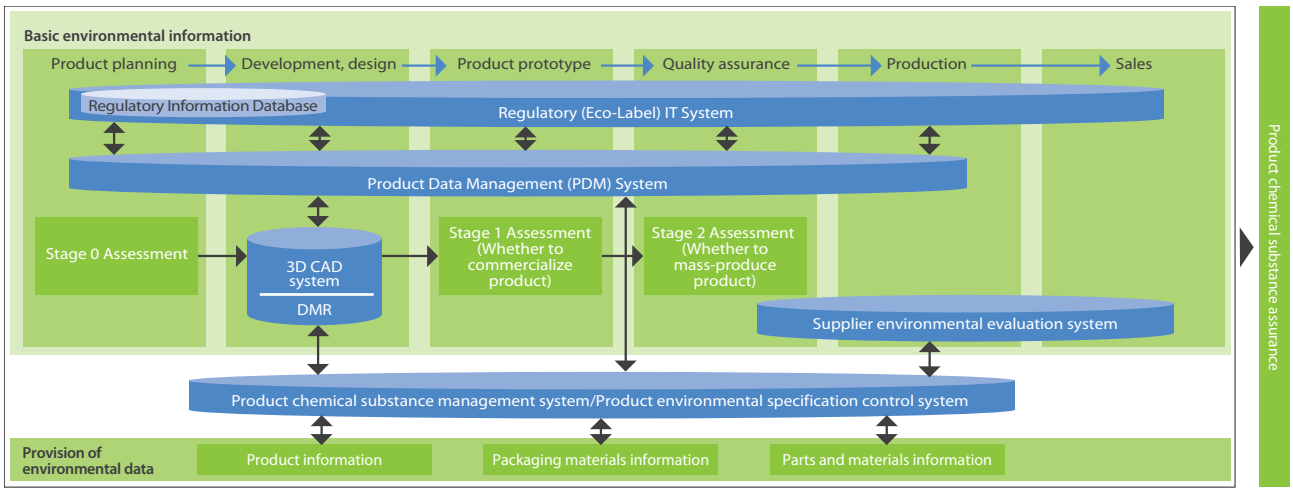
In addition to environmentally conscious product design aimed at lower CO_2 emissions and resource consumption, Canon also promotes the development of low environmental impact materials for use in products.

Development and Expanded Use of Bio-Based Plastics

In our drive to adopt low environmental impact materials, Canon Inc. is focusing on bio-based plastics, which are a type of plastic with a plant-derived component. In 2008, we succeeded in producing a bio-based plastic, jointly developed with Toray Industries, Inc., with the world's highest level of flame resistance. This new material gained the BiomassPla Mark* in 2009.

Typical bio-based plastics have not performed as well as conventional petroleum-based plastics in such areas as flame resistance, impact resistance, heat resistance and formability,

Product Environmental Information System



and therefore their use in products has been limited. However, through new jointly developed material design and molding technologies, Canon Inc. and Toray Industries Inc. have produced bio-based plastic with greatly enhanced material properties. We are now the first in the world to utilize bio-based plastic for multifunction device exterior parts, which require a high degree of flame resistance.

Considering that use of this bio-based plastic results in a 20% reduction in CO_2 emissions during the manufacturing process compared to petrochemical-based plastics used in producing multifunction devices up to now, it is expected to also help reduce product CO_2.

In addition, we believe that deploying bio-based plastic for operational switches and other components that users make direct physical contact with provides an invaluable opportunity to raise environmental awareness among users.

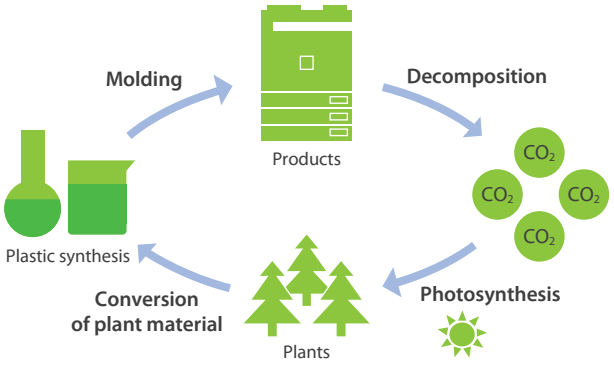
In addition to multifunction device exteriors, we are expanding the use of bio-based plastics to include a variety of parts. In 2010 we produced the industry's largest bio-based plastic part, for use in a commercial printing press.

We will continue to develop this technology to improve bio-based plastic and expand its applications and uses.

Parts that incorporate bio-based plastics

* The BiomassPla Mark confirms that a product meets standards set by the Japan BioPlastics Association.

Bio-Based Plastic Material Cycle



Introducing a Design for the Environment Method that Considers Product Lifecycles

Canon is striving to link its cost engineering framework to reducing environmental impact. We introduced a new Design for the Environment (DfE) method in 2009 and are pursuing environmental designs that take into account entire product lifecycles.

To help build a recycling-oriented society, Canon focuses on the development of energy- and resource-efficient products characterized by reduced size and weight, as well as easy-to-recycle product designs.

Smaller, Lighter Products

Canon aims to make its products among the smallest and lightest in each product group. To improve functionality and usability while requiring fewer resources, our focus on reducing size and weight begins from the development stage.

Canon is extending this approach not only to cameras, but also to business machines, mirror projection aligners, and medical equipment, overcoming issues related to design and expansion of functions.

Recycling-Conscious Designs

Canon takes into account all stages, from development and planning to collection and recycling, of the manufacturing process. We consider achievement*1 of the 65% reuse and recycling and 75% recovery rates set by the EU WEEE Directive*2 to be indispensable when developing products. Additionally, in order to comply with the directive's requirements on facilitation of dismantling*3, we also pursue easy-disassembly designs.

In response to the ongoing developments in environmental law and eco-label requirements, we plan to expand training related to recycle design in 2013. It is vitally important that not only environmental control staff but also employees in all departments, including those in product design, understand the importance of environmental compliance.

*1 Reuse and recycling and recovery rates apply to products falling under WEEE Directive Category 3 (IT and Telecommunications Equipment) and Category 4 (Consumer Equipment).

*2 **Waste Electrical and Electronic Equipment Directive**
This EU directive requires manufacturers to recover or recycle devices after use to prevent environmental pollution caused by waste electrical and electronic equipment.

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

Environmentally Conscious Materials and Parts Procurement

Energy- and Resource-Conservation Measures during Procurement

Cooperating with Suppliers to Alleviate Environmental Impact

Canon has carried out collaborative activities with suppliers since 2009 to reduce environmental impact arising during the production of raw materials and procured goods. We aim to cut both CO_2 emissions and costs by avoiding wasteful resource use and energy consumption in operational activities by suppliers. To achieve this, Canon and its suppliers are jointly carrying out analysis of and improvements to production processes.

In 2012 designers from Canon ANELVA visited suppliers directly to cultivate a mutual understanding of issues faced during manufacturing. As a result, Canon is now better able to incorporate supplier opinions into its product designs.

Other improvements include an approximately 30% reduction in resources consumed during sheet metal work for certain parts, and an approximately 70% reduction in energy consumption during manufacturing.

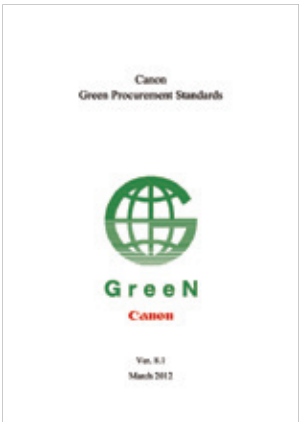
Managing Chemical Substances during Procurement

Green Procurement

Canon established its Green Procurement Standards in 1997, and has made compliance with them a condition of business with suppliers since 2003. In order to ensure that suppliers understand and thoroughly comply with these standards, we conduct briefing meetings in each region and also explain standards directly to individual suppliers.

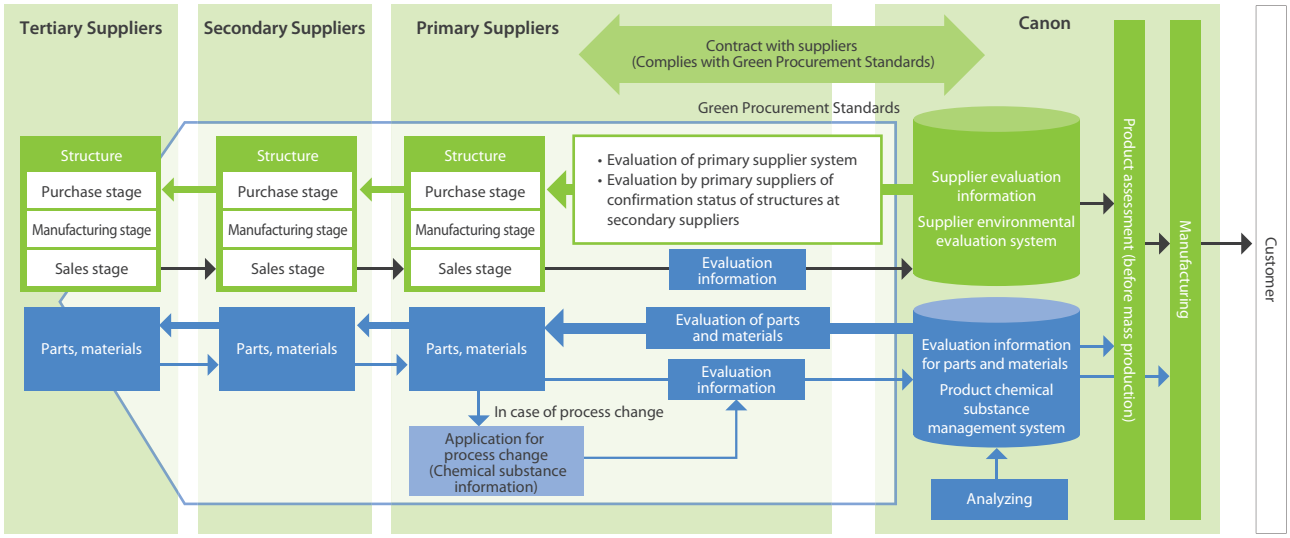
Based on these standards, Canon evaluates suppliers according to two perspectives. We evaluate primary suppliers first on overall administrative structures and initiatives, including supply chain management, and second on chemical substance inspections of the parts and materials they provide (for the purpose of determining if they meet Canon standards). This evaluation process allows us to thoroughly manage the presence of chemical substances throughout the supply chain.

We also conduct regular in-house inspections for chemical substances, such as lead, which, while banned by us, are commonly used and might inadvertently contaminate our manufacturing processes.



Green Procurement Standards

Management System for Chemical Substances in Products



Two Supplier Evaluation Perspectives

Overall environmental activity structure and initiatives

- Environmental management systems
- Administrative performance
- Product chemical management systems

Management of chemical substances in the parts and materials delivered

- Determines chemical substances contained in the parts and/or materials handled by suppliers
- Prevents contamination by prohibited substances

Participating in Creation of Industry-Wide Standards

Collection and Disclosure of Information Related to Chemical Substances

As of December 31, 2012, the REACH SVHC list included 138 substances, but additions are made on a regular basis. Taking these additions into account, the electronics industry has introduced a Joint Industry Guide (JIG) for efficient information gathering across the supply chain.

In 2012, as a further development of the JIG system, the International Electrotechnical Commission (IEC) released an international standard (IEC 62474) regarding disclosure methods for the inclusion of chemical substances.

Canon proactively participates in the planning of such industry standards, and revises its own Green Procurement Standards in accordance. As a general rule, we will thoroughly implement IEC 62474 standards for the management and disclosure of chemical substances in products.

Standardization of Supplier Evaluations and Audits

Canon actively participates in the standardization of evaluation and auditing criteria of management structures for chemical substances included in products, believing that such standardization improves the accuracy and efficiency of management.

In July 2012 we conducted an audit of suppliers using the Japan Electronics Information Technology Industries Association (JEITA) Environmentally Related Chemical Substance Inspection Sheet. Canon also participated in the development of the sheet, which is meant to help standardize evaluation criteria.

Additionally, in 2012, Japan Industrial Standards (JIS) were established which set forth guidelines for the management of chemical substances throughout the supply chain, with efforts to create a standardized cross-industry checksheet applicable to both upstream and downstream operations. Utilizing our experience with JEITA, Canon actively participated in JIS standardization as well.

We plan to continue to participate in the creation of industry-wide standards, and to incorporate those efforts into our own Green Procurement Standards so as to strengthen the management of chemical substances.

Environmentally Conscious Manufacturing

Reducing CO_2 at Operational Sites

Greenhouse Gas Reduction and Energy Conservation

Canon has long understood the importance of preventing global warming. In 1996, even before the adoption of the Kyoto Protocol, we established the Operational Site Energy Efficient Special Committee under the Global Environment Promotion Committee. Since then we have promoted energy conservation activities across the Group, including developing technologies to prevent global warming and making improvements to production facilities and air conditioning equipment that consume substantial amounts of energy.

In 1998, we established the Countermeasure Sub-Committee on PFCs (perfluorocarbons) and began working to eliminate non-CO_2 greenhouse gases. By 1999, we had successfully eliminated PFCs, hydrofluorocarbons (HFCs) and sulfur hexafluoride (SF_6), which are used as cleaners, solvents and aerosol propellants. We have also been reducing trifluoromethane (HFC-23), tetrafluoromethane (PFC-14) and hexafluoroethane (PFC-116), which are greenhouse gases emitted in the semiconductor manufacturing process, by installing burners to eliminate greenhouse gases through forced combustion.

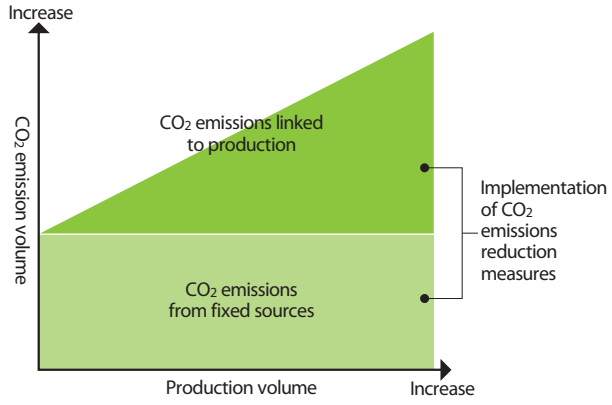
In 2009, the aggravated economic climate had a major impact on production activities. However, Canon established a budgetary management scheme that classifies CO_2 emission volumes into fixed CO_2 emissions, which are largely independent of trends in manufacturing, and production-linked CO_2 emissions. We pursued energy consumption reduction activities according to these divisions, creating a structure to manage forecast and actual emissions.

Specifically, to cut CO_2 emissions from fixed sources, we introduced energy-efficient equipment and reexamined operating conditions so as to optimize operation and maintenance. We also lowered CO_2 emissions linked to production by integrating production lines and reducing energy consumption in standby mode.

In 2012, due to external factors such as recession, the number of units produced fell and we were unable to meet our per-product environmental goals. However, as a result of yearlong conservation efforts, in 2012 we were able to cut greenhouse gas emissions by 5% year-on-year, to 1,067,000 tons. This converts to a per-sales reduction year-on-year of 3%, which is 30.7 tons CO_2/¥100 million.

In order to achieve our 2013 goal of reducing per-unit figures by a yearly rate of 1.2%, Canon will continue to reduce greenhouse gas emissions by strengthening energy-saving production techniques and improving manufacturing efficiency.

CO_2 Emission Management Schematic



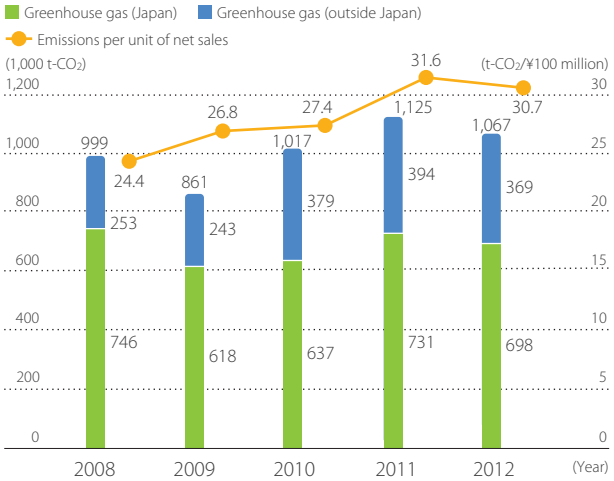
Key Efforts in 2012

Strengthening energy-saving production techniques and introducing energy-efficient equipment	
Ueno Canon Materials	More efficient toner production process
Canon Taiwan	Change in molding temperature control machines (from oil-based to water-based)
Canon Chemicals	Use of highly reflective paints on certain areas of buildings to reduce energy consumption due to air-conditioning

Improvements to efficiency through thorough management of energy use	
Production bases in Japan	Functional enhancements to electronic surveillance system
Canon Zhuhai	Reassessment of compressor force
Oita Canon Oita Plant	Reduction in energy use due to overcooling or reheating through reassessment of air conditioning equipment dew points

Measures toward more environmentally friendly energy	
Canon Components	Adoption of low CO_2 emission factor fuels (Transition from kerosene to city gas)
Océ N.V.	Expanded use of renewable energy

Greenhouse Gas Emissions



* Canon's calculation of total greenhouse gas emissions
This calculation provides a total of the greenhouse gases designated in the Kyoto Protocol: the energy-derived greenhouse gas CO_2, and the non-energy-derived greenhouse gases, PFCs, HFCs, SF_6, N_2O. The conversion to CO_2 is made using annual coefficients for each region. Coefficients supplied by the Ministry of the Environment and the Federation of Electric Power Companies of Japan are used for site activities in Japan, and coefficients supplied by the International Energy Agency are used for site activities in regions outside Japan. As there is a delay between compilation and disclosure of data, CO_2 conversion coefficients are adjusted retroactively.

* Emissions data for the Océ Group included from 2010.

Trends in Greenhouse Gas Emissions According to Scope

(Unit: t-CO_2)

	2008	2009	2010	2011	2012
Scope 1	181,681	156,525	187,317	184,631	145,283
Scope 2	817,112	704,598	829,202	940,101	921,409

Energy Consumption by Region in 2012

	Electricity	Gas	Oil	Other (steam, wide-area heating and air conditioning)
	MWh	km³	kℓ	GJ
Japan	1,215,803	38,134	6,608	29,587
Americas	58,417	2,697	0	0
Europe	74,058	4,563	0	26,620
Asia and Oceania (except Japan)	454,684	1,796	1,056	126,241
Total	1,802,962	47,190	7,664	182,449

* Energy data for the Océ Group has been added.

Results of Canon's 2012 Energy Reduction Policy

(Unit: t-CO_2)

Energy-Saving Measure	CO_2 Reduction
1 New and untapped energies	0
2 Cogeneration, thermal storage	0
3 Introduction of high-efficiency equipment (air conditioning, lighting, etc.)	1,602
4 Management reinforcement (waste elimination, equipment capacity revision)	17,329
5 Production process or quality improvements	9,685
6 Control method improvements (use of inverters, unit control, etc.)	205
7 Waste heat utilization	117
8 Loss prevention (thermal insulation)	78
9 Fuel conversion	176
10 Others	38
Total	29,230

Examples of Initiatives

Reduced Energy Use through Improvements to Toner Production Process (Ueno Canon Materials)

Ongoing measures toward optimal production conditions at Ueno Canon Materials (responsible for photocopier and printer toner production) have resulted in improved production volume per hour and higher energy efficiency.

As a result of such measures, yearly CO_2 emissions have been reduced by approximately 1,000 tons.

Operating Hours for Compressor Reduced due to Improvements to Manufacturing Equipment (Canon Zhuhai)

When stopping the supply of compressed air to the riveting machine used during product assembly there is a risk that the punch will fall and cause damage. Previously, this required that the machine be continuously supplied with compressed air even when not in use.

However, at Canon Zhuhai, through the addition of a mechanism to prevent the punch from falling, we are now able to stop the compressed air supply during these times. Through careful inspections we were also able to identify and repair air leaks. As a result, the rate of operation for the pneumatic compressor has been lowered, leading to a yearly reduction in CO_2 emissions of approximately 320 tons.

Utilizing Low Environmental Impact Energy Sources

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

For instance, at Océ N.V.'s four production bases (Poing, Venlo, Vancouver and Prague) nearly all power requirements are met through the purchase of renewable energy.

In Japan, meanwhile, Canon Components has transitioned from kerosene to low CO_2 emission-factor city gas.

Canon will continue to introduce equipment that maximizes production efficiency in order to improve energy use efficiency.

Resource Efficiency at Operational Sites

Reducing Waste

Canon aims to be a global corporation that supports a recycling-oriented society, and implements measures to reduce waste through the sorting, collection and recycling of materials, as well as through increasingly sophisticated technologies for the utilization of recycled resources.

In 2012 Canon proceeded with various waste reduction efforts at production sites, such as cutting effluent volume, recycling waste generated in plastic molding processes, reducing press material waste, and reducing parts packaging volume. We also made efforts to reuse packing materials and solvents, raise yield rates and recycle molding materials.

As a result, we reduced total waste emissions* by 6% year-on-year, to 76,000 tons. Waste per unit of sales was also cut by 4% year-on-year, to 2.19 tons per ¥100 million.

In 2013 we will continue waste reduction efforts while also implementing new and effective measures at other sites. We aim to reduce waste per unit by a yearly amount of 1%.

* **Total waste emissions**
This represents the total amount of recyclable waste, valuable resources and landfill waste.

Examples of Initiatives

Reduced Solder Waste through Use of Solder Recovery Machines (Canon Suzhou)

Due to an increase in parts production utilizing solder, an increase in waste solder at Canon Suzhou seemed likely.

However, a solder recovery machine was introduced to separate waste solder into pure solder and dross (oxidized waste). Use of this technology resulted in a 73.2% recovery rate, and a yearly decrease in waste of approximately 6.54 tons.

Solder recovery machine

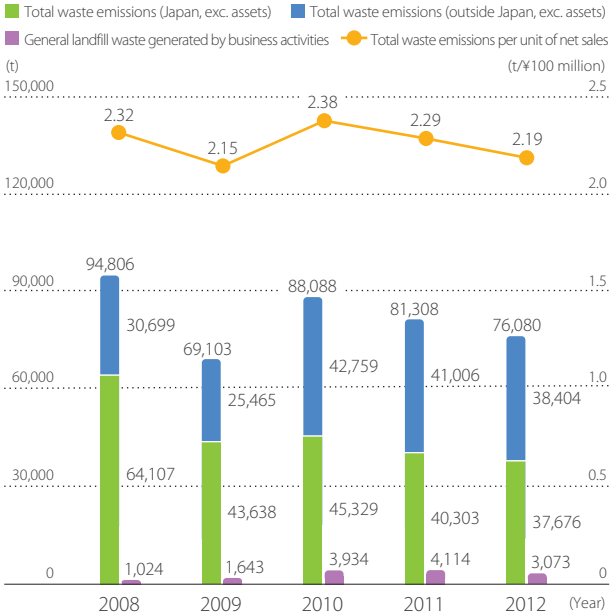
Reduced Operating Hours and Drainage for Water Purification Pretreatment System (Fukushima Canon)

Considering the prompt supply of pure water to be of prime importance, the water purification system at Fukushima Canon was previously run continuously, regardless of pure water consumption, This resulted in regular pump operation and wastewater drainage.

Following a careful inspection of the system aimed at reducing operating hours and drainage while also preserving water quality, we now implement an optimized schedule of intermittent operation. As a result, yearly water usage has been reduced by approximately 27,000 m^3.

Water purification equipment

Total Waste Emissions and General Landfill Waste Generated by Business Activities



* Waste data for the Océ Group included from 2010.

Waste Processed by Category in 2012

(tons)

Type of Waste	Use after Recycling Treatment	Recycled Amount
Paper	Cardboard, paper used by OA equipment, toilet paper, pulp (raw material for paper products), building board, roadbed materials, etc.	17,226
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	14,790
Metals	Raw materials for metals, roadbed materials, etc.	10,480
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	11,238
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	4,096
Wood	Construction, boards, bedding for plants, fuels, pulp materials, fertilizers, etc.	1,543
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	204
Night soil	Fertilizers, soil improvement	590
Raw garbage	Fertilizers, compost	0
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	4,998
Total		65,166

* Océ Group waste data is not included.

Reducing Use of Water Resources

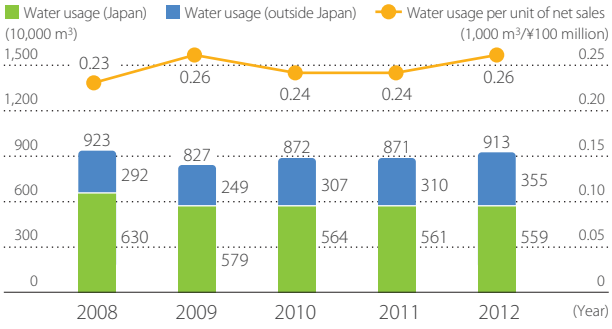
Approximately 40% of water use at Canon is during manufacturing processes, and use is especially high during lens or semiconductor equipment manufacturing.

In order to reduce such water use, Canon introduced a closed recycling system at its operational sites in 1996. The system promotes purification and recycling of the water used during manufacturing, and helps to limit both water usage and wastewater drainage. Currently the system has been introduced at seven sites: Fuji-Susono Research Park, Oita Canon Materials, Hiratsuka Development Center, the Ayase Plant, the Utsunomiya Plant, Canon Zhuhai and Oita Canon.

Efforts continued throughout 2012, with water usage totaling 9.13 million m^3. Per-sales usage totaled 260 m^3 per ¥100 million.

In 2013 we aim to reduce per-unit water usage due to manufacturing by a yearly rate of 1%. As part of our initiatives towards more sophisticated resource-recycling technologies, we also plan to focus on water recycling and thus further reduce usage and wastewater drainage.

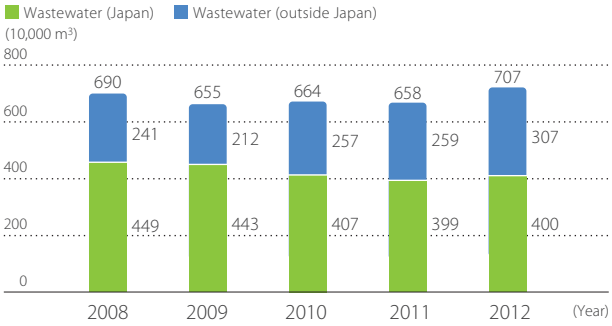
Use of Water Resources



* Rainwater is excluded.

* Water use data for the Océ Group included from 2010.

Total Wastewater Discharge



* Wastewater for the Océ Group included from 2010.

Management of Hazardous Substances and Legal Compliance

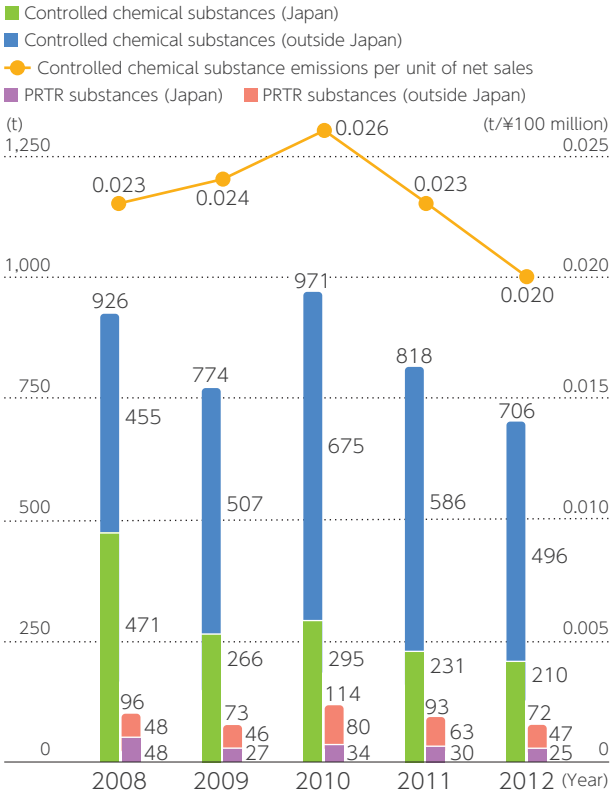
Reducing Emissions of Controlled Chemical Substances

Canon strives to eliminate or reduce hazardous chemical substances used in the manufacturing process. For substances difficult to eliminate or reduce, our policy is to minimize their release into the air or water.

Of the chemical substances handled during manufacturing at Canon, approximately 3,000 are controlled substances that require regulation due to such issues as toxicity, effect on the environment and combustibility. Canon separates these substances into three categories: A) for elimination of use, B) for reduction of use, and C) for reduction of emission. Effective measures are in place for each category.

In 2012 we introduced alternative cleansing fluids and servos. As a result, chemical substance emission volumes in 2012 were down 14% year-on-year, to 706 tons. Also, emissions of substances listed in the Pollution Release and Transfer Register (PRTR)* were down 23% year-on-year, to 72 tons.

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



* Controlled chemical substance data for the Océ Group is not included.

In 2013 we aim to reduce per-unit emissions by a yearly rate of 1%, and are implementing effective strategies in order to achieve this.

* Notification system for the transfer and release of chemical substances

Substances Canon No Longer Uses

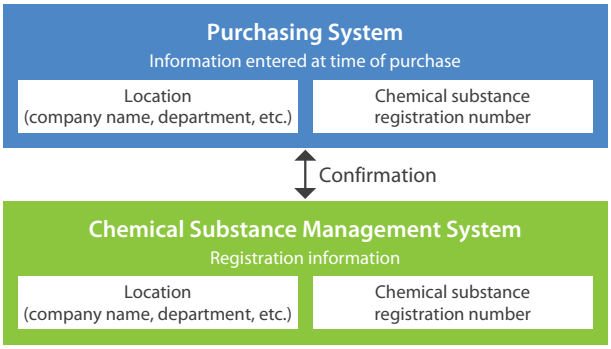
Substance Eliminated		Date Eliminated
Ozone-Depleting Substances	Chlorofluorocarbons (CFCs), 15 types	December 1992
	1,1,1-Trichloroethane	October 1993
	Hydrochlorofluorocarbons (HCFCs), 34 types	October 1995
Greenhouse Gases*1	Perfluorocarbons (PFCs)	December 1999
	Hydrofluorocarbons (HFCs)	December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

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

Example of Initiatives

Coordinated Purchasing and Chemical Substance Management Systems (Canon Inc.)

In order to decrease the risk of accident or environmental pollution accompanying the use of chemical substances, Canon Inc. has coordinated its purchasing and chemical substance management systems to more effectively control all purchased chemicals. The strengthened controls offered by a coordinated purchasing system ensure that each division can only purchase pre-approved substances.



2012 List of chemical substances subjected to the PRTR Act

(Unit: kg)

Directive No.	Name	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewer System	Waste	Recyclables
240	Styrene	2,236	0	0	0	36,893
7	N-butyl acrylate	19	0	0	0	11,122
71	Ferric chloride	0	0	0	0	96,010
125	Monochlorobenzene	18,784	0	0	0	322,598
31	Antimony and its compounds	0	0	0	0	3,468
80	Xylene	6,652	0	0	116	123,867
300	Toluene	23,707	0	0	13,217	56,021
448	Methylenebis (4,1-cyclohexylene) diisocyanate	1	0	0	0	8,613
296	1,2,4-trimethylbenzene	8,633	0	0	0	37,933
232	N,N-dimethylformamide	1,161	0	0	0	693
374	Hydrogen fluoride and its water-soluble salts	716	8	3,133	0	16,282
412	Manganese and its compounds	0	0	0	0	215
20	2-aminoethanol	129	0	273	1	19,177
298	Tolylene diisocyanate	10	0	0	0	475
53	Ethylbenzene	852	0	0	79	28,297
308	Nickel	0	0	0	0	948
309	Nickel compounds	0	0	0	0	6,885
395	Water-soluble salts of peroxodisulfuric acid	0	0	0	0	0
392	N-hexane	7,116	0	0	368	1,891
349	Phenol	10	0	0	0	84
128	Methyl chloride	1	0	0	0	1,161
405	Boron compounds	0	0	0	0	459
343	Pyrocatechol (aka, catechol)	113	0	0	0	4,044
306	Hexamethylene diacrylate	0	0	0	0	0
181	Dichlorobenzene	0	0	0	0	18
150	1,4-dioxane	925	0	0	0	1,221
127	Chloroform	71	0	0	0	2,537
408	Poly (oxyethylene) octylphenyl ether	0	0	0	0	2,099
438	Methylnaphthalene	302	0	0	0	1,527
202	Divinylbenzene	0	0	0	0	2
57	Ethylene glycol monoethyl ether (aka 2-ethoxyethanol)	235	0	0	4	185
82	Silver and its water-soluble compounds	0	0	0	12	22
58	Ethylene glycol monoethyl ether (aka 2-methoxyethanol)	108	0	0	2	125
87	Chrome and trivalent chromium compounds	0	0	0	0	2
453	Molybdenum and its compounds	0	0	0	0	96
259	Tetraethylthiuram disulfide (aka disulfiram)	0	0	0	0	0

* Océ Group PRTR data is not included.

PCB Waste Management

In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which affects living organisms and the environment. As of December 2012, 19 operational sites were storing PCB waste. There are 149 capacitors and transformers (which also contain low concentrations of PCB waste) and 3,950 fluorescent ballasts in storage. Canon has contracted with the Japan Environmental Safety Corporation for orderly processing of its PCB waste.

Impact on Atmosphere and Public Waterways

Canon alleviates the environmental impact of its operational sites by reducing emissions of NOx*1 and SOx*2, which are major causes of air pollution and acid rain; reducing discharges of phosphates and nitrogen compounds, which cause the eutrophication of water environments; and reducing BOD*3 and COD*4 indexes, which have an environmental impact on water environments.

Specific measures to prevent atmospheric pollution include switching fuel types from heavy oil to kerosene and introducing low-NOx boilers. Furthermore, we are reducing environmental impact by installing the latest wastewater treatment equipment and striving to reduce the environmental impact of substances such as phosphates and nitrogen.

We also regularly measure the environmental impact of emissions from operational sites under applicable laws and regulations for each region and also under Canon's voluntary in-house rules.

In 2012, as in the previous year, there were no violations related to air, water or other emission regulations.

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

*2 **Sulfur oxides (SOx)**
A major cause of air pollution and acid rain, SOx is generated when fossil fuels, such as oil and coal, are burned.

*3 **Biochemical oxygen demand (BOD)**
BOD is the amount of oxygen consumed when microorganisms degrade organic matter in water.

*4 **Chemical oxygen demand (COD)**
COD is the amount of oxygen consumed when oxidizing agents oxidize organic matter in water.

Soil and Groundwater Remediation Status

Since the 1980s, Canon has focused on soil and groundwater protection by carrying out regular voluntary surveys of soil and groundwater, using records of past hazardous substances as a reference. Continuous monitoring of groundwater quality through the use of monitoring wells has been mandatory since the 1990s. We have completed placement of monitoring wells at all of our production sites, including those outside Japan, and are now engaged in monitoring. Also, our standard when acquiring new land is to conduct a preliminary soil examination and carry out any other necessary procedures, such as soil remediation, before making the purchase. We also monitor the chemical substances used at each site, remaining fully aware of the national and regional standards where each site is located in order to implement countermeasures according to the situation at each location.

We responded to the passing of the Soil Contamination Countermeasures Law in Japan in 2003 by formulating a Basic Policy on Soil and Groundwater Pollution for the Canon Group in July 2006. Canon has continued to implement thorough countermeasures based on this policy. As of 2012, outstanding pollution issues existed at 11 of Canon's operational sites in Japan. We are currently implementing legally mandated pollutant removal and other measures in line with our basic policies at these sites.

The Canon Group's Basic Policy on Soil and Groundwater Pollution

The Canon Group considers all aspects of pollution—air, water and soil—in its operational activities based on its basic policy of integrating *kyosei* (living and working together for the common good) and the global environment. The following procedures are in place for the eventuality of detection of soil or groundwater pollution:

1. Instigate measures that prioritize protection of human health
2. Prevent the escape and spread of polluted groundwater
3. Be active in communication risks to citizens and local governments

Status of Soil and Groundwater Cleanup Activities

Operational Site	Substances	Measures
Shimomaruko	Trichloroethylene, etc.	In-situ cleanup, water quality measurement
Meguro (Training Center)	Tetrachloroethylene, etc.	In-situ cleanup, water quality measurement
Meguro (Dormitory)	Tetrachloroethylene, etc.	In-situ cleanup, water quality measurement
Tamagawa	Tetrachloroethylene, etc. Lead and its compounds, etc.	In-situ cleanup, covering, water quality measurement
Utsunomiya parking lot 1	Fluorine and its compounds, etc.	Pumping, water quality measurement
Kanuma	Tetrachloroethylene, etc. Lead and its compounds, etc.	Pumping, in-situ cleanup, excavation and elimination, water quality measurement
Hiratsuka Plant No. 1	Fluorine and its compounds, etc.	Pumping, covering, water quality measurement
Toride	Trichloroethylene, etc. Hexavalent chromium and its compounds	Pumping, in-situ cleanup, excavation and elimination, water quality measurement
Kosugi	Tetrachloroethylene, etc.	In-situ cleanup, water quality measurement
Canon Semiconductor Equipment	1,1-dichloroethylene, etc. Lead and its compounds, etc.	Pumping, excavation and elimination, covering, water quality measurement
Nagahama Canon	Hexavalent chromium and its compounds	Covering (soil pollution from soil improvement agents), water quality measurement

* Reports are made to the authorities concerning sites where cleanups are in progress.
* Beginning with this 2012 report, we have revised the "Status of Soil and Groundwater Cleanup Activities" table above to make it more easily understandable.

Environmentally Conscious Logistics

Reducing CO_2 during Distribution

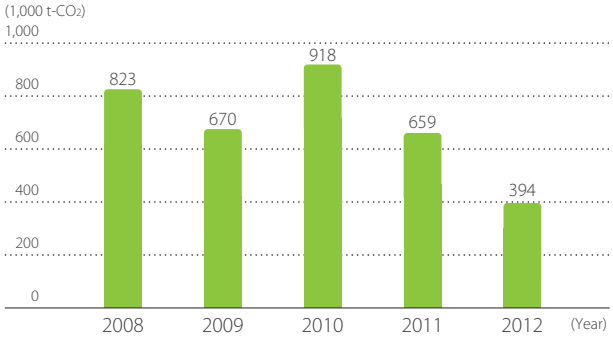
CO_2 Emission Reduction in Transportation

In 2002, Canon established the Environmental Logistics Working Group, with the goal of promoting modal shifts and improving loading efficiency, as well as reducing transport distances. As a result, we reduced CO_2 emissions due to transportation per unit of net sales (CO_2 equivalent) by up to 29% in 2006 compared with 2000 levels, confirming the validity of this approach.

In addition to these original measures, we also introduced steps such as the integration of distribution centers and round-trip use of ocean freight containers. As a result of these efforts, logistics-related CO_2 emissions in Japan amounted to 28,000 tons in 2012, a year-on-year reduction of 3,000 tons (about 10%). We have also worked to reduce CO_2 emissions attributable to international transportation as well as carriage within regions outside Japan by all of our Group companies worldwide. In 2012, we broadly reduced CO_2 emissions stemming from air transportation through further modal shifts from air to ocean during international transportation.

As a result, global logistics-related CO_2 emissions (including locations within and outside Japan, and international transportation) amounted to 394,000 tons, a year-on-year reduction of 265,000 tons (approximately 40%).

Logistics-Related CO_2 Emissions

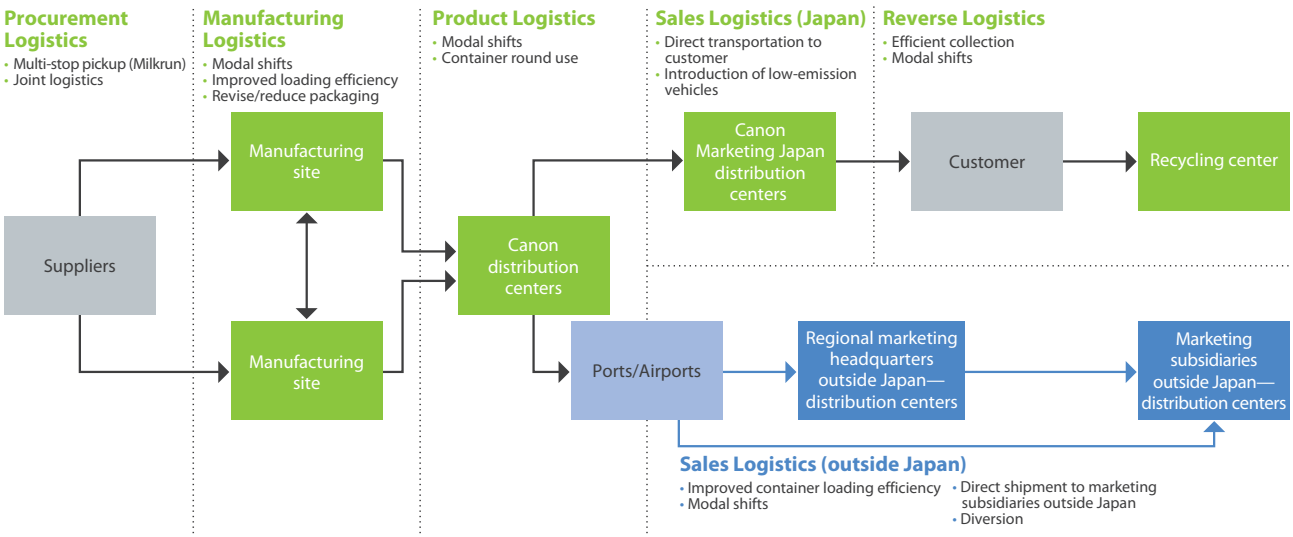


Logistics-Related CO_2 Emissions

(1,000 t-CO_2)

		2008	2009	2010	2011	2012
Japan		38	29	33	31	28
Outside Japan		89	72	84	79	80
International transportation	By air	416	376	611	389	141
	By ocean	280	193	190	160	145
	Subtotal	696	569	801	549	286
Total		823	670	918	659	394

Environmental Activities in Logistics (Example of Distribution of Products Made in Japan)



Initiatives to Lower CO_2 through More Efficient Distribution

Canon's production bases, which supply products to markets worldwide, are mainly located in Japan and Asia. As international and region-to-region shipping increases, we are working hard to decrease CO_2 emissions due to distribution by shortening shipping routes through such measures as direct delivery or rerouting.

Canon dispatches its business products to five distribution centers in North America from its production sites in Japan and Asia, and has introduced a "diversion" system in which selection of the final center for delivery can be postponed until 48 hours before docking on the west coast of North America. This system allows us to respond to market fluctuations during transportation, and reduce wasteful reshipping between locations.

Shipping to Europe, meanwhile, is viewed as a single warehouse destination. Thanks to a virtual warehouse system in which inventory in various countries is checked at the time of shipment from Asia to coordinate supply and demand, we are able to eliminate inventory imbalances in Europe and reduce wasteful shipping between locations.

Promoting Modal Shifts

Canon strives to reduce transport-related CO_2 emissions* through modal shifts inside and outside Japan, from road and air transportation to a combination of ocean and rail, which have a lower environmental impact.

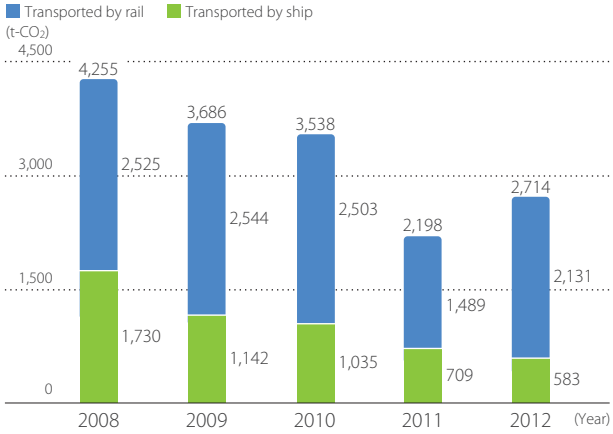
* Setting air shipment at 100, the ratios for CO_2 emissions due to transport for truck/ocean/rail are 15/4/2.

Modal Shift in Japan

In Japan, we have since 2002 been using ships and railroads as much as possible for shipping parts between Group production sites and shipping products to regional distribution centers. For collecting used products for recycling, we use ships and railroads for some of the transportation between collection and recycling sites. We have especially focused on using railroads for a greater percentage of our transportation, working with logistics companies to develop large custom-made containers for product logistics.

In 2005 Canon became one of the first companies in Japan to acquire corporate certification for the Eco Rail Mark system promoted by Japan's Ministry of Land, Infrastructure and Transport. The Eco Rail Mark certifies that Canon proactively addresses global environmental problems through the use of

CO_2 Reductions due to Modal Shifts (Japan)



Major Initiatives for Optimizing Distribution and Resultant CO_2 Emission Reductions

Major Initiatives in 2012	CO_2 Reduction
Changed the port of export for a portion of products manufactured at the Aomori factory from Tokyo to Sendai, reducing long-distance transportation between Aomori and Tokyo.	72.8 tons
Began aggregating parts shipped from various Tokai region suppliers to the Ibaraki Plant at the Nagoya Distribution Center. Batch shipping from Nagoya port reduces total shipping distances.	60.2 tons
Increased shipping efficiency by reducing use of 20-foot containers, switching to higher load capacity 40-foot containers when shipping parts.	45.4 tons
Reduced shipment between Osaka and Fukuoka by switching to direct shipment for products previously shipped from Thailand or Vietnam to Fukuoka via the Osaka Distribution Center.	35.7 tons
Reduced inland shipment from Fukuoka to Tokyo and Osaka by switching to direct shipment for products previously shipped from Suzhou, China to Tokyo or Osaka via Fukuoka port.	150.9 tons
Increased loading efficiency by combining products in Los Angeles previously shipped directly from Asia to Miami with products heading for other destinations.	113.2 tons
Reduced roundtrip shipment of containers by half by reusing import containers, previously returned empty, as export containers.	215.4 tons

alternative rail transport. Since 2005 we have continued to meet the requirements for certification.

While the Great East Japan Earthquake in 2011 led to setbacks in modal shifts, we were able to recover in 2012 and through such efforts as an expansion of routes using rail containers, CO_2 emissions were reduced through modal shifts to 2,714 tons, a 516-ton (approx. 23%) decrease over the previous year.

Modal Shift in International Transportation

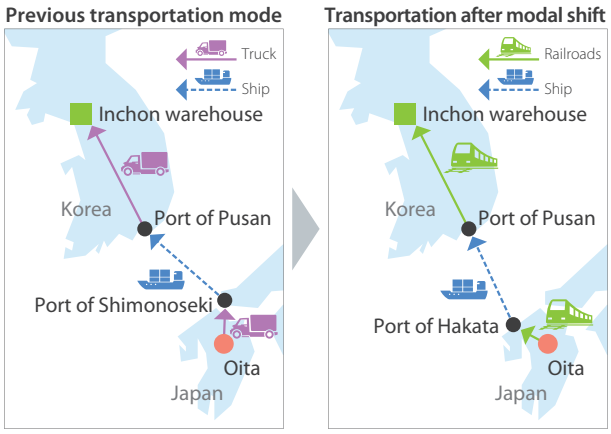
Canon's modal shift from air to ocean for international transportation was accelerated in 2011. As a result, the amount of CO_2 emissions due to air transportation dropped greatly between 2010 and 2012, falling from 611,000 tons to 141,000 tons.

We are also implementing rail use for transportation of products from the Netherlands Distribution Center to warehouses across Europe. And, rather than using the Distribution Center, a portion of imports are now shipped directly from port to warehouse using rail and feeder boats*.

International transportation from Oita to Korea, meanwhile, was previously carried out through a combination of ocean (Shimonoseki Port to Pusan Port) and truck shipment. In 2010, however, truck shipment in both countries was switched to rail, and the port of export from Japan was changed to Hakata, reducing the total shipping distance.

* Smaller shipping container vessels that link principal ports with regional ports.

Modal Shifts between Japan and Korea



Improving Packaging

Smaller, Lighter-weight Packing Boxes

Beginning from the design phase, Canon promotes reduced environmental impact through the development of smaller, lighter-weight products.

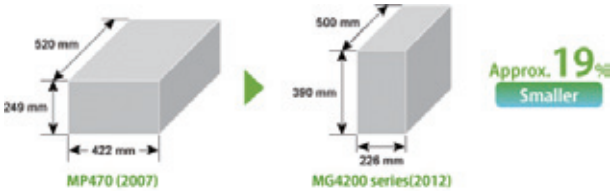
For instance, the PIXMA multifunction inkjet printer was reduced in size through improvements to the paper feed mechanism, while its stronger exterior body requires less package cushioning.

Compared to the 2007 MP470 model, the MG4200 series model, released in 2012, was reduced by approximately 23% in volume and 7% in weight. Additionally, the number of boxes loadable in a 40-foot container was increased from 972 to 1,100, an approximately 13% improvement in load efficiency. As a result, CO_2 emissions from production to distribution and disposal (excluding use) were reduced by approximately 18% in comparison to the MP470.

In the area of ink cartridges, the new FINE cartridge launched in 2011 also uses approximately 30% less packaging by volume than the previous FINE cartridge.

We will continue to reduce the size and weight of Canon products and their packaging.

Package Comparison of MG4200 Series and MP470



Comparison of Product Shipping Efficiency

Environmentally Conscious Product Use

Reducing CO_2 during Use

Energy Conservation during Use

A large proportion of the environmental impact during the lifecycle of Canon products is due to use.

Thus, in order to reduce energy consumption during product use we have set goals by product segment for industry-leading power-saving achievements, with measures implemented as appropriate.

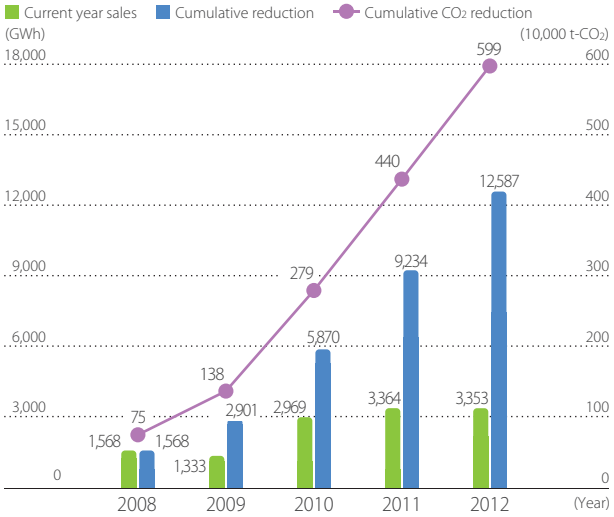
In 2012, by focusing on expanding our line of energy-saving consumer products and on reductions in high-impact industrial equipment, CO_2 emissions attributable to customer use were reduced to 1.001 million tons (compared to 1.448 million in 2011), a year-on-year decrease of approximately 31%.

Canon's Proprietary Energy-Saving Technologies

Canon uses such energy-efficient technologies as induction heating (IH) and on-demand fixing for copying machines, multifunction devices (MFDs) and laser printers.

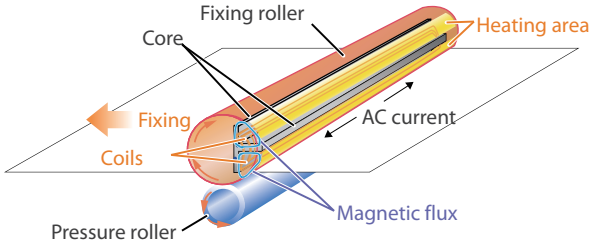
Through introduction of these technologies, which have led to shorter printer startup times, greater thermal efficiency and similar improvements, we estimate that cumulative CO_2 emissions on the part of customers were reduced by approximately 5,990,000 tons over the five years spanning from 2008 to 2012.

Reduced Energy Consumption through Environmentally Conscious Products



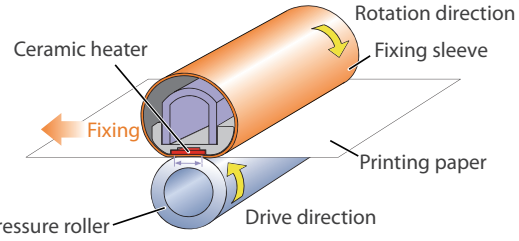
* **Target products:** Electrophotographic multifunction devices and printers (exc. production printers)
* Cumulative yearly effect assumes that previously sold products are used for 5 years
* CO_2 unit=0.476 kg/kWh

IH Fixing Technology



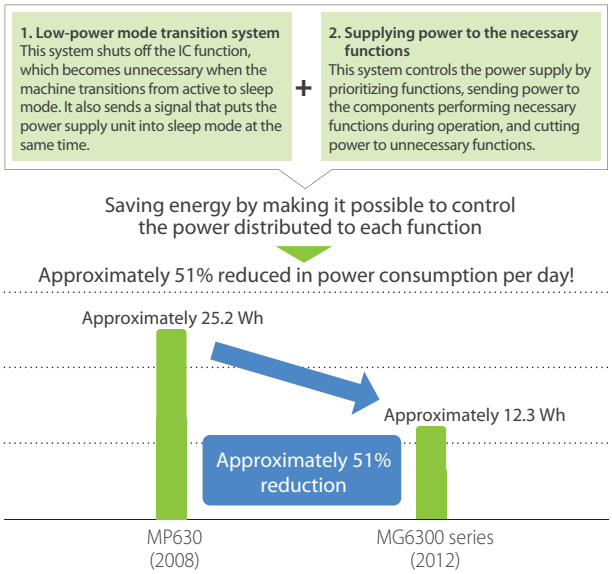
An electromagnetic induction heater induces an eddy current when magnetic flux passes through metal coils, causing the fixing roller to emit heat. In this way, overall heat efficiency is improved and energy consumption is reduced.

On-Demand Fixing Technology



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

Reduction in Daily Electricity Consumption for Multifunction Inkjet Printers



Energy-Efficient Product Design

Complying with the Energy-related Product (ErP) Directive

The European Union's ErP* Directive, which requires that companies incorporate ecodesign principals into their product design, was released in 2009.

Requirements of the ErP Directive that affect Canon products include implementation of measures to regulate off mode and standby power consumption for electrical equipment, and energy conservation for external power sources. Canon designs its products in conformance with these requirements.

Since the ErP Directive went into effect, the scope of regulatory control has been extended to include design management, in addition to products themselves, with calls for the incorporation of eco-design into the environmental management structure, and assessment and disclosure of results regarding environmental impact throughout product lifecycle.

Canon is stepping up its promotion of energy-efficient design and optimizing its Product Assessment Program and Product Environmental Information System in an aggressive bid to conform to ErP Directive stipulations.

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

TOPICS

Canon Wins Line of the Year for Energy Efficiency from American Testing Laboratory

Canon's multifunction printers were awarded the 2013 Line of the Year Award for Energy Efficiency from Buyer's Laboratory Inc. (BLI), the leading independent testing authority in the United States. Newly created in 2013 to recognize the product line with the greatest achievements in energy efficiency for a given year, the award was bestowed on nine models in the imageRUNNER ADVANCE and imageRUNNER series of multifunction printers. In tests by BLI, these models bettered the industry average in terms of energy efficiency, and also received high marks for such functional features as reduced toner usage.

Qualified Environmentally Conscious Products

Regulatory Conformance

At the product planning stage, Canon emphasizes compliance with such standards as Japan's Law on Promoting Green Purchasing*1, the Eco Mark*2, and programs like the International ENERGY STAR® Program*3. The table to the right shows the compliance rate of our main environmentally conscious products in 2012. Our compliance rate remains among the highest in the industry, with many product groups at 100% compliance.

Canon is also acquiring certification by eco-label programs outside Japan, and is involved in establishing appropriate certification standards. For example, at the request of the Chinese government, we are working with local agencies to establish environmental standards and environmental labeling. While we develop and design products that meet each country's standards, taking into account global green purchasing laws, we also actively contribute public comments on the procurement standards of governmental organizations around the globe.

***1 Law on Promoting Green Purchasing**
The Law Concerning the Promotion of Procurement of Eco-Friendly Goods and Services by the State and other Entities, enacted April 2001. The law stipulates that goods purchased by the national government and other public entities should be environmentally conscious.

***2 Eco Mark**
This mark is given to products certified as protecting the environment or reducing environmental impact throughout the product lifecycle. It is the only eco label in Japan consistent with ISO 14024.

***3 International ENERGY STAR Program**
An energy-conservation program established by the U.S. Environmental Protection Agency (EPA), and also in use in Japan, the EU and other parts of the world. Products bearing the ENERGY STAR® logo meet certain energy-efficiency standards.

2012 Compatibility with Standards for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / multifunction devices (MFDs)	38/38 (100%)	38/38 (100%)	38/38 (100%)
Laser Printers	5/5 (100%)	5/5 (100%)	5/5 (100%)
Inkjet Printers	10/10 (100%)	10/10 (100%)	10/10 (100%)
Large-Format Printers	5/5 (100%)	5/5 (100%)	5/5 (100%)
Image Scanners	3/3 (100%)	—	3/3 (100%)
Projectors	2/3 (67%)	5/6 (83%)	—

* Values show the number of models meeting specifications out of the number of models on sale in Japan, with the conformance ratio in parentheses.
* Image scanners are outside the scope of Eco Mark specification.
* The International ENERGY STAR® Program has no specifications for projectors.
* Of the five models meeting Eco Mark projector standards, three have not yet acquired the mark.

2012 Compatibility with Standards for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner cartridges	2/2(100%)	2/2(100%)
Ink cartridges	9/9(100%)	9/9(100%)

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

Providing Usage Proposals

Distributing Information on Environmentally Conscious Products

As consideration for the environment has grown, Canon has been receiving an increasingly large number of inquiries related to its products and the environment. In response to this need, we actively provide information on the environmental aspects of our products on our website and through other media.

Canon's endeavors to cut CO_2 emissions are classified into three lifecycle stages: Produce, Use and Recycle. Cooperating with customers is indispensable in dealing with reductions in emissions arising during the use stage. In future, we will also promote collaborative CO_2 reduction efforts during the use stage through the sharing of environmental information.

Ecology Information Plug-In for "Visualization" of Office Power Consumption and CO_2 Emissions

Canon has created new software called the Ecology Information Plug-in, which allows "visualized" monitoring of the power consumption and CO_2 emissions of office-use network devices such as multifunction devices (MFDs) and laser printers. It was launched in Japan and the United States in August 2011.

The Ecology Information Plug-in for Canon's imageWARE Enterprise Management Console (iW EMC) network device management utility software is a highly visual and intuitive 3D graphical display showing calculations of power consumption and CO_2 emissions based on output data for who, when, and how many copies are being printed, as well as operating status, such as "printing" and "sleep mode." This makes waste conspicuous, and contributes to reducing the environmental impact of office operations.

GREEN NAVI, a Website Supporting Environmentally Conscious Action by Our Customers

In November 2009, Canon Inc. and Canon Marketing Japan launched the GREEN NAVI website page. GREEN NAVI supports environmentally conscious action on the part of our customers by introducing products and functions that promote reduced CO_2 emissions at offices. One feature of the site is the Energy- and Resource-Conservation Simulator, which allows users to verify the CO_2 reduction merits of upgrading to new product models. By making CO_2 reduction volumes more apparent, the issues surrounding environmental consciousness become more easily comprehensible to general customers. Following the launch of the Office Edition, we have added a Home Edition, which introduces efforts to reduce environmental impact throughout the lifecycle of products used in the home, as well as an IT Solutions Version, which introduces IT solutions for balancing environmental consciousness and operational improvements in corporate activities.

In 2012 we opened a special page related to the Nishi-Tokyo Data Center, which was established as an IT services headquarters. In addition, the Office Edition was revamped in February 2013 to include information on tools designed to support changing workstyles, such as increased telecommuting and mobile connectivity.

We will continue to expand content useful to customers in their efforts to reduce environmental impact, and pursue new avenues of content development, such as by providing information outside Japan through the creation of versions tailored for different regions.

GREEN NAVI website

Providing Product Environmental Information

Canon has since 2002 been providing online data about the environmental impact of its products throughout their lifecycles through the Eco-Leaf*1 program for Environmental Labeling.

Moreover, in 2009 we began posting on our website a unique product environmental data sheet, entitled GREEN PROFILE, which features listings of each product and model with such information as environmental labeling responses, elimination of hazardous substances, and energy and resource conservation. In 2012, we provided information on 77 product models in 19 categories.

In Europe, we have provided environmental information through the IT Eco Declaration (currently known as TED*2) since the late 1990s. Following a common format, the declaration makes it easier to compare products from different companies. TED is used widely, especially in Scandinavian countries.

***1 Eco-Leaf**
The eco label promoted by the Japan Environmental Management Association for Industry (JEMAI). Eco-Leaf uses the lifecycle assessment (LCA) method, and shows the quantitative environmental impact of a product throughout its lifecycle, from extraction of resources through manufacturing, use, and recycling.

***2 TED**
The environmental label developed by the European Computer Manufacturers Association (ECMA) for voluntary disclosure of environmental information for products. This label makes it relatively easy to understand the eco-friendliness of products.

Improving Product Value during Use

Since 2009 Canon has implemented the Environmental Frontrunner Project for the development of environmentally conscious products, with participation by corporate headquarters, Canon Group companies and business partners.

The project encourages development of products that minimize environmental impact at all stages of the product lifecycle, including procurement, manufacturing, sales, distribution, use, disposal, and recycling.

Examples of Environmentally Conscious Products

The imageRUNNER ADVANCE Office MFD Series

As an ongoing part of our Environmental Frontrunner Project, the imageRUNNER ADVANCE series of products comes equipped with a wide variety of environmental features.

For instance, using the application software bundled with such models as the C5200, released in 2012, devices can be shut down directly from a PC. It also comes equipped with a function (optional) to shut down multiple devices simultaneously at predetermined times, helping to reduce work loads for administrators and lower office power consumption.

Bio-based plastic is utilized for frequently used operational buttons, and a bio-based plastic (see p. 40) featuring the world's highest flame resistance is used for some exterior parts. We also use recycled plastics, made from recovered materials, and are thoroughly committed to utilizing materials with the lowest environmental impact. In addition, all parts except for electrical and electronic components are lead free, and part of the electrical substrate is free from halogens.


imageRUNNER ADVANCE C5255

Moreover, to further reduce environmental impact throughout the product lifecycle, we use returnable packaging when shipping within Japan.

PIXMA MG6300 Series Multifunction Inkjet Printer

The PIXMA MG6300 series multifunction inkjet printer provides not only outstanding functions that are high-quality and speedy photo printing, but also reduces power consumption by the energy-saving technologies at every stage of operation such as printing, standby and off mode. As the result, PIXMA MG6300 series reduces power consumption by approximately 51% compared with MP630, 2008 model.

The printers are also equipped with Eco mode, such as automatic duplex printing and power-off timers that can be set directly from the device, allowing for paper conservation as well as reduced power consumption while in standby.

The series also exceeds RoHS (Restriction of Hazardous Substances) Directive requirements, reducing the elimination of hazardous substances through the use of mercury-free LEDs, lead-free lenses and similarly advanced parts. While RoHS standards are expected to expand in the future, Canon's own measures remain ahead of strengthening regulations.

In addition to environmental consciousness, we have also improved usability. New features include an intuitive and comfortable operation "Intelligent Touch System" (utilizing touch panel), photo printing via Wi-Fi networks from smartphone, and auto power on.

The PIXMA MG6300 series is one of many products that achieved Canon's environmental vision that is "to achieve both superb functionality and minimal environmental burden".


PIXMA MG6300 series

EOS REBEL T4i (EOS 650D) Interchangeable Lens Digital Camera

Launched in June 2012, the EOS REBEL T4i (EOS 650D), an entry-level interchangeable lens digital camera, boasts superior functions, including high speed focusing through the new hybrid CMOS AF, and an environmentally conscious design that complies with the EU RoHS Directive.

Specifically, it is equipped with a lead-free lens that uses titanium or barium compounds as lead alternatives, and also employs lead- and cadmium-free cable insulation.

We also use non-toxic trivalent chrome instead of hexavalent chrome in the metal-plating process. In the production process, lead-free solder, such as Sn-Ag-Cu alloy, is used to comply with the EU RoHS Directive.

EOS REBEL T4i (EOS 650D)

TX-20P Full Auto Non-Contact Tonometer and RK-F2 Full Auto Ref-Keratometer

Canon leads the way in the digitization of medical imaging technology, developing a wide range of general medical equipment, such as digital radiography devices, as well as digital retinal cameras and other specialized optometric devices.

By replacing metal parts with plastic molded ones, we have been able to produce a lighter-weight series of retinal cameras. The TX-20P Full Auto Non-contact Tonometer, released in 2011, and RK-F2 Full Auto Ref-Keratometer, launched in 2012, which utilize this technology, both weigh approximately 15 kg, a 30% decrease over previous models. Creating lighter-weight products not only reduces the amount of materials consumed but also helps to reduce environmental impact during shipping.

We will continue to meet the needs of the medical community by developing products that combine greater functionality with reduced environmental impact.

The RK-F2 Full Auto Ref-Keratometer, which measures the eye's refractive power and the radius of corneal curvature

Collection and Recycling

Recycling Systems

Global Collection and Recycling System

To foster a recycling-oriented society, Canon is building collection and recycling systems for used products in Japan, Europe, the Americas, Asia and Oceania.

To make recycling easier, we are also engaged in manufacturing that anticipates recycling from the design and development stage so as to minimize resource use and waste throughout the product lifecycle.

To encourage this kind of manufacturing, in 1998 Canon Inc. issued the Environmentally-Conscious Design Guidance, which is a guide for the design technologies necessary for promoting efficiency in the development and production of environmentally conscious products. This guide is posted on our Intranet for all employees to use at every stage of the product lifecycle, from planning through development and design.

Compliance with the WEEE Directive in Europe

The WEEE Directive, which aims to reduce environmental impact caused by the disposal of waste electrical and electronic equipment by obligating EU manufacturers to collect and recycle used devices, went into effect in August 2005. EU member nations must establish and amend laws in compliance with the directive, and implement frameworks for collective recycling.

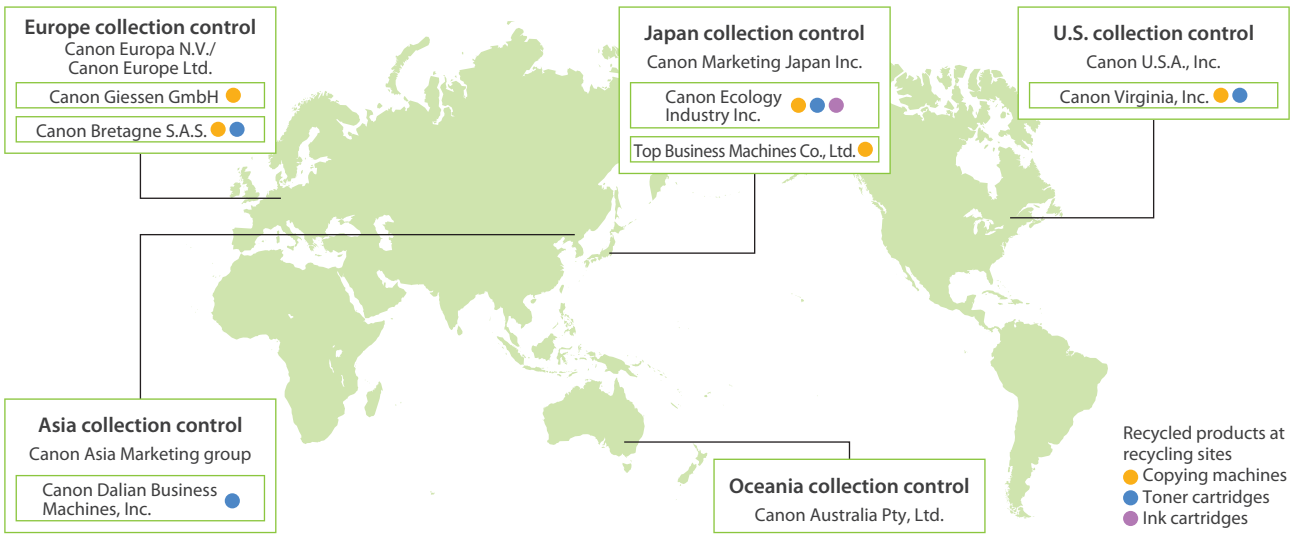
Canon complies with the WEEE Directive through easy-to-recycle product designs, the inclusion of symbols on products to show proper collection and sorting, and the provision of necessary information to users.

Operating under the management of our European marketing headquarters, collection and recycling is the responsibility of each individual national sales company. These companies fulfill their country's recycling requirements by participating in national recycling consortiums or by creating their own independent recycling schemes. The companies must also register as a producer according to national laws, and must bear the expense of collection and recycling.

The WEEE Directive also requires that discarded parts and materials that include toxic substances be separated out and processed accordingly. In order to comply with this requirement, it is necessary to provide recycling vendors with proper information on components and materials containing such substances. Canon has established a system to tender this information when vendors request it.

The WEEE Directive was recast in August 2012 with more stringent collection, recycling and recovery targets to be introduced in stages, as well as a standardized producer registration form for the EU. Canon will incorporate these revisions as appropriate in order to continue to comply with the directive.

Canon Global Collection and Recycling System



Establishing Collection and Recycling Sites in Japan

Canon has 10 centers throughout Japan for the collection of used products, focusing primarily on the collection of business machines. Since 2006 we have also been operating the Canon Green Recycling Service, a paid trade-in collection and recycling service for used business machines, certified by the Minister of the Environment under the regional industrial waste accreditation system. Customers are no longer required to issue and manage manifest slips, thus enabling a higher collection rate.

Used business machines are collected by Group companies Canon Ecology Industry and Top Business Machines for product remanufacturing and parts reuse (we also contract with local recycling treatment companies in Hokkaido and Okinawa to reduce the environmental impact of collection and distribution).

Furthermore, we are working to improve collection rates by offering a number of collection methods for consumables such as toner cartridges and ink cartridges, including collection at retail outlets, and the Bellmark Foundation collection program. Ink cartridges are also collected at post offices and local government offices. Collection of consumables for recycling in Japan is concentrated at Canon Ecology Industry.

Product Collection and Recycling

Promoting Reuse of Products and Parts

Canon promotes the reuse of used products and parts it has collected from the standpoint of waste reduction and effective resource use. By expanding our activities in this area, Canon's volume of reused products and parts reached 2,453 tons in 2012.

Remanufacturing Copying Machines

Canon has promoted the remanufacturing of copying machines in Japan, the Americas and Europe since 1992. Remanufacturing involves selecting the parts from a collected product that are suitable for reuse and then recycling them into a product of equal quality as a new one.

Canon markets the "Refreshed" series of remanufactured copying machines for the Japanese market. In the case of the iR 5065N-R digital monochrome multifunction printer from this series, which was launched in 2012, we used proprietary remanufacturing techniques to achieve an average parts reuse by weight ratio of 81.6%. Additionally, CO_2 emissions from procurement through remanufacturing stages were reduced by an average of 83% in comparison to new product manufacturing. The iR C3580F-R digital color multifunction printer, scheduled for release in 2013, achieves an average reuse by weight ratio of 76%, and average CO_2 reduction of 80%.

Furthermore, according to Japan's Ministry of the Environment guidelines on carbon offsetting and credits, there are zero CO_2 emissions* associated with either product through the manufacturing stage.

* Zero CO_2 emissions means that emissions can be calculated as zero due to the purchase of a CO_2 credit allowance equal to the CO_2 emission volume produced through the manufacturing stage.

iR C3580F-R

Recycling Plastics from Used Products for Application in New Canon Products

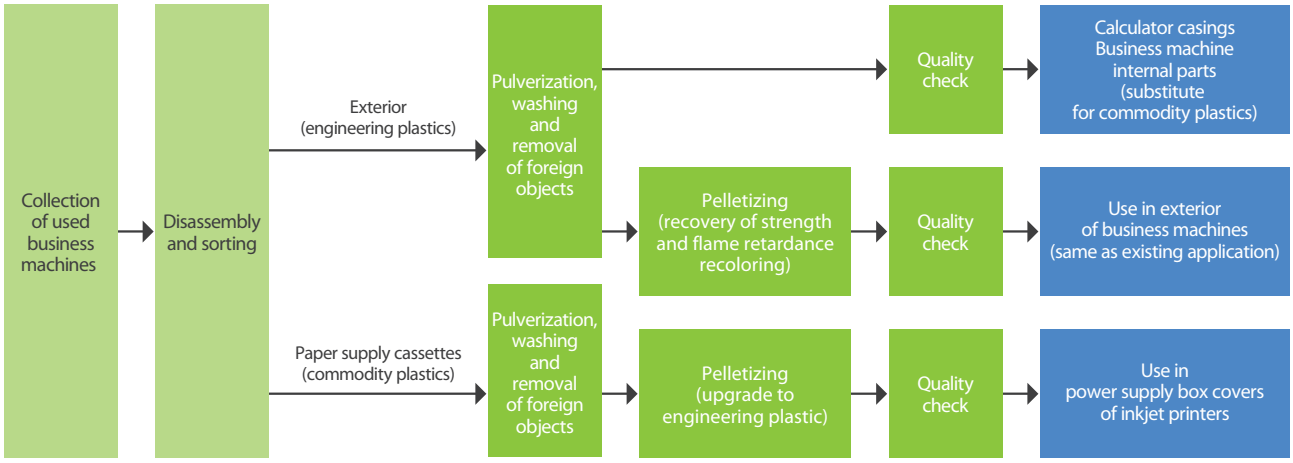
When products and parts are not suitable for reuse, Canon strives to develop technologies capable of recycling these parts as materials instead.

The physical characteristics of plastic materials can deteriorate over long years of use, making recycling difficult. However, we determine the strength and moldability required for the intended end use and implement optimal recycling processes in order to recover these necessary qualities. In recent years we have also developed coloring technologies for recycled plastics, making it possible to manufacture recycled exterior parts that are more visually pleasing to users.

Plastics extracted from products and reused in new ones during 2012 totaled 3,384 tons (including toner cartridges).

We will expand the grades of plastic eligible for recycling in order to increase the amount of recycled plastic.

Recycling of Plastic Materials from Business Machines



Example of Plastics Recycling

Canon uses the engineering plastics employed in the exterior of used business machines as a substitute for commodity plastics in calculators casings and internal parts for copying machines. This is achieved with minimal environmental impact simply by crushing, washing, and removing foreign objects.

We pelletize after crushing, washing and removing foreign objects from these engineering plastics. In this process, technologies developed by Canon facilitate recovery of strength and flame retardance, so the regenerated materials can once again be utilized in the exterior of copying machines. This recycled plastic has been adopted for use in our imageRUNNER ADVANCE series of office network MFDs.

Additionally, commodity plastic found in the paper feed cassettes of collected business machines are pelletized and recycled as engineering plastic after crushing, washing and removal of foreign objects. This process adds value to our recycled materials, allowing us to use them in areas where flame retardance is required, such as in the power box covers for inkjet printers.

Cord guide, manufactured using recycled plastic, for the imageRUNNER ADVANCE

Collection and Recycling of Consumables

Toner Cartridge Recycling

At a time when there were no company-based systems for product collection and recycling, Canon led the industry in 1990 by launching its Toner Cartridge Recycling Program. Over 20 years later this program is still running strong. Collected toner cartridges are sorted by model, and their parts and materials are either reused or recycled. Cartridges are collected from 26 countries throughout the world for recycling (consumption area recycling) at four bases*1 in the United States, France, China and Japan.

Under this program, reuse of parts was introduced in China in 1991, with a "closed-loop recycling*2" system implemented in 1992. Similar programs were successively launched in three other locations, with toner cartridges containing recycled parts and plastics on sale throughout the world. Additionally, rather than be sent to landfills, parts and materials not reused or recycled directly by Canon are instead reemployed as effective resources.

Through the toner cartridge-recycling program, as of 2012 we have achieved a cumulative reduction in the use of new resources of approximately 201,000 tons and a reduction in CO_2 emissions of approximately 450,000 tons.

We also recognize the importance of raising awareness regarding our recycling efforts. Two special feature sites, entitled "Toner Cartridge Collection, Special Contents," and "Toner Cartridge Recycling, A Never-ending Journey into our Future," which communicate the details and achievements of the program in an easy-to-understand fashion, can be found on Canon's website.

In the future we plan to incorporate further innovations into

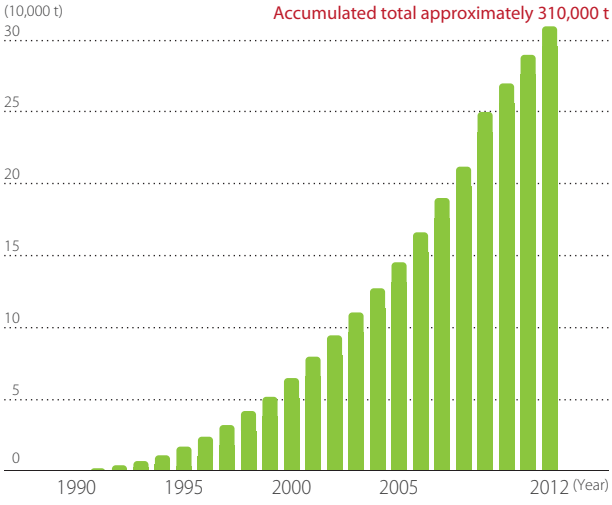
the program, such as development of a more efficient collection system to reduce associated environmental impact, or new recycling technologies that facilitate long-term recycling business development.

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

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

Closed-Loop Recycling

Used Toner Cartridges Collected (Recovered Amount, by Weight)



* Data aggregation method changed after 2009.

Automated Toner Cartridge Recycling Plant

In 2002 Canon Ecology Industry, Canon's recycling headquarters in Japan, introduced the industry's first* automated toner cartridge recycling plant.

The plant is fully automated, from the crushing of toner cartridges through the sorting of steel, aluminum and various plastic materials. It automatically carries out an integrated recycling process for such important substances as high-impact polystyrene (HIPS), from high-purity separation through pellet reformation, greatly contributing to the advancement of closed-loop toner cartridge recycling.

Also, in 2008 we established the color cartridge recycling plant at Canon Virginia, our recycling base in the United States. This initiative has facilitated recycling of color toner cartridges (which were previously subject to energy recovery through thermal recycling) as materials, which helps to further reduce CO_2 emissions.

* Source: Canon survey

Automated Sorting of Returned Toner Cartridges

The first stage in the process of recycling returned toner cartridges is to sort them by model. Since Canon has many product models, sorting by hand is a time-consuming process.

In 2010, however, Canon Ecology Industry was able to introduce an automated sorting system, The new system helps contribute to more efficient operations at the plant.

Automated toner cartridge sorting system

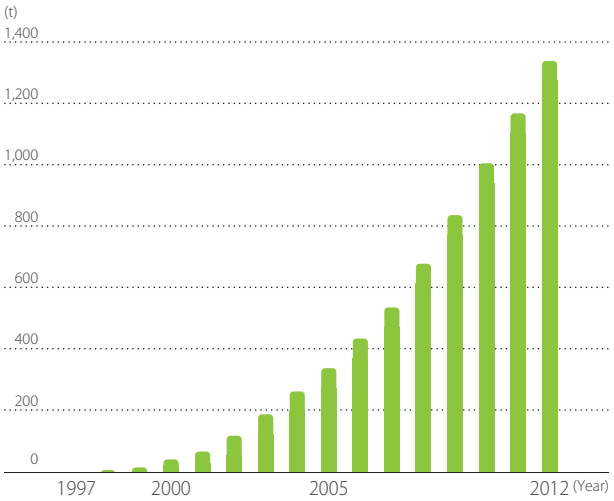
Ink Cartridge Recycling

Canon introduced ink cartridge collection and recycling in 1996, steadily expanding its operation to new regions thereafter. As of March 31, 2013, collection and recycling had been implemented in 31 countries and regions throughout the world.

Collected ink cartridges are effectively reused as plastics, or recycled so as to minimize waste. A portion of the recycled materials is reused in new ink cartridges through the closed-loop system. Other uses include pallets for stacking products, boxes for collecting service parts, structural materials and stationery products.

Ink Cartridge Materials Recycling

Used Ink Cartridge Collection Volume (Cumulative)



* Figures include cartridges for large-format printers, compact photo printers, etc.

• Ink Cartridge Recycling Plant

The recycling plant at Canon Ecology Industry features cutting-edge equipment, which was developed in-house, for more efficient ink cartridge recycling.

For instance the plant features machinery that makes use of imaging technology to automatically sort cartridges, as well as machines for automated disassembly, separation, crushing and washing during recycling.

In particular, the introduction of a machine to automatically pelletize plastic recovered from cartridges has helped to greatly improve efficiency.

Ink cartridge recycling equipment

• The Ink Cartridge Satogaeri (Homecoming) Project

In order to boost ink cartridge collection, Canon pursues cooperation with other printer manufacturers in the creation of joint collection points.

In April 2008, Canon took the initiative by calling on the industry to establish the Ink Cartridge Satogaeri (Homecoming) Project in collaboration with five other companies. Joint collection boxes are placed at over 3,600 post offices throughout Japan, making the process more convenient for customers and boosting collection rates. Collected cartridges are sent by Japan Post's "Yu-Pack" parcel service to a sorting site where they are divided by manufacturer and then returned to their respective producers, who bear the responsibility for recycling.

In July 2009, Kitakyushu City Office and its municipal ward offices became the first government offices to act as collection points. Afterwards, a number of other local governments announced their participation, steadily expanding the collection

Signing ceremony with Kanagawa prefectural government

TOPICS

Ink Cartridge Satogaeri (Homecoming) Project Wins Minister of the Environment Award

Implemented by Canon in cooperation with five other printer manufacturers as well as Japan Post, the Ink Cartridge Satogaeri (Homecoming) Project was awarded the Minister of the Environment Award by the Reduce, Reuse and Recycle Promotion Council during the 2012 3Rs (Reduce, Reuse and Recycle) Promotion Merit Awards. The Minister of the Environment award was first introduced in 1992. The award was presented in recognition of our community-based collection services and cooperation with local municipalities.

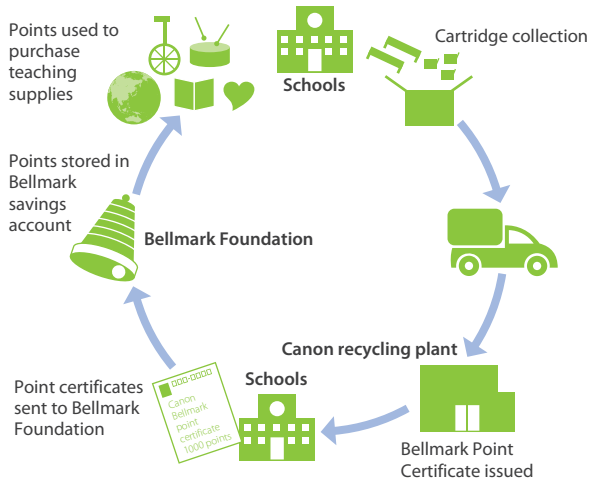
activities. As of the end of March 2013, 191 local governments were participating, with the number of collection points reaching about 2,200.

Reference: Ink Cartridge Satogaeri (Homecoming) Project (in Japan)
http://www.inksatogaeri.jp/

• Bellmark Foundation's Educational Support Activities

Since 2005 Canon has conducted ink- and toner-cartridge collection activities at schools. Through these measures, we cooperate with Bellmark Foundation's educational support activities, promote environmental protection and education, and contribute to local communities. During the years of our collaboration with the Bellmark Foundation, the number of schools participating has risen steadily, to around 15,300 schools as of the end of March 2013.

Bellmark System Overview



Cartridge Collection outside Japan

Canon also proactively recycles ink cartridges at locations outside of Japan. Collected cartridges are reused as materials or recycled to reduce waste. As of March 31, 2013, collection and recycling was in place in 30 countries and regions throughout the world (excluding Japan).

Collection points vary by country, but boxes have been established in mass retail and other cooperating outlets, shopping malls, companies, schools, stations, and Canon service centers and showrooms. Ink cartridges can also be returned to Canon by mail in certain regions, ensuring that the methodology of the campaign is considerate of customer convenience.

Collection box in Singapore

Recycling of Small Rechargeable Batteries

Small rechargeable batteries are used in many Canon products, such as digital cameras and video recorders.

According to the 2001 Japanese Law for the Promotion of Effective Utilization of Resources (Revised Recycling Law), manufacturers of batteries or equipment utilizing batteries are required to collect and recycle their small rechargeable used batteries. Canon has partnered with Japan Portable Rechargeable Battery Recycling Center (JBRC), a general incorporated association, to cooperate in the industry's efforts to promote battery collection and recycling. Customers are also prompted to visit our website as a way to improve collection rates.

Canon is also joining in similar collection and recycling efforts outside Japan; for example, by becoming a member of the Rechargeable Battery Recycling Corporation (RBRC) in the United States.

We will continue to develop such activities.

Recycling Containers and Packaging Materials

In accordance with relevant laws and ordinances, Canon provides appropriate labeling on containers and packaging materials that encourages customers to engage in separation and hence facilitate recycling.

Canon has joined the Japan Containers and Packaging Recycling Association, a public interest incorporated foundation, to cooperate in the recycling of these items.

Canon also works to minimize container volume to reduce the volume of discarded containers and packaging materials, including outside Japan.

We will continue to make efforts in this area.

Environmental Communication

Canon's Communication Activities Concept

Canon takes every opportunity and uses a variety of media to present environmental information to stakeholders through constructive, two-way communication activities.

We will continue our energetic drive to develop activities that contribute to building a society in which people live and work in harmony.

Major Environmental Communication Activities

- Contributing to the Environmental Education Books Fund
- Providing educational outreach program for regional elementary schools
- Running environmental advertisements in such media as newspapers, magazines, TV, and radio
- Reporting on environmental measures through sustainability reports
- Holding lectures on environmental themes
- Implementing measures for international standardization to link companies throughout the industry
- Using the internet for our environmental communications
- Developing the GREEN NAVI website for environmentally conscious product use
- Posting a dedicated environmental contact link on our website
- Providing environmental information about products and services in catalogues and on packaging
- Introducing our environmental facilities through such activities as open house events (plant visits) and environmental activities presentations
- Partnering with community residents and environmental NGOs
- Tree-planting efforts outside Japan

Exhibiting at Environmental Exhibitions

Canon's "ACTION for GREEN" environmental vision calls on us to realize a society that promotes both enriched lifestyles and the global environment through technological innovation and improved management efficiency.

Canon therefore participates in a variety of environmental exhibitions in Japan and overseas to introduce our environmentally conscious products and environmental initiatives to a wide audience.

Exhibition at Eco-Products 2012

Canon participated in Eco-Products 2012, the largest general environmental expo in Japan, held in December 2012 at Tokyo Big Sight.

At the Canon booth we introduced company initiatives geared towards combining prosperous modern lifestyles with a healthy global environment, focusing on Canon products in use in everyday life.

Products on display included the imageRUNNER ADVANCE series, the first multifunction printer to acquire CFP certification, as well as our Cinema EOS System, a smaller, lighter weight video production system requiring less resources to produce and featuring lower power consumption during filming.

TOPICS

Nature Conservation at Canon U.S.A.

Since 1996 Canon has sponsored the Canon Clean Earth Crew, a volunteer group that participates in conservation efforts at parks, beaches, nature reserves and other locations. The group is active in areas throughout the country, including Lake Success, Atlanta and Washington D.C., and accounts for thousands of volunteer hours.

The group continued its efforts in 2012, bringing together 150 Canon employees to participate in conservation activities at Heckscher Park, in New York state.

Environmental Education Outreach Program for Children

As one link in our efforts to educate children on the importance of nature, Canon holds an Environmental Education Outreach Program. For instance, in July 2012 we held lessons on ink cartridge collection and recycling for 20 children at Tsuchiai Elementary School in Saitama. Children had fun taking their own pictures and printing them out with PIXMA printers, while also learning about ink cartridge collection and other activities they can take part in, at home or at school, in order to help preserve the environment.

Lesson at Tsuchiai Elementary School

Operational Sites Covered in the Environmental Section

Name	Location	Activities
Canon Inc. (16 operational sites)		
Headquarters	Tokyo	R&D, corporate administration, operations and other functions
Yako Office	Kanagawa	Development of inkjet printers, large-format printers and inkjet chemical products
Kawasaki Office	Kanagawa	R&D and manufacturing of production equipment and metal molds, R&D of semiconductor devices, R&D and mass-production support in electrophotographic technologies
Tamagawa Office	Kanagawa	Development of quality management technologies
Kosugi Office	Kanagawa	Development of software for office imaging products
Hiratsuka Plant	Kanagawa	Development of displays
Ayase Plant	Kanagawa	Development and manufacturing of semiconductor devices
Fuji-Susono Research Park	Shizuoka	R&D in electrophotographic technologies
Utsunomiya Plant	Tochigi	Manufacturing of EF lenses, video camcorder lenses, broadcasting lenses, lenses for business machines, multimedia projector lenses, specialized optical lenses
Toride Plant	Ibaraki	Manufacturing of office imaging products and chemical products; R&D, mass-production trials and support in electrophotographic technologies
Ami Plant	Ibaraki	Manufacturing of FPD lithography equipment parts
Utsunomiya Optical Products Plant	Tochigi	R&D, manufacturing and servicing of semiconductor exposure equipment; development of mirror projection aligners
Optics R&D Center	Tochigi	R&D in optical technologies, development of broadcasting equipment
Kamisato Office	Saitama	Development of devices for medical equipment
Oita Plant	Oita	Manufacturing of semiconductor devices
Tsukuba Parts Center	Ibaraki	Storage of parts and management of shipping inside and outside Japan
Marketing Headquarters in Japan		
Canon Marketing Japan Inc.	Tokyo	Marketing of Canon products and related solution services in Japan
Manufacturing Subsidiaries in Japan (24 companies)		
Canon Electronics Inc.	Saitama	Magnetic/business machine components, document scanners, portable data terminals
Canon Finetech Inc.	Saitama	Business machines, business machine peripherals, industrial-use printers and chemical products
Nisca Corporation	Yamanashi	Business machine peripherals, optical equipment, professional quality printers
Top Business Machines Co., Ltd.	Shiga	Reuse and recycling of business machines
Canon Precision Inc.	Aomori	Micromotors, toner cartridges and optical semiconductor sensors
Canon Chemicals Inc.	Ibaraki	Toner cartridges and advanced functional polymer components
Oita Canon Inc.	Oita	Digital cameras, digital video camcorders, EF lenses and others
Miyazaki Daishin Canon Inc.	Miyazaki	Digital cameras, electronics packaging
Canon Optron, Inc.	Ibaraki	Optical crystals (for cameras, telescopes), vapor deposition materials
Canon Components, Inc.	Saitama	Contact image sensors, printed wiring boards, ink cartridges, medical equipment
Nagahama Canon Inc.	Shiga	Toner cartridges, parts for laser printers, a-Si drums
Oita Canon Materials Inc.	Oita	Chemical products for copying machines and printers
Canon Semiconductor Equipment Inc.	Ibaraki	Semiconductor production-related equipment, design and manufacturing of production equipment
Canon Ecology Industry Inc.	Ibaraki	Recycling of toner cartridges; reuse and recycling of business machines
Ueno Canon Materials Inc.	Mie	Chemical products for copying machines and printers
Fukushima Canon Inc.	Fukushima	Commercial photo printers, print heads and ink tanks; analysis of software
Canon Mold Co., Ltd.	Ibaraki	Design and production of precise plastic molding
Hita Canon Materials Inc.	Oita	Advanced functional polymer components for toner cartridges
Canon ANELVA Corporation	Kanagawa	Semiconductor/electronic equipment, vacuum components

Canon Machinery Inc.	Shiga	Precision automation and semiconductor equipment
Canon Tokki Corporation	Niigata	Manufacturing equipment of OLED panel and thin-film photovoltaic cell, vacuum process equipment
Nagasaki Canon Inc.	Nagasaki	Digital cameras
Canon i-tech, Inc.	Tokyo	Development assistance for Canon products (SOC,MFP, imaging and communication)
Canon Imaging Systems Inc.	Niigata	Development of Canon products (software, firmware)

Name	Country/Region	Activities
Manufacturing Subsidiaries outside Japan (16 companies)		
Canon Virginia, Inc.	U.S.A.	Toner cartridges, toner for copying machines, OEM products and molding dies
Canon Giessen GmbH	Germany	Remanufacturing of copying machines; repair of cameras; service and support for Canon Sales Companies
Canon Bretagne S.A.S.	France	Chemical products for copying machines and printers, recycling of toner cartridges, after-sales service and others
Canon Inc., Taiwan	Taiwan	Digital cameras, network cameras, EF lenses, multimedia projector lenses and other lenses, precision-metal molds
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia	Digital cameras, EF lenses, optical lenses
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia	Magnetic components
Canon Hi-Tech (Thailand) Ltd.	Thailand	Inkjet printers
Canon Dalian Business Machines, Inc.	PRC	Production and recycling of toner cartridges, production of laser printers
Canon Zhuhai, Inc.	PRC	Digital cameras, digital video camcorders, laser printers, contact image sensors
Canon Vietnam Co., Ltd.	Vietnam	Inkjet printers, laser printers, scanners, toner cartridges
Canon Zhongshan Business Machines Co., Ltd.	PRC	Laser printers
Canon (Suzhou) Inc.	PRC	Color and monochrome MFPs
Canon Finetech Nisca (Shenzhen) Inc.	PRC	Business machines, business machine peripherals, industrial-use printers, optical equipment
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia	Die bonders
Canon Electronics Vietnam Co., Ltd.	Vietnam	Electronics devices and others
Océ N.V.*1	The Netherlands	Document management, high speed digital production printing systems, wide format printers
Marketing Headquarters outside Japan*2		
Canon U.S.A., Inc.	U.S.A.	All product segments
Canon Europa N.V.	The Netherlands	All product segments
Canon Europe Ltd.	United Kingdom	All product segments
Canon (China) Co., Ltd.	PRC	All product segments
Canon Australia Pty. Ltd.	Australia	All product segments

Other Companies Covered (89 companies)*2
In Japan (21)
Outside Japan (68)

*1 Océ comprises three locations, Océ-Technologies B.V. (Venlo-The Netherlands), Océ-Printing Systems GmbH (Poing-Germany) and Océ-Display Graphics Systems, Inc. (Vancouver-Canada).

*2 Including data only for companies attaining ISO 14001 consolidated certification. However, for major marketing subsidies, this incorporates data on product collection volumes and recovery rates as well.

Respecting Human Rights

Cross cultural awareness training carried out in Europe

With operations throughout the world, Canon currently employs over 190,000 people.

In an age of increasing internationalization and diversification of societal needs, making effective use of the strengths and individuality of a diverse workforce is more important than ever. For this reason, Canon makes special efforts to respect the rights of each and every employee and to build a corporate culture that fosters diversity.

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
Concern for Human Rights Problems	• Harassment Prevention Training for Managers (Canon Inc. 2012 participants: 343; Cumulative total: 4,050)	• Harassment prevention training seminars for all managers
Respect for Diversity	• Career development support and workplace improvements for women (Canon Inc.) • Establishment of VIVID, a company-wide organization for the promotion of diversity • Special seminars for female employees (405 participants) • Women's leadership training presented by guest lecturers (24 participants) • Introduction of mentor system for female leaders	• Continued career development support and workplace improvements for women
	• Promotion of reemployment after retirement (Canon Inc. 166 reemployed, 575 total)	• Continued post-retirement reemployment
	• Interview sessions for persons with disabilities at HelloWork (public unemployment insurance) offices in Japan (2012 employment rate of persons with disabilities at Canon Inc.: 2.05%) • Workplace hearings for employees with disabilities (Canon Inc.)	• Expansion of employment opportunities for persons with disabilities and expansion of job duties for those already hired
	• Employment promotion for international students (2013 foreign employee hires of Canon Inc.: Technical: 7; Administrative: 2)	• Promotion of global hiring/utilization of human resources

Stakeholder Feedback

- I have high expectations for initiatives such as those for the equitable evaluation of work performed by women, the creation of job opportunities for young workers, and the prevention of child and forced labor. (Supplier, Asia)
- I would like to see respect for racial and cultural diversity at Canon connect to improvements in society at large. (Consumer, Asia)

2012 Topics

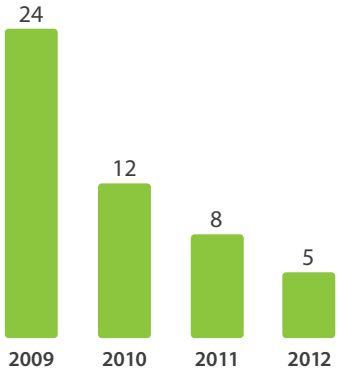
Raising Awareness to
Stop Harassment

▶ p.71

At Canon Inc., we work to promote awareness among employees through such programs as harassment prevention training for managers and individual workplace compliance meetings.

As a result of these efforts, consultations received by our harassment helplines have decreased year on year since it was first established in 2008.

No. of Consultations Received by Harassment Hotlines



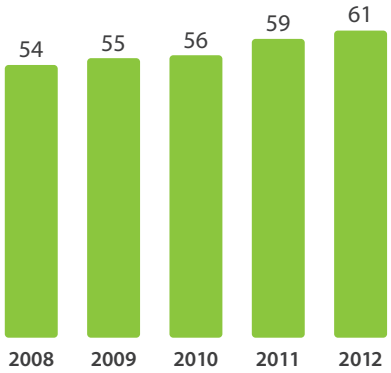
Canon Inc.

Proactive Appointment of
Female Managers

▶ p.72

The proportion of female managers in Japan is considered low in comparison to many other countries. In order to ensure that female workers at Canon Inc. enjoy long-term and fulfilling employment, we proactively promote programs to support career development and improve workplace conditions. Through a variety of efforts, such as selective training, a mentor system, and the establishment of a company-wide project for the promotion of diversity, the number of female managers at Canon Inc. has increased year on year. As of the end of 2012, we had 61 female managers in our ranks.

No. of Female Managers



Canon Inc.

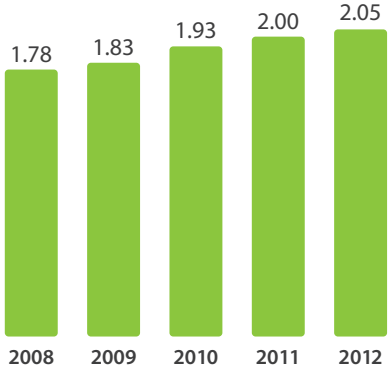
Widening Job Opportunities for
Persons with Disabilities

▶ p.73

At Canon Inc., we pursue proactive employment initiatives for persons with disabilities, including special interview sessions held at HelloWork (public unemployment insurance) offices in Japan that provide job-matching programs for the unemployed. As a result of these continuing initiatives, as of the end of 2012, 374 persons with disabilities were employed at Canon Inc., having an extensive range of duties. Moreover, the percentage of disabled persons employed by the company was 2.05%, in comparison to the 1.8% required by law (as of December 2012).

* The required employment rate was raised to 2.0% on April 1, 2013.

Percentage of Employment of Persons with Disabilities



Canon Inc.

Concern for Human Rights Problems

Prohibiting Discrimination

The Canon Group Code of Conduct prohibits all Group executives and employees, irrespective of their position or duties, from engaging in discrimination based on race, religion, nationality, gender, age or other unfair grounds. To disseminate and ensure understanding of the Code of Conduct, the code has been translated into 11 languages and is also practiced at Group companies outside Japan.

Canon Inc. and its Group companies in Japan carry out collective readings of the Canon Group Code of Conduct as well as discussions concerning work-related risks twice a year at all workplaces.

Through such activities, we strive to deepen employee understanding of the code and thus maintain a fair, comfortable and safe work environment.

Preventing Harassment

Canon advocates a policy of "zero tolerance of harassment," which it communicates to management executives and all employees.

Canon Inc.'s employment rules clearly stipulate our prohibition of sexual harassment and power harassment. This led to the formulation of Sexual Harassment Prevention Provisions in 2008. These provisions have been made known throughout the Canon Group, and other Group companies have established similar rules based upon them.

In a further effort to maintain a comfortable workplace environment, Canon Inc. established Harassment Hotlines at each operational site in 2008, and expanded the hotline program to include Group companies as well. Confidentiality is strictly maintained and a firm guarantee against disadvantageous treatment is provided to victims and informants.

Through Compliance Week and other special endeavors, Canon will continue to promote the prevention of harassment in all its forms.

Anti-Harassment Education for Employees

Canon conducts a variety of training programs to raise awareness of harassment issues among employees. For example, anti-harassment measures are discussed when considering case studies during biannual Compliance Meetings held at each workplace in Canon Group companies in Japan.

For staff at the executive and managerial level, Canon Inc. also holds Harassment Prevention Training for Managers. In 2012, in addition to training for management of each department at product headquarters, open training was held 8 times for those not yet undergoing the course, while training for employees returning from overseas posts was held 12 times. A total of 343 participants completed the training program. The cumulative number of employees to undergo training to date is 4,050. As of 2012, 12 Group companies in Japan had also implemented similar training.

Pursuing our goal to have all management undergo this training, we intend to close 2013 with completion by all remaining departments. Plans to incorporate anti-harassment training into our New-Manager Training program are also in place.

Harassment Prevention Training for Managers

Eliminating Child and Forced/ Compulsory Labor

All Canon Group companies manage human resources in compliance with the laws and social norms of each country and region in which they operate, as well as Canon's own company regulations.

No Canon Group company has ever been in violation of laws relating to child labor or forced/compulsory labor.

Respecting Diversity

Employment and Promotion of Diverse Human Resources

Canon's corporate philosophy of *kyosei* calls upon us to work to achieve a sustainable society in which all people, regardless of race, religion or culture, can live harmoniously and work together into the future.

Canon respects cultural diversity, and actively pursues fair employment and promotion practices irrespective of gender, age, or disability.

Promoting Success for Women

With the aim of promoting innovation by incorporating the opinions of our diverse human resources at all levels of decision-making, Canon Inc. supports female employees in developing their careers by creating a work environment in which they can remain active, long-term members.

In October 2012, Canon Inc. established VIVID (VItal workforce and Value Innovation through Diversity), a cross-company organization for the promotion of diversity. The first step at VIVID was the introduction of initiatives designed to promote the advancement of female employees.

As of the end of 2012, the average length of employment at Canon Inc. was roughly equivalent for men and women: 16.4 years for men and 16.5 for women. There are now 177 women who hold positions at the level of assistant manager or higher, and among those 61 have achieved full managerial rank.

Canon will continue to recognize the individual aptitudes and skills of employees, positively expanding the scope of activities of female staff.

Major Policies in 2012 for the Promotion of Success for Women

- **Special Symposium**

A special symposium was held at the Shimomaruko headquarters where guest lecturers were invited to speak on the theme "How Women Help to Build the Company's Future." The event drew 405 participants, comprised primarily of female employees and managers. Additionally, Group companies and operational sites held screenings using video footage of the event, with 520 employees attending.

Special symposium

Employee Data by Gender (Canon Inc.)

Category		2008	2009	2010	2011	2012	Definitions
Number of employees	Male	20,824	21,259	21,772	21,511	21,773	Employees (other than directors) at Canon Inc., not including employees dispatched within and outside Japan
	Female	4,588	4,424	4,247	3,938	3,923	
	Total	25,412	25,683	26,019	25,449	25,696	
Average age	Male	39.6	39.0	39.7	40.5	41.1	
	Female	38.4	37.3	38.3	39.5	40.2	
	Total	39.4	38.7	39.4	40.4	40.9	
Average years of service	Male	15.7	14.6	15.4	16.1	16.4	
	Female	16.1	13.2	14.4	15.9	16.5	
	Total	15.8	14.4	15.2	16.1	16.4	
Number of managerial staff	Male	4,090	4,029	4,129	4,159	4,142	Graded employees (mainly full-time or part-time employees) at Canon Inc., not including domestic/overseas dispatched employees
	Female	54	55	56	59	61	
	Total	4,144	4,084	4,185	4,218	4,203	
Percentage of female managerial staff		1.3	1.3	1.3	1.4	1.5	Percentage of female managerial staff indicates the overall share of managerial positions held by females
Number of hires	Male	792	985	335	320	354	Employees hired through regular recruitment (not including mid-career hires)
	Female	146	137	36	59	61	
	Total	938	1,122	371	379	415	

- **Selective Training**

24 female employees were specially selected, by referral, to undergo women's leadership training under the direction of a guest lecturer.

- **Introduction of Mentoring System**

In order to help support female staff serving in a leadership position, a mentoring system was introduced from November 2012. Once per month, mentors meet with female staff to offer advice on difficulties related to their work or workplace. Before introducing the system, the 24 mentors underwent training to sharpen their counseling skills. We plan to continue with mentor training to enable an even greater number of female employees to benefit from this program.

Promoting Employment of Persons with Disabilities

Respecting the ideal of normalization* as advocated by the United Nations, Canon actively employs persons with disabilities.

In order to ensure a comfortable workplace for all, in addition to improvements to facilities, such as greater barrier-free access, Canon Inc. also holds hearings to review departments where employees with disabilities have been assigned.

We plan to continue such initiatives so as to expand employment opportunities for persons living with disabilities.

* **The Ideal of Normalization**
According to the World Programme of Action concerning Disabled Persons in the United Nation's International Year of Disabled Persons, society is made up of many different types of people and it is normal for people with and without disabilities to co-exist in all settings. Therefore, we should create an environment in which all people can live and work together.

Canon Wind, a special subsidiary of Oita Canon dedicated to increasing employment opportunities and the range of job duties for persons with disabilities

Number and Percentage of Disabled Employees (Canon Inc.)

	2008	2009	2010	2011	2012
Employees	328	341	365	367	374
Percentage (%)	1.78	1.83	1.93	2.00	2.05

Re-Employment after Retirement

Canon Inc. wholeheartedly embraces and promotes the concept of active aging to maximize the wealth of experience and knowledge of its veteran staff. In 1977, Canon Inc. was one of the first companies in Japan to set its retirement age at 60. In 1982, we introduced a system for re-employing retired employees until the age of 63.

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment for re-employment posts. Further, we raised the upper limit for re-employment to 65 in 2007, and in 2009 introduced a framework that allows part-time work, providing re-employed staff more flexibility in selecting their work patterns.

In 2012, 166 (53.4%) of the 311 employees who reached retirement age chose re-employment, with 575 working under this system by the end of that year. These veterans work effectively, putting their experience and expertise to good use in various ways, such as handing down their skills as "master craftsmen," or acting as prior-art technology examiners, promoters of intellectual property, career counselors, and quality or environmental inspectors.

Through updates to our company system, including revisions designed to reflect recent changes to the Law Concerning Stabilization of Employment of Older Persons, Canon Inc. plans to continue promoting employment measures for senior citizens.

Re-Employment Figures (Canon Inc.)

	2008	2009	2010	2011	2012
Employees reaching retirement age (No.)	269	267	234	309	311
Re-employed (No.)	138	151	139	171	166
Re-employed (%)	51.3	56.6	59.4	55.3	53.4
Employees using the re-employment system (No.)	296	361	451	540	575

Hiring and Utilizing a Global Workforce

Canon conducts business globally, employing more than 190,000 employees around the world. As the globalization of the marketplace continues apace, Canon seeks to become even more internationally competitive through active efforts such as the localization of human resources and promotion of international personnel exchanges.

Promoting Localization at Group Companies

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

As such, Canon appoints appropriate personnel, regardless of nationality, as presidents and managers of overseas subsidiaries in each country and region where we operate.

Ratio of Locally Hired Personnel in Canon Group Companies (As of December 31, 2012) (%)

	The Americas	Europe	Asia (excluding Japan)
Presidents	62	98	22
Managers	83	93	81

Promoting Employment of International Students

Canon Inc. welcomes applications from international students during its regular graduate recruitment. Nine international students joined the company in April 2013: seven in technical positions and two in administrative positions.

Employment of International Students (Canon Inc.) (No. of employees)

	2011	2012	2013
Technical	2	10	7
Administrative	0	4	2

Active International Personnel Exchanges

Canon established the Canon Global Assignment Policy (C-GAP), an international assignment system for our global Group companies, in 1998.

C-GAP is a system that provides local hires with broader opportunities for service throughout the world as "global assignees."

This program creates active international personnel exchanges, not only to other countries from Japan, where Group headquarters are located, but also from other countries to Japan, or from the United States to Asia, for example. The goal is to promote global business cooperation and the development of human resources capable of functioning at the global level.

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

Assignment from Holland's Océ to Canon Inc. via the C-GAP program

Establishing a Proper Workplace Environment

Sales training at Canon Marketing Thailand

In order for a company to grow continuously, it is essential that employees, who are the life force of a company's operations, be provided with a comfortable work environment and that their talents are fully utilized.

At Canon, we offer skills training support and fair treatment to our employees. In addition, we give due consideration to promoting a healthy work-life balance and ensuring occupational health and safety, enabling our employees to work in security and with peace of mind.

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
Promoting Good Work-Life Balance	• Continued initiatives to promote reduced overtime and provision of paid leave (Canon Inc., total average working time per employee in 2012: 1,744 hours, a reduction of 24 hours from the previous year)	• Maintain total average working hours per employee at less than 1,800 hours
Supporting Personal Growth and Skill Development	• Introduction of training programs such as Basic Conduct Training and Foundational Management Skills Reinforcement Training (Canon Inc., average training time per employee in 2012: 24 hours, an increase of 3 hours from the previous year)	• Continue training and program improvement
	• Training for overseas Group company management (Tokyo Seminar)	• Continue implementation of seminars
	• Expansion of overseas training for young employees (Canon Inc.)	• Continue training programs, and increase number of internationally active employees
	• Implementation of technological and technical skills training, workplace management training and Instructor Development Training at manufacturing companies in Southeast Asia and China	• Continue implementation of training
Occupational Health and Safety	• Development of programs to prevent workplace accidents, focusing on the important theme of "eliminating serious injuries caused by machinery" (Japanese Group companies, injuries which required time off from work fell to 13, while other accidents decreased to 131)	• Intensify safety management focused on "eliminating latent risks" and "increasing safety awareness"
	• Implementation of safety training, including "tactile training" to improve danger awareness, and safety awareness training for management and supervisors (Japanese Group companies)	• Continue implementation of safety training and creation of opportunities to raise health and safety awareness to a higher level
	• Implementation of "safety patrols" to inspect safety training plans and systems (10 locations nationally)	• Implement more effective safety patrols based on local conditions
	• Development of occupational health and safety programs overseas with the aim of introducing Japanese standards to Asian manufacturing bases	• Create evaluation system for health and safety levels • Train human resources capable of managing health and safety issues
Health Management	• Creation of a medium- to long- term vision for employee health management (Canon Inc.)	• Implement systematic measures under the medium-term vision to counteract lifestyle diseases

Stakeholder Feedback

- With the entire world facing high unemployment rates, we are looking to Canon for global job creation. (Trade association official, Asia)
- I hope that Canon recognizes the positive effect of a good work-life balance on employees and works to support it. (Shareholder/investor, Americas)

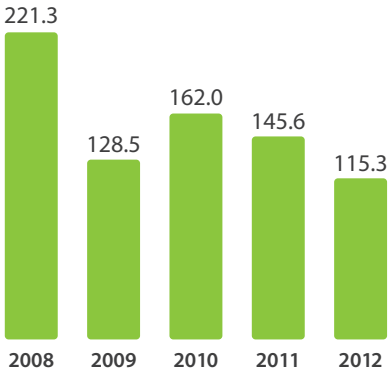
2012 Topics

Average Overtime per Employee Reduced by **30 Hours**

▶ p.79

With strict adherence to such measures as "No Overtime Day," Canon Inc. has been working to reduce the burden of overtime for all employees. We have taken the opportunity presented by the introduction of our Summertime System in 2011 to prohibit overtime and revise current work habits. As a result, average total overtime per employee in 2012 was 115.3 hours, a 20.8% reduction over the previous year.

Overtime Work Hours



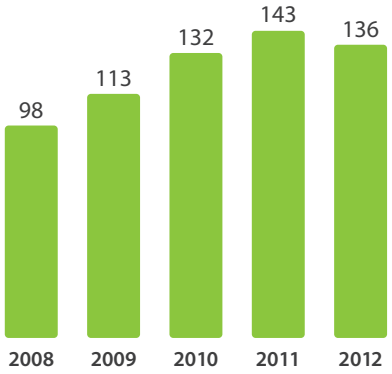
Canon Inc.

Return Rate after Childcare Leave of **100%**

▶ p.80

In order to ensure that Canon Inc. employees can raise their children with peace of mind, we offer a variety of support systems, such as a leave system, shortened working hours, and a workplace re-entry program, which go above and beyond legal requirements. We also strive to create work environments that encourage those who take childcare leave to return to their duties. As a result of these efforts, since 2010 we have maintained a 100% return rate for those taking childcare leave. In 2012, 136 employees returned to work after having taken leave.

No. of Employees Returning to Work after Childcare Leave



Canon Inc.

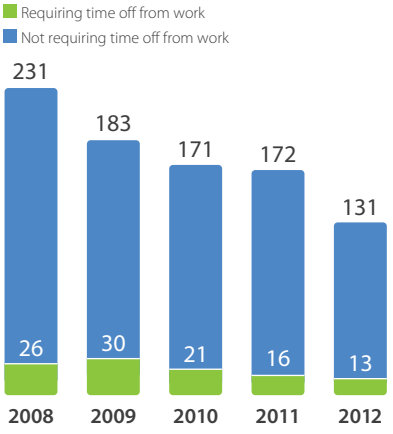
Work Related Accidents Reduced by **19%** (requiring time off) and **24%** (not requiring time off)

▶ p.84

By introducing Occupational Safety and Health Management Systems (OSHMS) at all manufacturing bases in Japan, Canon is working hard to reduce the number of work-related accidents.

In 2012 we developed programs to prevent workplace accidents, focusing on the important theme of "eliminating injury due to equipment and machinery." As a result, both the number of accidents requiring time off from work (13) and the number not requiring time off (131) decreased over the previous year.

No. of Work-Related Accidents



Canon Group (within Japan)

Hiring and Treatment of Human Resources

Basic Human Resource Policy

To become a truly excellent global corporation, Canon believes in providing practical education to motivate each employee to continue growing into an "excellent person."

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

Guiding Principle of the Three Selfs Spirit

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

Canon encourages all Group employees to embrace the *San-ji* Spirit as they pursue their work with a positive and forward-looking attitude, and promotes this approach at Group companies worldwide. For example, Canon Europe is advancing understanding of the *San-ji* Spirit through workshops and videos.

Guiding Principles

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

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

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

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

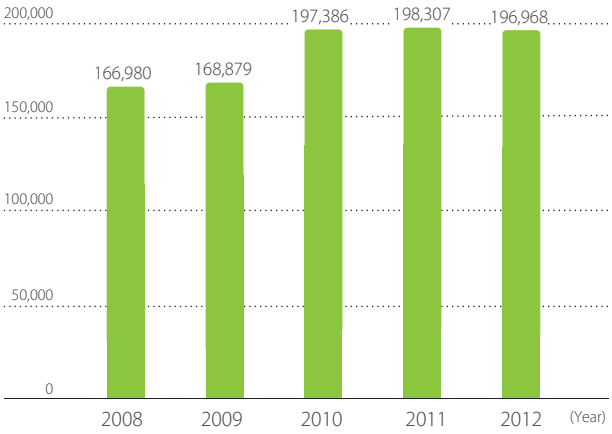
Health First
Live by the motto "healthy and happy" and work to cultivate character

Hiring and Worker-Management Relations

Employment Figures

As of December 31, 2012, Canon had approximately 197,000 employees worldwide. Approximately 70,000 (35.7%) of these employees are employed within Japan. Employee retention is also high. For instance, at Canon Inc. the turnover rate in 2012 was only 0.9%.

Number of Canon Group Employees



Canon Inc. Turnover Rate (%)

	2008	2009	2010	2011	2012
Turnover rate	1.0	0.7	0.7	0.8	0.9

Worker-Management Relations

Canon's worker-management relations are founded on the principle of prior consultation, finding solutions through thorough discussion. Candid discussions with employees are held whenever policies that affect wages, working hours, health and safety, and welfare issues are to be implemented.

Every month, Canon Inc., Canon Marketing Japan, Fukushima Canon and Ueno Canon Materials convene a Central Worker/Management Conference with the Canon Workers' Union to exchange opinions and information spanning a range of subjects. The 2012 conference focused on recent developments at the company and within the workers' union. Additionally, special committees have been established to consider wages, working hours, health and safety issues, and welfare. Based on these conferences, new systems are established and policies are enacted. As of the end of 2012, combined employee membership in the Canon Workers' Union

totaled 28,976.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference. In addition to management from 19 Canon Group companies in Japan and the Canon Workers' Union, the conference is attended by representatives of 16 independent workers' unions in the Group. In 2012, reports were given on the current situation of both labor and management throughout the Group as a whole. As of the end of 2012, the number of employees in unions that are part of the Canon Group Workers' Union Conference totaled 51,970.

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

Remuneration System

Compensation Linked to Role and Performance

Canon Inc. has introduced a position-based pay system to evaluate and compensate individuals fairly and impartially, regardless of gender or age.

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

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

Average Salary per Employee (Canon Inc.) (Unit: 10,000 yen)

	2008	2009	2010	2011	2012
Average Salary	811	716	752	766	759

TOPICS

Creating Local Employment and Revitalizing Economies at Production Bases

Canon is working to improve production capacity in step with the increase in demand throughout the world. In order to help stimulate local communities and economies through job creation, we focus on local employment when establishing or expanding production bases.

For instance, Hita Canon Materials, a production base for toner cartridge components, commenced operation in May 2012 in Hita City, Oita Prefecture. Aiming for a staff of 350 by 2015, plans are in place for hiring locally.

Canon Hi-Tech (Thailand), which produces inkjet printers, opened a new factory in November 2011, which by the end of 2012 was employing approximately 6,000 local employees. Additionally, Canon Prachin Buri Thailand, which produces multifunction printers, began operations in April 2013, with plans calling for a staff of approximately 1,000 by the end of the year.

In addition, Canon Business Machines (Philippines), which produces laser printers and other items, started operations in April 2013, with plans to employ a staff of approximately 5,000 by the end of 2014. Canon Industria de Manaus, which will be responsible for producing items such as digital cameras, is also scheduled to open in July 2013, with plans to employ approximately 60 employees by the year's end.

New factory at Canon Hi-Tech (Thailand)

Encouraging Work-Life Balance

Action Plan for Supporting Work-Life Balance and Nurturing the Next Generation

Canon was one of the first Japanese companies to promote increased productivity in business operations through the introduction of such initiatives as a five-day workweek and shorter working hours.

Canon Inc. established the Work-Life Balance Committee when we opted to participate in the Work and Life Harmonization Project sponsored by Japan's Ministry of Health, Labor and Welfare in 2008. This committee is at the center of our efforts to encourage employees to adopt a healthy work-life balance.

In July 2008, Canon Inc. launched an action plan with the slogan "Work hard, rest well—create an efficient workstyle within company hours." This plan forms the basis of our daily efforts to support employee work-life balance as well as nurture the next generation.

Phase IV of the action plan was launched in April 2012 and runs through March 31, 2015. Our 2012 efforts based on this plan are outlined in the table below.

Reducing Overtime

Canon Inc. strove to cut back on overtime through strict adherence to such measures as "No Overtime Day." Taking advantage of the changes in schedule offered by the Summertime System in 2011, overtime work is currently prohibited in principle, and efforts are in place to further improve work habits.

As a result, the average annual overtime hours per employee in 2012 worked out to 115.3, a roughly 20.8% reduction compared to the previous year.

We have also taken other measures, such as encouraging employees to take their paid leave, which brought the total

Action Plan Phase IV

Action Plan	Measures	Results as of end of 2012
(1) Promote use of support system and raise overall participation rate.	• Confirm use of work-life balance programs (April 2012–March 2014) • Examine and implement concrete measures (through March 2015)	• Confirmed that, in addition to female employees, who have made up the majority of those taking advantage of these programs, the trend for use of these programs by male employees is on the upswing. • Currently, the contact points for the consultation structure are the Human Resources Management & Organization Headquarters at corporate HQ, and General Affairs at each operational site. Since there are virtually no obstacles at any workplace to access to the programs, there are currently few cases of consultation. We will continue examining the in-house structures to establish a consultation system.
(2) Continue efforts to reduce overtime work, promote use of paid leave, and maintain an appropriate level of total work hours.	• Confirm and analyze statistics on overtime work and redemption of paid leave (April 2012–March 2015) • Investigate and implement concrete measures (through March 2015)	• Prohibited overtime work, in principle, throughout the year. • Earlier work hours were implemented from July–September. This change was used as an opportunity to pursue further improvements to labor practices. • Yearly overtime work throughout the company decreased by approximately 20% over the year before due to improvements in productivity and adherence to set work hours.
(3) Continuing from phase III, as part of social contribution activities, carry out community contribution activities in which children—who are the future of our communities—can participate.	• Reach out to local regions and communities and implement appropriate initiatives (April 2010–March 2015)	Continuously conducted throughout Japan the following community contribution activities in which children—who are the future of our communities—could participate. (1) Canon Cats School, a program for high school students who belong to the Kanagawa High School Athletic Federation dance club (2) Invited junior and senior high school students in Yokohama City to Canon Cats Theater (3) Unique tutorial program for children including lessons on lens-crafting, camera construction and paper crafts (4) Junior Photographers photography classes (5) Canon Cup Junior Soccer (6) Tag rugby lessons

hours worked per employee in 2012 down to 1,744, which was 24 hours less than the previous year's average of 1,768.

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

Annual Total Hours Worked per Employee (Canon Inc.)

Supporting the Dual Responsibilities of Work and Childcare

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs, including childcare leave for employees raising children up to the age of three, reduced work hours for employees with small children*1, and a childcare leave support program*2, which go beyond the legally stipulated minimum requirements. In 2007, Canon Inc. introduced various pregnancy-support systems, including maternity leave to protect the health of pregnant women, a fertility treatment cost-assistance program, and a fertility-treatment leave system. Additionally, we revised our reduced work hour system in 2010, lowering the basic work unit from one hour to 30 minutes, making it easier to use. In response to changes in the law as of June 2010, we also introduced a family care leave program.

Consultation desks have also been set up at our Tokyo Shimomaruko headquarters and each of our operational sites to handle employee questions about how to use these systems.

In order to contribute to balanced communities that support both worklife and childcare, Canon Inc. has also established Poppins Nursery School Tamagawa. Located on our property adjacent to the Tokyo Shimomaruko headquarters, the school is certified by the Tokyo Metropolitan Government and open to local residents. Approximately 50 children are enrolled at the school, with preference given to local children.

***1 Reduced work hours for employees with small children**
Employees raising children may reduce their workday by up to two hours, in units of 30 minutes, until the child has finished the third grade of elementary school.

***2 Childcare leave support program**
We provide support for the return to work of employees who have taken leave for childcare through our Himawari Club Internet portal site.

Number of Employees Taking Childcare and Nursing Care Leave*1 (Canon Inc.)

	2008	2009	2010	2011	2012
Employees taking childcare leave	120 (7)	124 (8)	176 (16)	126 (17)	154 (15)
Employees using reduced work hours for childcare	111 (1)	116 (0)	137 (4)	144 (3)	147 (3)
Employees taking maternity leave	15	23	23	24	25
Employees working reduced hours due to pregnancy	1	3	1	1	2
Employees taking nursing care leave	10	13	12	14	7
Employees using reduced work hours for nursing care	6	9	7	2	4
Applicants for childbirth support	275	266	215	225	261

*1 Number of employees in that year using the system for the first time
*2 ( ) Number of the total who are male

Return Rate of Employees Using Child/Family Care Leave (%)

	2008	2009	2010	2011	2012
Return Rate after Childcare Leave	99.7	98.4	100	100	100
Return Rate after Family Care Leave	100	100	100	100	100

Adopting Leave System for Volunteer Activities

Canon Inc. adopted the Leave System for Volunteer Activities in November 1994, in recognition of the growing interest in volunteer activities within the community and among our employees.

Under this system, employees wishing to participate in volunteer activities certified by the company may take up to one year of leave (two years and four months in the case of JICA Japan Overseas Cooperation Volunteers).

Every year a number of employees make use of this opportunity, and as of the end of 2012, we had one employee taking leave for this purpose.

Supporting Personal Growth and Skill Development

Training System

Canon's Educational System

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

Rank-based training enhances knowledge and skills required for carrying out the duties of each paygrade, and fosters awareness of job responsibilities. Furthermore, general employees are also required to take business skills training as a supplement to rank-based training. Elective training supports employees' acquisition of knowledge and skills necessary for fulfilling their duties, and self-development training provides participants with knowledge and skills for their personal advancement.

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

In 2012 Basic Conduct Training was introduced to familiarize new employees with the basic conduct and habits necessary for a successful working life. Additionally, in order to accelerate the training of human resources capable of operating on a global scale, Foundational Management Skills Reinforcement Training was also introduced. Geared towards administrative departments and operations divisions, the purpose of this training is to help managerial staff recognize the "management fundamentals" behind the numbers, and to develop the ability to create successful policies.

Focusing on the development of management oriented, globally minded and technologically skilled human resources, and on the strengthening of organizational capabilities, we aim to systematically cultivate the next generation at Canon.

Employee Training Time (Canon, Inc.) (Hours)

	2008	2009	2010	2011	2012
Total training time	855,450	836,445	601,168	529,517	618,364
Average hours per employee	34	32	22	21	24

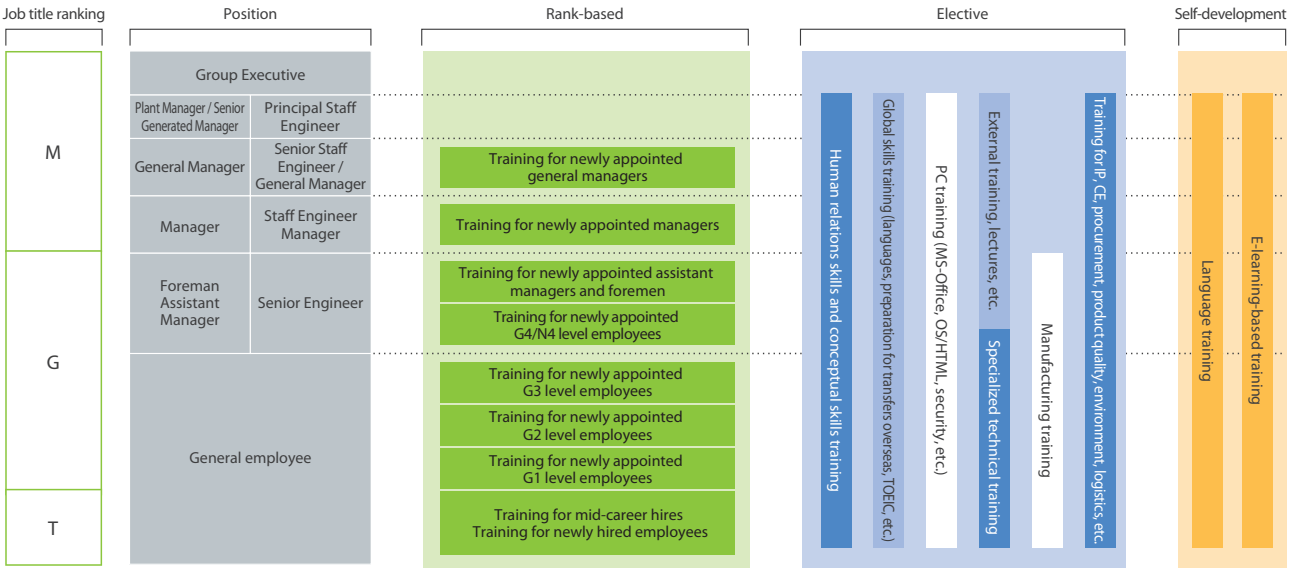
Supporting Employee Career Development

In recent years, Canon Inc. has worked to develop "strong individuals" and a "strong organization" by focusing on management-level employees through programs that include rank-based management training for all new managers. The company is diversifying its training format and content through the active use of various e-learning training programs.

Since 2005, Canon Inc. has also operated an internal career-matching system to support its employees in pursuing satisfying careers. The system aims to match the right people to the right jobs, promote internal mobility of human resources and bring greater vitality to the company. Under this system, vacant and requested positions are continuously posted, and in-house career consultants conduct interviews that lead to increased awareness of career structuring. In 2012, 21 employees were transferred through this system.

Moreover, Canon has since 2001 conducted an employee career support program known as My Career Course. This

Canon's Educational System



course stimulates self-initiative for growth by having each employee reconsider his or her own goals and life plan. Employees from a variety of Canon Group company fields, mostly in their 30s and 40s, attend this course. This course was held three times in 2012, with a total of 25 participants, at both the Mizonokuchi HRD Center in Kanagawa Prefecture and as part of the training camp held at the Fuji-Susono Research Park, in Shizuoka Prefecture.

Number of Employees Transferred through Career-Matching (Canon Inc.)

	2008	2009	2010	2011	2012
Transfers using the career-matching system (general employees only)	47	40	17	26	21

Cultivating Manufacturing Personnel

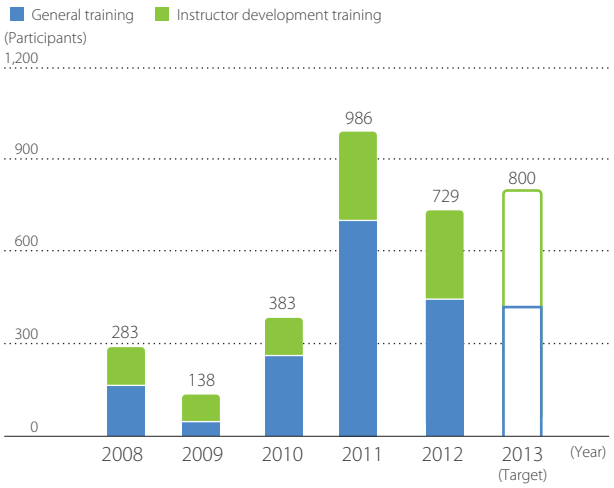
At Canon we seek to foster human resources armed with superior skills and techniques at each of our production sites as we press on toward sustainable development of global production systems in harmony with the international community. To meet the needs of expanding production, we are putting particular effort into human-resource development at our production sites outside Japan, with Canon Inc.'s Manufacturing Training Center at the core of these efforts.

In 2012, as part of our core strategy to create and promote a system for the training of global human resources, we pursued initiatives geared specifically towards programs focused on developing local instructors or coping with automization of production facilities, as well as the support of staff training at new locations outside Japan. Continuing on from the previous year, we also conduct programs for technical/skill training, management training, and the development of instructors for onsite training, focusing mainly on plant managers and technicians at manufacturing companies in Southeast Asia and China. Courses were held 21 times, with a total of 169 employees attending.

A Trade Skills Testing Program has also been established at overseas sites with the goal of improving technical skill development. Inspection of molding, mounting, assembly, lens-polishing and precision measuring is already being carried out at Canon Opto (Malaysia), Canon Hi-Tech (Thailand) and Canon Vietnam. Automization testing was also introduced at Canon Dalian in 2012, with practical tests commencing March 2013. With plans to expand testing on a global scale, efforts are being made to create and update systems to enable testing at individual sites.

Midterm plans are also in place to create a system for the development of global manufacturing staff, not only within Asia, but within Europe and the Americas as well. In 2013 we are focused especially on updating our on-site instructor program, allowing us to improve the level of both local instructors and on-site training in general.

Manufacturing Training Center Training Courses



Developing Globally Minded Personnel

With 284 operational sites worldwide as of the end of 2012, the globalization of Canon's operations is proceeding apace. Against this backdrop, one of the main strategies listed in Phase IV of our Excellent Global Corporation Plan is the development of personnel befitting a global company. In accordance with this, we are stepping up training to develop a globally minded workforce.

Tokyo Seminars Improve the Level of Management at Group Companies

Since 1980, Canon has invited management-level employees from Group companies around the world to the Tokyo Seminar. In addition to deepening their understanding of Canon and fostering exchanges among the participants, the seminar aims to enhance participants' awareness of their roles as Canon Group members and raise their level of management from a Group perspective. The 47th Tokyo Seminar was held in 2012, with 26 participants. A total of 1,054 employees have participated in the seminars so far.

Against a backdrop of rapid expansion of business in China, we launched a China version of the Canon Tokyo Seminar in 2009, bringing to Japan assistant directors and senior managers from Group companies in China. The topics of study include Canon's corporate philosophy and business strategy, as well as intercultural relations. In 2012 the seminar was held for the fourth time, with 20 participants. A total of 72 managers

have participated in these seminars so far.

We also held a Vietnam version of the Tokyo Seminar in 2010 to train managers from Canon Vietnam, one of our main production sites. In 2012 the seminar was held for the second time, with 11 participants. A total of 23 employees have participated in these seminars so far.

We plan to continue conducting such seminars in future.

Tokyo Seminar

Internationalization Training for Young Employees

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

The Asia Trainee Program, launched in 1995, enables recruits who are 30 years old or younger to engage in practical study at local companies in Asia. After receiving five months of language training at university, the employees dispatched as trainees spend about one year gaining practical experience at an Asian affiliate. Every year about 10 employees participate in this program, with a total of 64 participants by the end of 2012. Trainees completing the program are employed at Asian affiliates.

Canon Inc. has also instituted a similar system for technical employees, called the Overseas Study Program for Technicians. The program is intended to develop technicians who can function internationally, as well as enable them to acquire technologies that could become essential to Canon in the future. 89 employees have taken part in the program of overseas study at universities in the US and Europe since it was started in 1984. Ten new employees took part in the program in 2012.

Together with ongoing improvements to R&D in the US and Europe, we plan to select approximately 10 employees each year for overseas study.

Recognition and Award Programs

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

For example, the Canon President Award of the Year honors Canon Group companies, departments, groups and individual employees who have made a major contribution to the development of the company in terms of its activities or products.

Other awards include the Invention Award for contributions to inventions and intellectual property, Member of the Canon Academy of Technology designation for engineers with outstanding skills, Quality Award for contributions to quality improvement, Production Innovation Award for outstanding activities leading to production-related innovations, the Knowledge and Technology Award for development and introduction of techniques and devices that contribute to innovation, the Canon Master Craftsman and Canon Expert (Multi-Skilled Worker) Award Systems for specialties that contribute to superior production, and the Environment Award in recognition of excellent environmental practices.

Expert (Multi-Skilled Worker) certification ceremony

Recognition and Awards in 2012

Canon President Award of the Year	2 (products), 4 (activity)
Invention Award	41 (538 award winners)
Member of the Canon Academy of Technology	No new appointments during the year
Quality Award	1 Excellent President's Award, 3 President's Awards, 3 President's Incentive Awards
Production Innovation Award	3 Production Innovation Superiority Awards (President's Awards), 7 runners-up (Division Head's Awards including 5 Notable Awards)
Knowledge and Technology Award	2 Grand Prizes (President's Awards), 5 runners-up (Division Head's Awards)
Title of Canon Master Craftsman	2 (cumulative total of 49 recipients)
Title of Canon Expert	2 Grade S recipients, 25 Grade 1 recipients (cumulative totals: 60 Grade S and 249 Grade 1 recipients)
Environment Award	1 President's Award, 3 President's Honorable Mentions

Occupational Safety and Health Management

Policy and Management System

Policy on Occupational Safety and Health

Canon places priority on the health and safety of employees in its business activities, adhering to the principle that "management without safety is not management."

Since its establishment, Canon has made health a top priority, considering employee health pivotal to corporate and individual prosperity. Based on this consideration, we promote training for independent health management (self-care) as well as strategies to bolster employee well-being and mental health.

Canon established the Central Health and Safety Committee as its supreme health and safety organ. This committee sets forth the health and safety policies and measures for the entire Group, and promotes the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire prevention, and the creation of a pleasant workplace.

Fundamental Ideas Underlying Central Health and Safety Policy Action

Management works together with employees to prevent accidents and disasters, recognizing that ensuring health and safety is a corporate management priority in line with our principle that "management without safety is not management."

Introduction of the Occupational Safety and Health Management System (OSHMS)

Canon introduced OSHMS*1 in 2000 and established an internal auditing system in 2003. Aiming to implement OSHMS at all Group production sites, we are actively promoting International Labor Organization (ILO) OSHMS guidelines and JISHA OSHMS Certification*2 based on guidelines stipulated by Japan's Ministry of Health, Labor and Welfare.

In 2012 the Utsunomiya Optical Products Plant and Canon Optron acquired OSHMS certification. Fukushima Canon, Nagahama Canon, two Oita Canon Materials plants, Canon Components and two Canon Chemicals plants acquired their three-year certification renewals.

While original plans called for all production bases within Japan to acquire OSHMS certification by 2012, we revised the target taking into account conditions at individual companies and plants. As of December 31, 2012, systems had already been introduced at Canon Inc.'s Ayase and Oita plants as well as at Canon Machinery, and certification is expected to be acquired in 2013. Preparations for introduction are now underway at Canon Semiconductor Equipment, Canon Ecology Industry and Canon Tokki.

*1 **OSHMS**
Occupational Safety and Health Management System

*2 **JISHA OSHMS Certification**
The Japan Industrial Safety and Health Association (JISHA) evaluates whether an operational site's OSHMS meets JISHA standards. Operational sites that meet this criterion are said to be OSHMS certified to JISHA standards. As of December 14, 2012, 368 sites had acquired this certification.

Occupational Safety and Health Management Systems Introduced at Production Sites in Japan

Status	Sites / Group Companies
Certified*	4 sites, 9 Group companies (14 operational sites)
Introduced	2 sites, 1 Group company

* "Certified" means passed inspection by the certification organization. "Introduced" means that the system has been introduced, but has not yet been inspected by the qualifying authority. Normally inspection is conducted by the certification organization one year after introduction.

Creation of Occupational Safety and Health Management Systems at Production Bases outside Japan

Canon aims to create health and safety management systems at production bases outside Japan that are of the same level as those within Japan.

In 2012 we set a goal of expanding Canon health and safety management to Asian production bases and began implementing overseas initiatives. The first step in our plans is to create common tools and systems for evaluating the level of health and safety management. Using these evaluations as a basis, we will then begin training staff responsible for health and safety, and work to widen the scope of such activities.

Efforts to Prevent Occupational Accidents

Occupational Accident Prevention

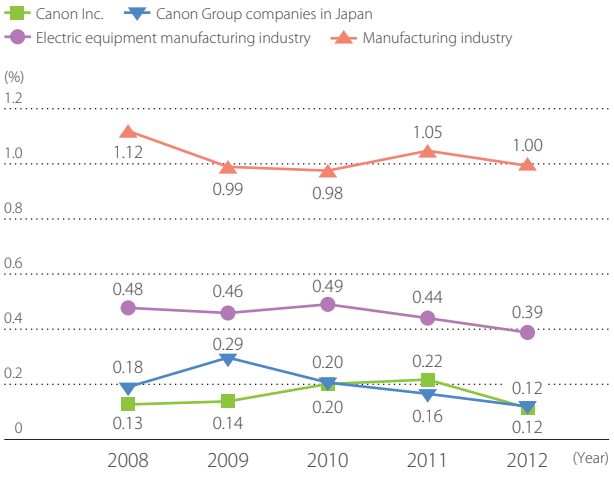
Amidst ongoing adverse conditions brought about by a succession of natural disasters, such as the Great East Japan Earthquake or the flooding in Thailand, Canon remains more committed than ever to its health and safety and disaster-prevention initiatives. We believe it is necessary to respond quickly to changes in the environment and to firmly establish safety measures, such as work-related injury prevention, across the entire Canon Group.

In 2012 we expanded work-related injury-prevention initiatives, focusing particularly on eliminating serious injuries caused by machinery. Measures included aggressive risk assessment of infrequent operations and chemical substances, where accidents are proportionally high. Additionally, as many work-related accidents are caused either by carelessness or by

shortcomings in education and leadership, "tactile training" to increase danger awareness has been further expanded, while training for managers and supervisors, focusing on safety consideration, has also been addressed. As a result of these initiatives, accidents in 2012 requiring time off from work were reduced to 13 (3 less than the year before), while less serious accidents were reduced to 131 (41 less than the year before).

In 2013, we will work to establish more comprehensive risk management through the visualization of latent risks, with the goal of eliminating such risks through effective risk assessment and raising awareness through thorough health and safety education. Additionally, in order to improve health and safety awareness, tactile training tailored to individual plants will also be offered, as well as activities geared towards building and maintaining physical stamina.

Occupational Accident Rate (Frequency Rate*1)



*1 Frequency rate = accidents/million worker hours
A frequency rate of 1 equates to a corporation of 500 employees with one accident per year.

*2 The occupational accident rate for Canon Inc. and its Group companies in Japan
Figures for the electric equipment manufacturing industry and the manufacturing industry are from a Ministry of Health, Labour and Welfare survey on occupational accident trends.

Number of Occupational Accidents at Canon Group Companies in Japan

	2008	2009	2010	2011	2012
Accidents resulting in absence from work	26	30	21	16	13
Accidents not resulting in absence from work	231	183	171	172	131

Improving Health and Safety through Safety Patrols

Canon initiated the Safety Patrol Inspection Program in 2010 for all of its production sites in Japan with the aim of helping reduce the number of workplace accidents.

These safety patrols focus on ensuring that the Equipment Pinching/Entanglement Accident Reduction Standards are being enforced in addition to seeking to improve the overall level of health and safety. Specifically, inspectors from the Headquarters Health and Safety Division visit the production sites with the goal of strengthening communication by discussing safety issues with the staff and bringing to light any existing problem areas.

Safety patrols were conducted at 10 of Canon's production sites in Japan in 2012. These patrols also offer OSHMS consulting and inspection as well as a range of health and safety education programs, verifying workplace conditions and initiatives, and working to raise overall safety standards.

In 2013 we plan to respond to the conditions and disaster prevention measures of individual sites in order to implement even more effective safety patrols.

Health Management

The following two points encompass Canon's fundamental philosophy towards employee health management:

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

Following this philosophy, Canon focuses on creating a workplace environment where employees can work healthfully and energetically, reaching their full potential. By working to promote health and prevent disease, our goal is to minimize losses both to employees and to the company caused by illness or injury.

Measures for Lifestyle Disease Prevention

In line with the Japanese government's Health Japan 21*1 campaign and the enactment of Japan's Health Promotion Law, the Canon Group performs lifestyle checks during regular medical examinations. Based on these results, all Group companies in Japan have determined items for improvement with the aim of actively preventing lifestyle diseases on an ongoing basis. Of the 10 improvement items pointed out in 2004, six were confirmed to have shown improvement in 2012, including a reduction in the number of smokers.

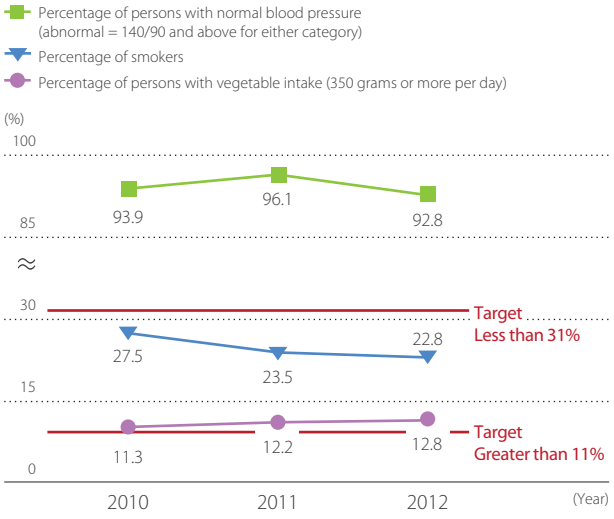
Measures against metabolic syndrome in 2011 included the introduction of a new health management system in which employees can use their own PCs to confirm diagnostic results from the past three years and numerical data from the past 10 years. In 2012, as part of a Group-wide measure, this system was expanded to 14 companies within Japan. Additionally, various initiatives to improve employee health were also instituted, including increased efforts to raise cancer awareness and ensure early detection and treatment for employees, vegetable campaigns stressing the importance of nutritional balance, anti-smoking campaigns and special health guidance*2.

As stipulated by our medium-term vision, which was adopted in 2012 and addresses employee health management, we plan to continue with systematic implementation of measures for the prevention of lifestyle diseases.

*1 **Health Japan 21**
The National Health Promotion Movement in the 21st Century (Health Japan 21) campaign was launched by Japan's Ministry of Welfare (now the Ministry of Health, Labor and Welfare) in 2000. Its main objective is the prevention of lifestyle diseases.

*2 **Specific health guidance**
Special health checkups and specific health guidance concerning metabolic syndrome required since April 2008 of subscribers to Health Insurance Society or National Health Insurance who are 40 years of age and older.

Health Index Trends at Canon Inc.



Promoting Mental Healthcare Initiatives

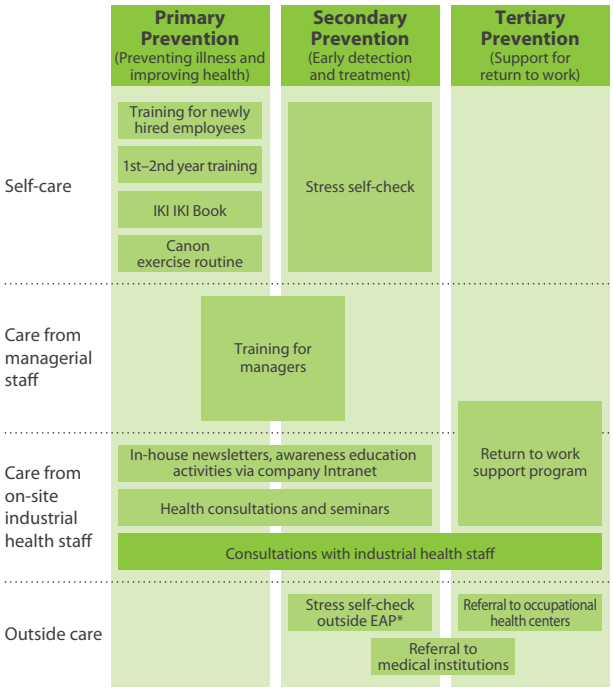
To promote its comprehensive mental health policy, Canon Inc. effectively conducts various programs that incorporate the four key care and three key prevention guidelines from Japan's Ministry of Health, Labor and Welfare.

We believe that improving the awareness of each employee is particularly important in the case of mental health, so in 2010 we constructed an education system for employees who are in their first or second year of employment. This system became fully operational throughout the company in 2011, and was continued in 2012. This training educates employees about self-monitoring and lifestyle improvement methods, as well as stress reduction through "assertive communication," which involves expressing one's opinions in a smooth manner. Company support structures are also covered.

Additionally, our medium-term vision was established in 2012 under the authority of the Central Health and Safety Committee. The vision clarifies our goals, calling for a decrease, by 2015, in working days missed due to mental health issues by simultaneously addressing personal behavior modification and workplace regulations.

In addition to continuation of training, we plan to make efforts in the area of stress testing to increase employee awareness. We will also enhance manager training to strengthen their ability to read situations and provide support.

Mental Healthcare System



* **EAP**
Employee Assistance Program

Fair Operating Practices

Compliance cards are distributed to all employees (Canon Hi-Tech Thailand)

Aiming to achieve "sound business growth," Canon offers highly competitive products and services while also remaining committed to fair operating practices rooted in high ethical standards.

To fulfill this commitment, not only do we strive to instill a proper sense of ethics in each and every employee, but we also pursue ethical business practices, which include the creation of reciprocally favorable trade relations with our suppliers as well as protecting and respecting intellectual properties.

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
Compliance	• Information sharing and problem resolution through regular Global Legal Affairs Coordination Meeting • Published such documents as Guidelines for Dealing with Cloud Related Laws and Regulations 2012 and Guidelines for Uniform Labeling in Measurement Units	• Improvement and strengthening of trade secret management system • Creation/revision of policies on security trade controls and international trade taxes • Investigation and analysis of regulatory trends in emerging nations
	• Held Global Legal Affairs Seminars (13 times)	• Promotion of visualization of regulatory information through regular seminars
	• Held Compliance Week (with a total of more than 120,000 employee participants)	• Continuation of Compliance Week
	• Held information sessions on security trade controls (30 times, with approximately 2,600 total participants) and offered guidance to Group companies (46 companies)	• Expansion of scope and strengthening of guidance, focusing on Group companies outside Japan
Fair Trade	• Created a Canon Inc. project team to focus on conflict minerals and implement a system to confirm relevant regulations and international organizational guidelines	• Implementation of efforts to track background of minerals used in products and to avoid conflict minerals
	• Inspected work procedures for supply divisions at all Group companies and revamped compliancy system	• Implementation and establishment of procedural inspections at all Group procurement departments
	• Continued to implement open procurement in accordance with Canon's own supplier evaluation standards (of 93 applications made, one under consideration)	• Continued implementation of open procurement
Intellectual Property	• Held Intellectual Property Summit to facilitate information sharing and awareness (in 2012, 26 Group companies from Japan and overseas participated)	• Continuation of Intellectual Property Summits
	• Maintained approximately 92,000 patents/utility models worldwide (as of end of 2012) • Ranked third in U.S. Patent Office registrations, and first Japanese company to exceed 3,000 patents	• Continued plans for effective patent acquisition

Stakeholder Feedback

- As a large corporation, Canon has an obligation to serve as a model to society by pursuing fair operating practices. (Consumer, Asia)
- In addition to maintaining internal order and complying with corporate ethics and legal obligations, I would like to see Canon make a positive influence on the value chain through its supply practices. (University official, Europe)
- In addition to national legal standards, I would like to see careful attention paid during employee training to international standards described in treaties, guidelines and so on. (Community representative, Japan)

2012 Topics

Compliance Week Participants Total

More Than 120,000

Canon Inc., together with Group companies in Japan, has held Compliance Week twice a year (in the first and second half) since 2004, providing an opportunity for individual employees to better understand how legal and ethical compliance is an issue of personal responsibility. Each year, a total of more than 120,000 employees participate in compliance-related discussions at their respective workplaces throughout the week.

Generally, Compliance Week involves group discussion of each workplace's initiatives related to compliance. By discussing issues and working together towards progressive solutions, employees help to improve the work climate. Additionally, through workplace discussions on current topics related to compliance and corporate ethics, employee awareness remains in step with the changing times.

For Compliance Week 2012, the topic of discussion was "internal reporting systems." Our goal was to reinforce our employees' knowledge of these systems.

Compliance Week Poster

Cooperating with

Intellectual Property Policies in Japan

With the predominance of emerging markets, conflicts between multinational corporations over intellectual property have intensified in recent years. In order to strengthen international competitiveness through the use of intellectual properties, the creation of a Japan-wide intellectual property strategy is absolutely imperative.

In addition to having served in a variety of roles at the Japanese government's Intellectual Property Strategy Headquarters, and as members of the Japanese Business Federation's committee on intellectual property, the Japan Intellectual Property Association and the International Association for the Protection of Intellectual Property Japan, Canon has advanced a variety of proposals to Japan's Patent Office and other government agencies. Additionally, since 2012, the group executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters has worked to improve the situation of Japan and Japanese corporations by serving on the government's Expert Panel on Intensification of Competitiveness and International Standardization under the Intellectual Property Strategy Headquarters. Canon has also been involved in the proactive exchange of opinions with Commissioners of Patents in such countries as America, China and Korea.

Compliance

Policy and Structure

A Shared Compliance Awareness

Compliance activities form an essential foundation for Canon to become a truly excellent global corporation.

Canon Inc. strives to ensure that executives and employees share common values with regard to legal compliance and corporate ethics. We do this by publicizing our corporate principles and policies, building infrastructure, and providing training and education, while also pursuing increased compliance awareness and appropriate business activities.

Group companies in Japan carry out similar activities, while Group companies outside Japan conduct compliance-related activities in accordance with local laws and regulations with regional marketing headquarters taking the lead.

Canon Group Code of Conduct Sections (Extract)

Management Stance

1. Contribution to Society
   • Provision of excellent products • Protection of consumers • Preservation of the global environment • Social and cultural contributions • Communication
2. Fair Business Activities
   • Practice of fair competition • Observance of corporate ethics • Appropriate disclosure of information

Code of Conduct for Executives and Employees

1. Compliance with Corporate Ethics and Laws
   • Fairness and sincerity • Legal compliance in performance of duties • Appropriate interpretation of applicable laws, regulations and company rules
2. Management of Corporate Assets and Property
   • Strict management of assets and property • Prohibition against improper use of company assets and property • Protection of the company' intellectual property rights
3. Management of Information
   • Management in compliance with rules • Prohibition against personal use of confidential and proprietary information • Prohibition against insider trading • Prohibition against the unlawful acquisition of confidential or proprietary information pertaining to other companies • Appropriate use of confidential and proprietary information pertaining to other companies
4. Conflicts of Interests and Separation of Personal and Company Matters
   • Avoidance of conflicts of interests • Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits • Prohibition against acquisition of pre-IPO shares
5. Maintenance and Improvement of Working Environment
   • Respect for the individual and prohibition against discrimination • Prohibition against sexual harassment • Prohibition against bringing weapons or drugs to the company workplace

Canon Group Code of Conduct

In 2001, Canon updated its 1992 Canon Code of Conduct from a global perspective and introduced the revised Canon Group Code of Conduct. The Canon Group Code of Conduct has been translated into 13 languages, including English, French, and Chinese, facilitating its use across the entire Group.

In 2006, a collection of case studies entitled *Practice! A Corporate Ethics Reader* was also distributed to all Group employees in Japan. A second edition was issued in 2008, providing a wider range of common examples and further promoting a deeper understanding of compliance and corporate ethics.

Compliance Promotion System

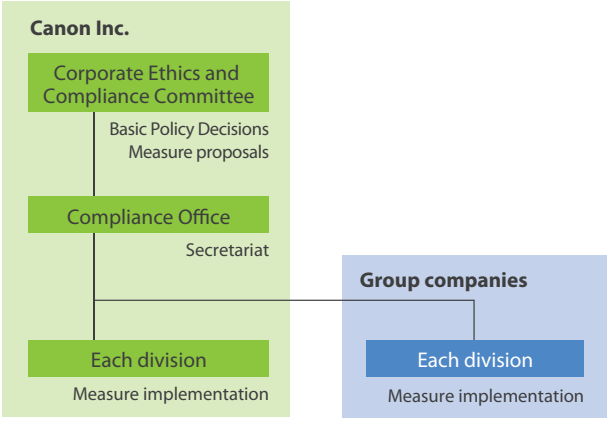
The Corporate Ethics and Compliance Committee determines specific compliance policies and measures concerning Canon Inc. and Group companies in Japan. As one of our management committees, its members include Canon Inc. directors and executive officers.

The compliance policies and measures determined by this committee are implemented by compliance coordinators in each of Canon Inc.'s headquarters divisions as well as at Group companies in Japan, under the supervision of the Compliance Office.

The Global Legal Affairs Coordination Committee investigates and analyzes the movement of worldwide legal regulations corresponding to Canon products and sets forth policies. In addition, the appropriate management sections formulate and carry out training programs and other measures to improve and consolidate the compliance systems in relation to specific laws and regulations, including those for security trade control, the environment and product safety.

At Group companies outside Japan, management works with the legal affairs and human resource divisions at each regional marketing headquarters to guide the construction of compliance promotion systems in accordance with local laws.

Compliance Structure



Global Legal Affairs Coordination Committee

Canon's Global Legal Affairs Coordination Committee, established in 1987, is chaired by the Group Executive in charge of the Corporate Intellectual Property and Legal Headquarters, with the Group Executives of the Quality Management Headquarters, Information & Communication Systems Headquarters, and Senior General Managers of the Corporate Legal Center, and Global Logistics Management Center acting as vice-chairs. The secretariat of the Global Legal Affairs Coordination Committee is the Legal Affairs Coordination Division, which is under the direct control of the president and conducts a broad range of efforts focusing on legal matters from a company-wide perspective. The Committee also convenes annual meetings with Group company presidents worldwide to share information regarding legal policies and countermeasures.

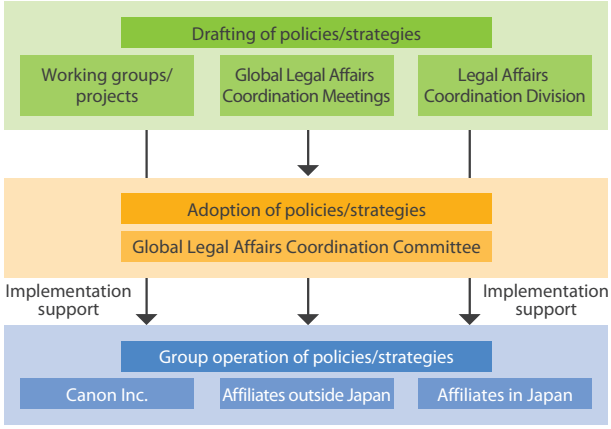
The committee consists of cross-functional working groups to ensure compliance with laws and regulations worldwide. Each working group investigates and analyzes product-related regulations, issuing guidelines and white papers concerning legal and regulatory trends so that employees can be fully informed about legal issues. English-language versions of guidelines and white papers are as a rule also prepared with the aim of sharing information with Group companies worldwide.

Furthermore, in 2011 Canon established the Global Legal Affairs Coordination Meeting to facilitate a more cross-functional response. This meeting is attended by each representative from the Corporate Intellectual Property and Legal Headquarters, Quality Management Headquarters, Global Logistics Management Center, Corporate Legal Center, and Legal Affairs Coordination Division. It is mainly engaged in risk analysis and shares information on laws and regulations to enable prompt and accurate evaluations of how such laws and regulations affect Canon's business. In 2012, Global Legal Affairs Coordination Meetings were held approximately once every three months to share trends towards new and revised laws related to each legal headquarters and centers, and resolve legal issues.

Additionally, we published Guidelines for Dealing with Cloud Related Laws and Regulations 2012, which aims to support the increasingly high-priority development of cloud services, and Guidelines for Uniform Labeling in Measurement Units, which aims to improve usability by standardizing the notation of paper sizes and other units related to Canon products.

In the future we plan to implement more proactive initiatives focused on improving and strengthening our trade secrets management system, revising policies on security trade controls and international trade taxation, and investigating and analyzing legal and regulatory trends in emerging countries.

Basic Activities of the Global Legal Affairs Coordination Committee



Mission and Principal Working Themes of the Global Legal Affairs Coordination Committee

Mission

Prompt and timely investigation into, analysis of and response to legal trends in major and emerging markets as they relate to the development, manufacturing and sales of Canon products.

Principal Working Themes

- Security trade controls
- Trade secrets management/Preventing outflow of technology
- International tax laws
- Disability laws
- Smooth utilization of open-source software (OSS)
- Encryption management regulations
- Establishment of policy for uniform labeling in measurement units
- Legal considerations associated with cloud business
- Laws and regulations related to the Internet
- Laws and regulations in emerging nations

Guidelines and White Papers Produced in 2012

IT Law White Paper 2011*1
China Law White Paper 2011*2
Guidelines for Setting Prices from Canon Inc. to Sales Subsidiaries*1
Guidelines for Uniform Labeling in Measurement Units*1
Guideline for Response to the Tax Haven Tax Code 2012*1
Guidelines for Dealing with Cloud Related Laws and Regulations 2012*1

*1 Also published (or scheduled to be published) in English

*2 Also published in Chinese

Education and Awareness

Employee Compliance Awareness

Compliance Card Distribution

To reinforce the importance of demonstrating high ethical standards and a strict sense of compliance, Canon produced a portable Compliance Card in 17 languages and distributed it to all executives and employees of Group companies worldwide, including full-time, part-time and temporary employees. The card carries a reminder of the *San-Ji* (Three Selfs) Spirit and a test section that employees can use to check themselves and reflect on the role of compliance in their everyday activities.

Canon Inc. has also developed a mechanism to check employee behavior. Once a month employees are required to take a six-subject compliance test, which automatically appears when they start up their workplace computer.

Compliance Card

Compliance Training

Rank-Based Training

A strong sense of ownership on the part of each employee is the basis of compliance. Rank-based training designed to foster compliance awareness has been conducted for general managers, managers and assistant managers, as well as new employees.

Canon has also conducted training for managers since 2007 for each organizational unit within Canon Inc. as well as at each Group company. Approximately 650 managers attended this training in 2012. Training for managers reaffirms the importance of compliance and the conduct expected of managers, while also deepening awareness of compliance issues at individual companies and organizations as well as understanding of related measures.

Compliance training

Global Legal Affairs Seminars

Canon has held Global Legal Affairs Seminars on legal issues and regulations since 2007. Held each time guidelines or white papers are released, these seminars explain in detail the main points and specific responses relating to regulations issued by the Global Legal Affairs Coordination Committee. Participants are drawn from among Canon Inc. and Group company personnel in Japan working in fields relevant to the seminar theme, with the aim of deepening their understanding of related issues.

Along with raising interest in legal affairs and facilitating a direct communication approach that includes opportunities for Q&A, these seminars promote a deeper understanding of compliance with major legal and regulatory frameworks around the world.

We held 13 seminars in 2012, covering the topics listed below. We also carried out follow-up reviews of guidelines and white papers.

We will continue to conduct these seminars regularly to make information on laws and regulations more prominent, and make our employees more knowledgeable about them.

Global Legal Affairs Seminars

Global Legal Affairs Seminars in 2012

Theme	Times held
Information session on Security Trade Control Guidelines 4th Edition (held in various locations throughout Japan, Europe, America, Asia, and Australia)	9
Information session on white papers (IT Law White Paper, China Law White Paper)	2 (once each)
Information session on Guidelines for Uniform Labeling in Measurement Units	1
Information session on international taxation (transfer pricing regulation)	1

Security Trade Controls

Thorough Compliance with Export Control Regulations

Countries with a high level of concern for international peace and security implement strict controls in accordance with international agreements on the export of commodities and technologies for civil use that could be diverted for use in weapons of mass destruction or conventional weaponry. Japan controls such exports through the Foreign Exchange and Foreign Trade Control Law.

To achieve full compliance with these export control regulations, Canon Inc. created a security trade control framework headed by the president in 1988. In the framework, the Foreign Trade Legal Division within the Global Logistics Management Center works as an administration division and the framework includes the general managers of all division headquarters, except for divisions such as the Finance & Accounting Headquarters or Human Resources Management & Organization Headquarters. Specifically, each related division and the Foreign Trade Legal Division double-check such issues as whether commodities and technologies for export are controlled by regulations, and whether trading parties are engaged in the development of weapons of mass destruction.

We hold regular explanatory meetings for employees to increase awareness of the importance of these trade controls. Meetings were held 30 times in 2012, with a total of approximately 2,600 employees attending. Of special note is the Serious Accident Prevention Seminar, which has been held since 2011, with a total of approximately 160 employees attending over the two years. Using specific examples, the seminar fosters better awareness of the importance of security trade controls.

Such thorough internal controls have enabled Canon Inc. to remain in compliance with the Foreign Exchange Control Law and maintain a bulk export license from Japan's Ministry of Economy, Trade and Industry continuously since 1990. This license is granted only to exporters who exercise strict controls.

Group Company Security Trade Controls

Canon Inc. supports Group companies worldwide in the establishment of administrative structures and management rules that match their type of business. More precisely, the Foreign Trade Legal Division dispatches representatives to offshore companies to deliver training courses, provides templates for corporate compliance programs, compiles English-language versions of guidelines, supplies educational materials for local employees, and carries out various other activities.

Guidance was provided to 46 companies within and outside Japan in 2012, seven of which were visited by personnel for direct guidance. As a result of this guidance and other thorough management efforts, no infractions of export control laws took place within the Group.

Additionally, information sessions were held in 2012 at seven locations within and outside Japan in order to cover clarifications to management policies and standards within the Security Trade Control Guidelines, which are published by the Global Legal Affairs Coordination Committee and were revised at the end of 2011. Targeting 85 Group companies, the sessions aimed for thorough understanding and compliancy.

We will continue to work to strengthen and expand the range of our guidance, especially for Group companies outside Japan, to keep infractions for the Group at zero.

Fair Dealing

Fundamental Procurement Policies

Basic Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept*1, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide while taking the environment into consideration.

Accordingly, Canon has formulated and widely published its Procurement Policy, and is endeavoring to build good relations with suppliers by deepening their understanding of Canon's basic stance toward procurement.

In addition, Canon has promoted a policy of green procurement*2 since 1997. In keeping with our corporate philosophy of *kyosei*, we will continue to progress with this policy, giving due consideration to social as well as environmental issues as we carry out our procurement activities.

*1 **The EQCD concept**
This is Canon's basic product development policy.
"E" stands for environment: Companies are not qualified to manufacture goods if they are incapable of environmental assurance.
"Q" stands for quality: Companies are not qualified to market goods if they are incapable of providing quality products.
"C" and "D" stand for cost and delivery: Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

*2 **Green procurement**
Favoring the procurement of materials and products that have a lower environmental impact.

Procurement Policy

Based on its corporate philosophy of *kyosei*, Canon, aiming to be a truly global company, strives to develop, manufacture and market useful products, boost profits, and achieve corporate growth and development, and thus contribute to the prosperity and well-being of the world.
The Procurement Division adopts a global perspective in purchasing quality, appropriately priced merchandise in a timely manner. This facilitates improvements in product quality and reductions in prices, and positions us to work with our suppliers to meet customer needs.

1. We comply with all applicable laws and regulations as well as corporate ethics, and operate in a manner that is protective of the environment.
2. We are open to any and all suppliers, and promote fair and free competition in accordance with the principles of faith and trust.
3. We improve manufacturing by mutual growth with reliable, quality suppliers, which are selected through a fair evaluation process.

Asking Suppliers to Fulfill Their Social Responsibilities

Canon strives to ensure that suppliers understand our procurement standards in order to be certain that social responsibilities are not only being fulfilled by Canon itself, but also throughout the supply chain. As part of this effort, we posted a page entitled *Requests to Suppliers* on our website in 2009. This is a list of items concerning our suppliers' responsibilities in regard to the environment, human rights, labor, compliance, and other matters.

These requests and their purpose are explained to our suppliers at the procurement policy briefings held at locations around the world every year.

Additionally, since the Great East Japan Earthquake in 2011 we have been strengthening our approach to risk response. As part of this process we have been inspecting BCM* (business continuity management) at our suppliers, investigating such issues as flood countermeasure in Thailand, and electricity conservation measures.

* BCM inspections investigate a supplier's level of readiness for disaster and the stability of the supply chain.

Requests to Suppliers

1. Comply with all applicable laws and regulations (for example human rights, labor, safety and health).
2. Contribute to the growth of society as a good corporate citizen.
3. Promote fair, honest and highly transparent business practices along with the implementation of corporate ethics by prohibiting actions that violate corporate social responsibility (such as abuse of dominant positions) and eliminating antisocial forces.
4. Construct a production system with due consideration of environmental conservation by observing Canon Green Procurement Standards and promoting activities to reduce CO_2 emissions.
5. Secure personal and customer information, and strictly manage the information obtained through business.
6. Promote persistent improvement in order to maintain strong financial standing for continuous business and a high level in quality, cost, delivery and technical aspects.

Addressing the Issue of Conflict Minerals

The term "conflict minerals" refers to certain minerals originating in the Democratic Republic of the Congo and adjoining countries in Africa, the profit from the trade of which, provided through the global supply chain, is alleged to be funding armed groups in that region. There is growing concern worldwide about the issue of conflict minerals. In the United States, legislation was enacted requiring publicly listed companies to disclose their usage of such minerals, which went into effect in January 2013.

Seeking to ensure that customers use its products with peace of mind, the Canon Group has clarified its basic stance on the issue, working together with business partners and industry entities with the aim of avoiding the use of conflict minerals. Canon has held briefing sessions for relevant domestic and overseas partners since November 2012, and launched conflict minerals inspections of its products since the end of January 2013, beginning with major products. In terms of both legal compliance and CSR, Canon is making steady progress in preparation for disclosing conflict minerals-related information to the U.S. Securities and Exchange Commission as scheduled in 2014.

Reinforcing Compliance in Procurement

In 2004, Canon established the Canon Group Procurement Code of Conduct to ensure fair and transparent business transactions with suppliers and strict compliance with laws and regulations on procurement from a global perspective. This code stipulates that employees of the procurement divisions of each manufacturing subsidiary in Japan and overseas abide by the code's content, maintaining compliance with all applicable laws and ordinances at all times while upholding corporate ethics.

Efforts to enlighten employees are also in effect, with the establishment of special internal controls sections within procurement divisions in 2007, and the publication of a *Procurement Ethics Reader* in 2008 to ensure compliance with the Canon Group Procurement Code of Conduct.

In 2012, regular inspections of procedures at all Canon Group procurement divisions, including outside Japan, were carried out and compliance systems were revised as necessary.

Partnership with Suppliers

Development of Procurement Information Infrastructure

Canon aims to rationalize and boost the efficiency of its business and that of its suppliers through the introduction of electronic ordering systems and electronic quotation systems, which digitalize the formerly paper-based work of ordering and cost estimation.

The electronic ordering system provides order information, such as delivery dates, volumes, and unit prices, to suppliers. Starting with the incorporation of production materials procurement into the system, we completed the introduction of an electronic ordering system for all production sites in Japan in 2006, and our production sites outside Japan in 2009. A system for the procurement of indirect materials was also fully introduced for locations in Japan in 2009, but we are currently in the process of developing and introducing a Global General Commodity Purchasing System to replace that localized system. Designed to unify business processes in and outside Japan, we plan to introduce the system in Japan during the first half of 2013 and then at locations outside Japan later in the year.

The electronic quotation system is used to send diagrams and other such materials to a supplier and receive quotes (unit prices). Installation of this system was completed at 29 domestic and overseas sites as of the end of 2012, with installation planned at two sites outside Japan in 2013.

Communicating with Suppliers

Canon holds regular information sessions for suppliers at its operational sites and Group manufacturing companies to gain their understanding of the company's business plans and procurement policies. Communicating in this way allows us to share information with suppliers, strengthen coordination and grow our businesses together.

Deepening dialogue and strengthening ties with suppliers

Fair and Transparent Dealings

Promoting Open Procurement

As stated in our Procurement Policy, we open our doors equally to all suppliers worldwide and conduct business in a fair and impartial manner, and have instituted our Open Procurement policy to make a broad appeal to suppliers not already in our network.

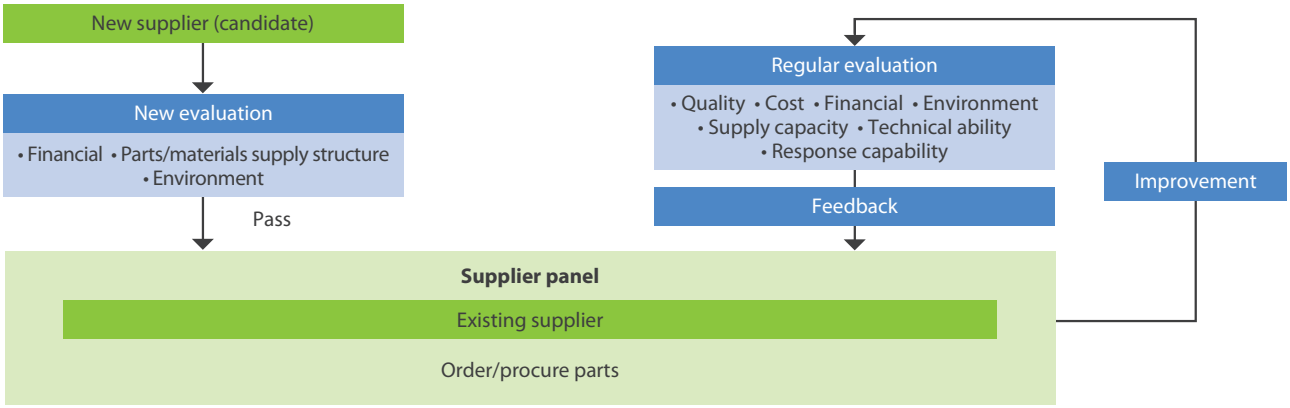
Canon launched the Suppliers Proposal Site within its main company website in 2001, with the purpose of soliciting marketing information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

Of the 81 proposals designated as candidates in 2011, two proceeded to the final evaluation process, with one proposal being adopted. Of 93 proposals newly received in 2012, one is under consideration.

Supplier Evaluation Structure

Before initiating transactions with a new supplier, Canon assesses whether it satisfies the company's independent criteria with respect to such areas as global environmental protection, parts supply system and financial position.

Supplier Evaluation Flow



In the environmental field in particular, satisfying the Canon Green Procurement Standards is a condition for doing business, ensuring that green procurement of the parts and materials used in our products is practiced.

Canon also conducts regular evaluations of existing suppliers, with objective evaluations made relating to quality, cost, finances, the environment, supply capacity, technical ability, and response capability in the previous fiscal year. The results are reflected on our Supplier Panel, with highly ranked suppliers receiving preferential selection. We also offer improvement guidance and education to suppliers with low marks.

Reference: How to become a supplier
http://www.canon.com/procurement/procedure.html

Reference: Green Procurement
http://www.canon.com/procurement/green.html

Education of Supplier Evaluators

To ensure fair, impartial and transparent assessments of suppliers, Canon has carried out training to cultivate supplier evaluators since 2005.

Centering on evaluator assessments that compensate for variations among evaluators, the training program aims to foster knowledge using samples of hypothetical suppliers.

Intellectual Property Activities

Canon's Intellectual Property Approach

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins the company's belief that the achievements of R&D activities are products and intellectual property. At Canon, the purpose of intellectual property activities is to support business development. As such, we promote entry into new business areas, business diversification, and global expansion of production and marketing operations, with a focus on effective utilization of intellectual property rights.

Basic Policies on Intellectual Property Activities

- Intellectual property activities are vital to supporting business development.
- The results of R&D activities are products and intellectual property.
- In addition to protecting its own intellectual property rights, Canon respects the intellectual property rights of other companies and handles related issues appropriately.

Respecting Intellectual Property Rights

Canon is thorough in responding to product copying and intellectual property infringement. Canon has devised and implemented thorough safeguards and policies to guard against such threats.

At the same time, clear rules have been established to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others. More specifically, thorough investigations of third-party patents are conducted to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

By thoroughly instilling these rules throughout the company, Canon smoothly and appropriately enters into partnerships with other companies and outside research institutions for cross-licensing or joint research projects. This makes it possible for Canon to achieve greater results than it could attain by using only its own patents.

A Corporate Culture that Supports Intellectual Property Activities

Canon encourages employees involved in R&D operations to draft patents (invention proposals) rather than create reports and to read patent bulletins rather than research literature as they carry out their day-to-day R&D activities.

To draft an invention proposal, a researcher needs to compare his or her own R&D activities with prior art technologies, understanding them objectively and summarizing them systematically. This leads to the acquisition of higher-value patents as intellectual property rights. Patent bulletins provide technological information that informs researchers about technical issues and solutions in relevant fields, knowledge of prior art technologies, competitors' activities and other trends. Intellectual property rights information bulletins are useful for alerting researchers when rights holders need to be taken into consideration during business development.

At Canon, researchers and engineers involved in R&D are keenly aware of the significance of intellectual property activities, which fosters a corporate culture of consistently setting high development objectives.

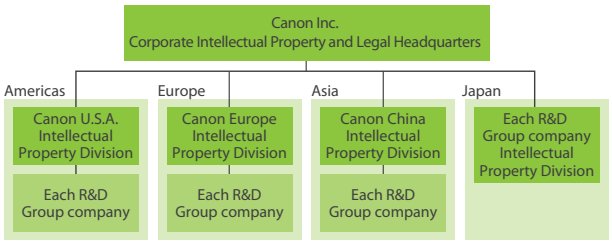
Intellectual Property Management System

To carry out its business activities consistent with its intellectual property strategy, Canon Inc. has centralized intellectual property rights management under the direction of the Corporate Intellectual Property and Legal Headquarters.

Specifically, the intellectual property rights of R&D divisions, other products operations and Canon Group companies are centrally managed to optimize the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting merits for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

Intellectual Property Management Structure



Group Company Management Structure

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the intellectual property divisions at each Group company, along with the formulation process for policies on other shared activities and issues are determined by Canon's management rules.

An Intellectual Property Summit is periodically held to facilitate information sharing throughout Group companies in Japan and overseas. This summit serves as a forum to communicate information and perspectives on trends in society as well as intellectual property initiatives being undertaken by Group companies in Japan and overseas. It also ensures that prompt action can be taken when an intellectual property issue arises. The summit was held in October 2012, with intellectual property division staff gathering from 26 Group companies all over the world.

Moreover, people in charge at the Corporate Intellectual Property and Legal Headquarters have been posted or sent to visit Canon Group companies to bolster global intellectual property activities and develop human resources.

Promoting More Innovative Inventions Leading to Patent Rights

As the cycle from product development to marketing becomes shorter, it is more difficult for researchers to closely study technologies that lead to inventions and to accurately stay abreast of a broad range of related technological trends.

One approach we have taken in this regard is to appoint Patent Portfolio Managers (PPMs) within each product division. A PPM is a veteran technician with rich knowledge and experience concerning technological and patent application trends. PPMs select useful inventions and link the types of patents that tend to be overlooked amid the company's busy development operations to effective patent applications.

Through this organized approach, Canon aims to expand and reinforce its intellectual property.

Prior Art Searches to Improve the Quality of Patent Applications

Even if R&D culminates in a patent application, a patent cannot be granted if a third party has submitted an application for a similar invention. Accordingly, we conduct prior art searches for previous publications to ensure that we assess the validity of applications and that we pursue originality in development.

When filing patent applications, each inventor uses Canon's search system, P/Net SR to investigate the existence of similar prior art. In 2006, we incorporated an English-Japanese translation function into the system to allow efficient searches of U.S. patents as well. In addition, Canon Technology Information Services Inc.—a Group company specializing in technology search services—performs more detailed prior art searches.

The thoroughness of such screenings raises the quality of patent applications, while utilization of the Japan Patent Office's Super-Accelerated Examination System*1 and Patent Prosecution Highway*2 speeds up the patent process worldwide.

*1 **Super-Accelerated Examination System**
This system is offered by the Japan Patent Office to provide an even faster route than the existing accelerated examination process. A pilot program was introduced in October 2008.

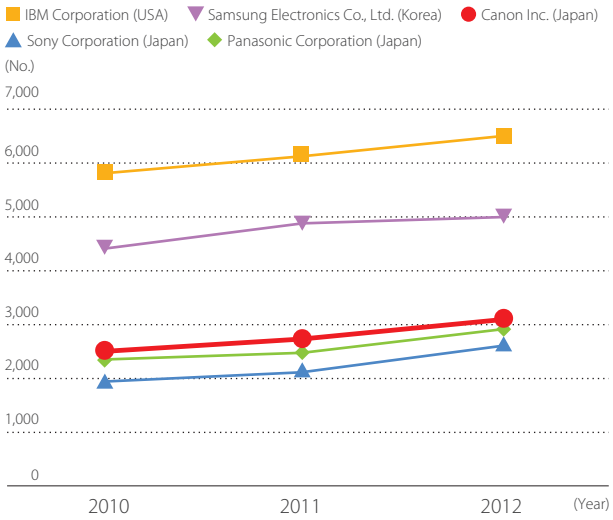
*2 **Patent Prosecution Highway**
This is an arrangement between the Japan Patent Office and various other countries and regions. It enables an application that has been determined to be patentable in the Office of First Filing (OFF) to undergo an accelerated examination in the Office of Second Filing (OSF) with a simple procedure following a request from an applicant.

Patent Application Status

Canon has promoted the globalization of its business operations from its early days, putting great emphasis on filing patent applications outside Japan. As a result, as of the end of 2012, Canon possessed approximately 92,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess the countries/regions where patents are necessary. Filing of patent applications in the United States in particular has been emphasized with the dual goals of expanding operations and

Top 5 Companies Acquiring U.S. Patents in 2012



* Canon survey based on United States Patent and Trademark Office data as of December 31, 2012.
* IBM is an acronym for International Business Machines Corporation.

advancing technology partnerships, as the United States has many high-tech companies and a large consumer market. As a result, patent registration has increased in recent years, and in 2012 Canon became the first Japanese corporation to obtain over 3,000 US patents.

Brand Management

Brand Management Approach

The Canon brand is the symbol of Canon's commitment to its customers. Under this brand, the Canon Group is responsible for fulfilling the following mission:

- As a manufacturer, to deliver high-quality, convenient products that provide customer satisfaction and are a pleasure to use.
- As a marketing company, to provide optimal solutions and services that meet customer needs.
- As a corporation, to gain the confidence and trust of society.

Proper brand management is vital to ensuring that customers and society are not adversely affected by unauthorized use of trademarks within the Group and improper use of Canon's corporate logos by third parties.

Ever aware of this responsibility, Canon has formulated Brand Management Rules and established the Brand Management Committee to deliberate and resolve brand-related issues. Established as a secretariat of the Committee comprised of the persons responsible for brand-related issues from the Public Affairs Headquarters, the Corporate Legal Center, the Design Center, the Information & Communication Systems Headquarters, the Quality Management Headquarters, the Global Environment Center and the Corporate Intellectual Property and Legal Headquarters, the Brand Management Division is structured to act quickly in response to brand-related problems.

Brand Management Rules

Canon has formulated a set of Brand Management Rules, including the Canon Mark Basic Rules in 2003, to ensure that employees use the Canon brand in compliance with regulations and raise the value of the Canon brand through the trust of customers and society. These rules govern the use of trade names, brand names, the Canon logo, and other corporate insignia. Rules are revised when necessary to reflect the changing business environment and opinions on the Canon brand.

Promoting Awareness of the Canon Brand

While implementing rules and management systems, Canon carries out brand education programs across all Group companies in the regions where it operates to ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand."

For example, Canon Inc. is incorporating brand education programs into its employee training curriculum. In addition, we are using our corporate Intranet to disseminate information that helps to raise awareness of the Canon brand among employees at Group companies, including direction on how to use the Canon logo properly.

An increasing number of companies have been joining the Group in recent years through M&A, making it important for everyone within the Group to share the same culture and goal awareness. In light of this situation, we will focus on internal branding so as to increase Group vitality through a shared recognition of the Canon brand.

Measures to Tackle Counterfeits

Canon's stance on counterfeit products has always been strict. Such products cannot be overlooked as they not only damage the brand, but may also lead to economic losses arising from malfunctions and inferior quality and, in the worst case, cause injury to or endanger the lives of customers purchasing Canon products in good faith.

Accordingly, we are actively involved in anti-counterfeit efforts based on our trademark rights. We are engaged at several levels in exposing factories that manufacture counterfeits and retail locations that sell them, while pressing national customs bureaus to stop their importation. Moreover, in recent years the number of counterfeit items entering the market through electronic transactions via Internet-based retailing in which the authenticity of products is often not confirmed has increased. We are working to counter such activity by monitoring the sale and distribution of counterfeits through the Internet and exposing the counterfeiters.

In Japan also we are taking strict measures, including litigation, as part of our drive to halt trade in counterfeit goods.

The sale and distribution of counterfeit goods is likely to become increasingly borderless. Accordingly, Canon will continue its crackdown activities in current markets, while also bolstering customs enforcement measures in regions throughout the world, and monitoring and deterring counterfeit goods transactions on the Internet.

Customer Care

Service proposal using actual showroom equipment (Canon Solutions America)

Canon's mission, first and foremost, is to enrich our customers' private and professional lives, and to contribute to cultural growth through the development and sale of more convenient products and services.

As part of this mission, we diligently work to offer full service and support to ensure complete product safety and maximum customer satisfaction.

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
Ensuring Product Safety	• Substantial Safety Training Course for young employees (7 times) and e-learning to raise awareness of the Voluntary Action Plan for Product Safety	• Continued implementation of employee training
	• Provided information related to product safety to partner companies	• Continued provision of information related to product safety to partner companies
	• Complied with revisions to standards for the German Blue Angel environmental label, which evaluates the safety of chemical substances that may be emitted from products • Published company regulations related to in-house standards for chemical substances	• Update of system for timely adherence to tightened standards such as with Blue Angel
	• Began expansion of software vulnerability prevention efforts to Group companies	• Expansion of efforts to Group companies
Pursuing Universal Design	• Cooperated in the International Conference for Universal Design 2012 in Fukuoka, introducing Canon's universal design at related exhibition	• Strengthening of information disclosure related to universal design through website updates, etc.
	• Promoted greater product accessibility in conformity with Section 508 of America's federal Rehabilitation Act	• Comprehension of legal trends in various countries and improvement of product accessibility in conformity to those trends
Strengthening Customer Support	• Expanded network of after-purchase service locations in China, Southeast Asia and South Asia	• Improvement of service level at various locations
	• Proactively developed a Content Delivery System (CDS) to work in conjunction with remote support services for multifunction printers	• Expansion of CDS worldwide as a core tool in support services

Stakeholder Feedback

- Working to improve product quality also increases brand image. I look forward to seeing new products that leave a lasting impression on the consumer. (Consumer, Americas)
- I want to see products aimed at wide usability through universal design. (Community representative, Japan)
- I want to see Canon emphasize understanding consumer needs so as to build a relationship of trust between the consumer and the company. (Shareholder/investor, Americas)

2012 Topics

Digital Camera GUI Design

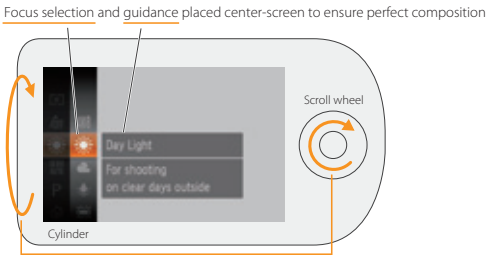
Wins Invention Prize

As the multifunctionalization of digital cameras continues and operation becomes increasingly complex, we at Canon are pursuing easy-to-understand user interface designs that are suitable even for first-time users.

Through the introduction of a GUI (graphical user interface) to function settings screens, Canon delivers superior operability that ensures user loyalty.

In recognition of this achievement, our digital camera GUI screen design received the "Invention Prize" at the 2012 National Commendation for Invention held by the Japan Institute of Invention and Innovation in June 2012. The purpose of the award is to honor scientists and researchers working on exceptional inventions, to promote and encourage new inventions, to increase the level of science and technology in Japan, and to help encourage progress in industry.

IXY DIGITAL 510 IS compact digital camera featuring our award-winning GUI



Matching rotation of cylinder and scroll wheel on screen

Rated 1st in Customer Service Excellence in Singapore Market

The recent expansion of markets in Southeast and South Asia has also led to a drastic increase in the number of customer inquiries and requests for repair in the area. In order to continue meeting these requests in a prompt manner, Canon has been working on improvements such as expansion of its network of service and call centers.

As a results of these efforts, under its Retail Industry Mystery Shopping (RIMS) award program, the Singapore Retailers Association (SRA) awarded Canon its highest recognition for computers and peripherals, the Premium Service GEMS Award, twice in 2012.

The Singapore Retailers Association has held RIMS since 2006 as a way to recognize companies who exhibit an unparalleled level of customer service.

This year's awards were received in recognition of the periods spanning from November 2011-January 2012 and from May-July 2012, with Canon receiving high praise for its performance throughout the year.

Awards ceremony held in November 2012

Basic Quality Assurance Policy

Realizing Canon Quality

Approach to Quality

Our corporate objectives include creating the world's leading products, offering the highest level of quality and service, and contributing to the betterment of culture throughout the world. To meet these aims, we constantly work to enhance quality by

1. identifying customer needs and utilizing the latest technologies to offer excellent, high-quality products and speedy service, and;
2. making every effort to avoid causing harm or damage to consumers and their property as a result of faulty products or services.

Ensuring and maintaining product safety is the foundation of our quality-assurance activities. That will never change.

We are fully committed to earning the trust of customers by providing well-developed services and support along with well-designed products that are easy to use and reliable.

In 2012, to raise awareness of this approach inside and outside the company, Canon adopted "Quality as Priority: Safety, Smartness and Satisfaction" as its new product quality slogan. To offer customers products that are safe while also providing peace of mind and satisfaction, we implement stringent quality control measures at every stage, from planning, development and production to sales and after-sales service.

Product quality slogan

Making a Total Commitment to "Quality First"

In order to fully realize "Canon Quality," we work to ensure the most appropriate quality control systems are in place for each region and business. Canon Inc.'s Quality Management Headquarters works in close cooperation with products operations, holding regular meetings with group production and sales companies throughout the world in order to implement quality controls in accordance with the legal and regulatory standards of each country and region.

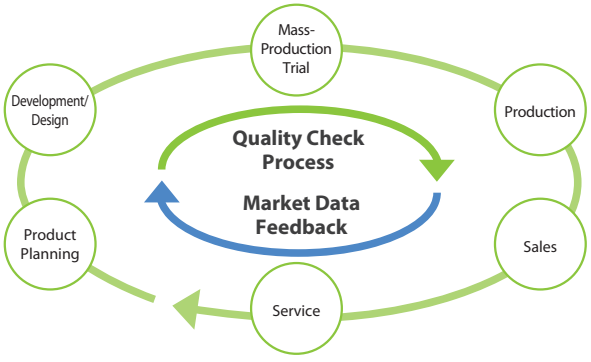
In 2007, Canon Inc. introduced the Quality Innovation Strategy Committee under the umbrella of the Management Strategy Committee, which is headed by the chairman and CEO. From product planning to development and design, production, sales and service, the committee is responsible for company-wide efforts towards quality improvement. For instance, in 2010 the committee established Product Realization Process Quality Approval Rules in order to review and clarify the transition from development and design to production for all products. Localized application of these rules were carried out at each product operations division, and strict compliance was achieved in 2012.

We also make continuous quality improvements by incorporating feedback and customer requests, acquired through sales and service, into the product planning, development and design stages.

Calling for even greater reinforcement of the quality control system, in early 2013 Canon Inc.'s chairman and CEO created the new Quality Improvement Expert Committee. Chaired by management, this new committee is charged with implementing company-wide initiatives for quality improvement.

The total commitment to "quality first" remains a constant priority for all Group companies.

Flow of Continuous Quality Improvement



Ensuring Customer Safety

Ensuring Product Safety

Establishing a Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon views providing safe products that deliver peace of mind and satisfaction to be our mission as a manufacturer to contribute to the creation of a richer society.

In line with this, in 2007, we formulated a Basic Policy on Product Safety as a part of our fundamental policy on establishing an internal control system.

Based on this policy, Group companies in Japan maintaining internal control systems* developed a Voluntary Action Plan for Product Safety to be implemented from 2008 onward to accommodate their fields of business. Under the plan, the companies endeavor to be customer-oriented and focus on product safety.

Since the revision of the Consumer Product Safety Act in 2007, which made mandatory the notification of serious product accidents to Japan's Ministry of Economy, Trade and Industry (currently these are made to the Consumer Affairs Agency), there have been no serious accidents involving Canon products requiring such notification.

* **Group companies with an established Voluntary Action Plan for Product Safety:**
Canon Inc.; Canon Marketing Japan; Canon System & Support; Canon Electronics; Canon Finetech; Canon Machinery; Canon ANELVA; Oita Canon; Canon Chemicals; Nagahama Canon; Fukushima Canon; Canon Precision; Oita Canon Materials

Canon Inc. Activity Topics for 2012

- Management review by the president based on the Voluntary Action Plan for Product Safety (continued from 2008)
- Improvements to Canon's product verification process, which covers the product development and production stages
- Enactment of Industrial Equipment Safety Standards (4 items), Chemical Emission Safety Standards, and Chemical Emission Testing Method Standards
- Revision of Electricity Consumption/Electrical Current Evaluation Standards and Basic Quality Standards
- Enhanced product safety education
- Updated version of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety to be implemented from December 2012

Product Safety Based on Product Safety Technical Standards

Canon regards the prevention of product safety issues and quality issues as the most fundamental and important mission for a manufacturer.

Therefore, we have established our own Product Safety Technical Standards that not only meet legally stipulated product safety standards, but also take into account customer perspectives on product use. For example, we employ plastics that are more flame resistant than the law requires and implement double-protection schemes for important safety-related components. Based on these technical standards, we strictly enforce safety management at the design, evaluation and manufacturing stages. Items not meeting these exacting standards are withheld from the market to ensure that all products meet our requirements for substantial safety*.

In addition, during 2009 we took various steps toward enhancing our quality testing, including commencement of operations at the Tamagawa Testing Laboratory, an industry-leading facility located in Kawasaki City, Kanagawa, equipped with advanced quality testing equipment.

* **Substantial safety**
An approach to ensuring product safety by taking into account anticipated customer usage, going beyond what is prescribed in legal and regulatory frameworks.

Tamagawa Testing Laboratory

Canon's Main Approaches to Safety Technology

- Hypothesize abnormalities, such as component failure, and conduct stricter safety evaluation testing than is required by the laws of each country and region
- Attempt to assess injury, which hypothetically might occur in a variety of operations performed by customers, taking into perspective usability, human error, etc.
- Engage in joint development with manufacturers of essential safety-related components, such as non-combustible parts and non-fail protective components, and employ those meeting the requirements of Canon's Component Certification System

Responding to Product Safety and Quality Issues

Although Canon strives to prevent product safety and quality issues, in the event that a safety or quality problem does arise, we have in place a framework that ensures a prompt and appropriate response, including causal investigation, free repairs and information disclosure.

We keep our customers informed about product safety or quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

Two defects involving electronic dictionaries and multifunction printers were discovered in 2012, and customers were notified of the cause and available solutions (free exchange, repair, etc.).

16 quality-related notices, such as information on rubber discoloration in the interchangeable lens digital camera and issues with firmware, were also posted on the website. Preventative measures, repairs, exchanges, and firmware updates were offered at no cost to the consumer.

Flowchart of Countermeasures to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as the contact point for the customer, file a report with the quality assurance division of the respective Canon Inc. product operations. The quality assurance division then analyzes the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related product operations divisions, as well as the Quality Management Headquarters, legal division and public relations division are consulted concerning response measures. When necessary a report is made to the president.

When notification is made to customers via a company notice or the website, we provide instructions to each marketing company in the regions where the product is sold, and as a general rule release the information worldwide at the same time.

Product Safety Education

We conduct quality and safety training based on our quality education system, encouraging employees to make thorough efforts to ensure product safety and prevent product accidents.

In 2012, a total of seven courses were held on such issues as product safety regulations, practical safety techniques and chemical safety regulations. E-learning activities from the previous year to promote thorough understanding of the Voluntary Action Plan for Product Safety were also continued as mandatory training for all employees of Canon Inc.

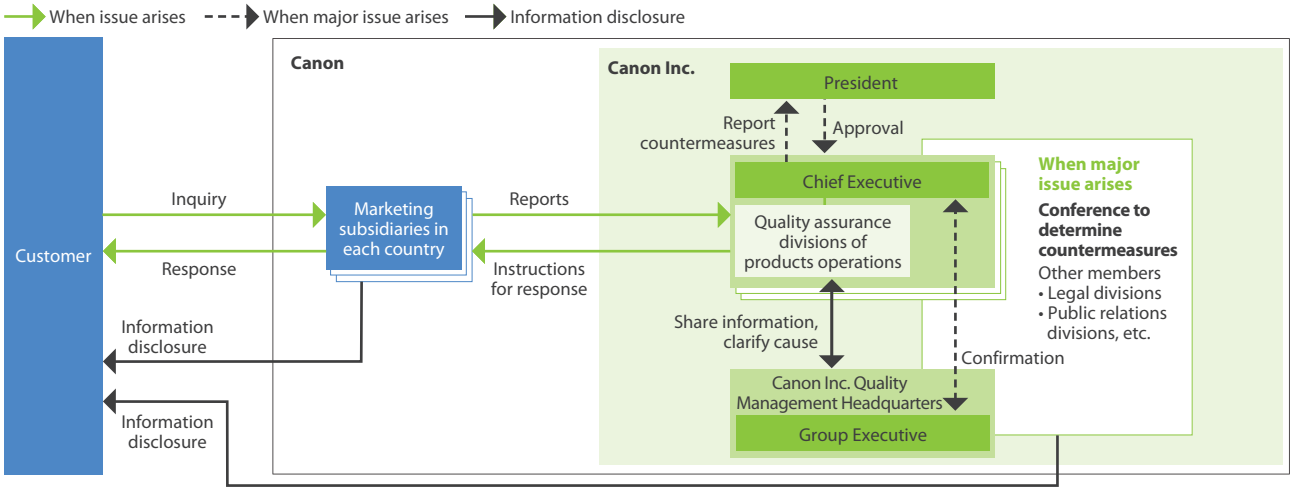
In addition to the above employee training, we also continuously provide safety information to our sales, repair and service partner companies, such as items of safety concern involving repairs or parts exchange.

Creating Sites to Provide Safe and Secure Products

Canon Inc. has installed test facilities that comply with public standards and related regulatory statutes at our development sites. Such facilities are used to make high-precision measurements that allow us to deliver products that customers can use safely and with confidence.

Within these development sites, we have set up facilities to measure and test electromagnetic radiation (EMI), noise, flame resistance ratings, volatile organic compounds (VOCs), genetic toxicity and electrical safety. Most development sites also have testing laboratories certified in public standards such as ISO/IEC and UL*1, enabling publicly certified testing of

Flowchart of Countermeasures to Product Safety and Quality Issues



electromagnetic radiation, VOCs, genetic toxicity and electrical safety on an in-house basis.

The Tamagawa Testing Laboratory, newly established in 2009, is equipped with the industry's leading testing technology, including anechoic chambers, shielded rooms, and semi-anechoic chambers. In addition to EMC testing*2, the laboratory has also acquired such public certifications as ISO/IEC 17025, which was not achieved at other sites, and is fully equipped to carry out noise testing, plastics flames resistance testing and other advanced procedures. As a result, all testing necessary to apply for Blue Angel certification*3 can now be carried out in-house.

The Tamagawa Testing Laboratory is located near our development sites, making the latest testing facilities easily accessible to those sites in their product development efforts and providing an efficient development environment.

*1 **UL:** Underwriters Laboratories Inc.; established in the USA in 1894 for the independent testing and certification of product safety.

*2 **EMC Electromagnetic Compatibility Testing**
This consists of testing for electromagnetic interference emitted by the product or its power sources that affects the operations of other equipment, as well as electromagnetic susceptibility testing, which tests the susceptibility of the product itself to malfunctioning caused by electromagnetic interference in the vicinity.

*3 **Blue Angel**
Blue Angel was launched in 1978 as the world's first eco-labeling system and is monitored by Germany's Federal Environmental Agency, the German Institute for Quality Assurance and Certification and the Environmental Label Jury, an independent decision-making body.

EMI measurement of products in an anechoic chamber

Safety Assessment Initiatives

Safety Assessments of Chemical Substances Released from Products

In order to ensure that our customers can use our products in complete confidence, Canon assesses the chemical emissions from its printers, multifunction devices, projectors and other products.

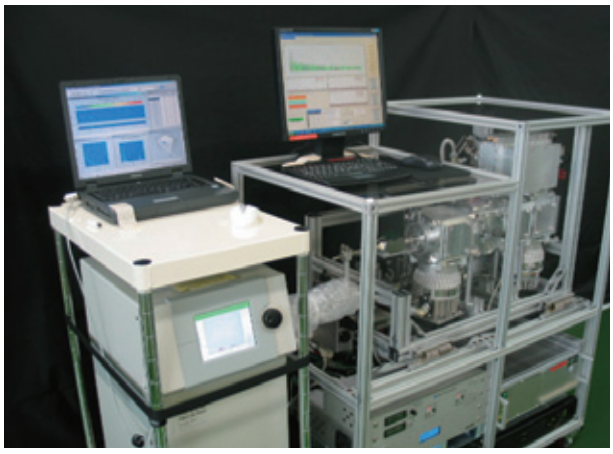
Our assessments include measurements necessary for acquisition of Germany's Blue Angel environmental label, such as benzene, styrene, ozone and dust, as well as of VOCs for which exposure limits have been set within Japan or internationally. We verify that emission levels meet in-house standards which are as stringent or more so than exposure limits set worldwide. In 2012 we carried out a general review of set values, releasing new company standards.

The in-house testing laboratory carrying out these assessments has been certified as a fair and impartial test facility for applications for the Blue Angel mark and has received ISO/IEC 17025 certification from the Japan Accreditation Board for Conformity Assessment, carrying out measurements in compliance with ISO/IEC 28360.

In 2012 the scope of certification was expanded in response to additions to the Blue Angel (RAL-UZ 171) criteria calling for the measurement of UFPs (UltraFine Particles), as well as to ISO standards.

Blue Angel is also considering adding standards for CMRs*. Canon responds in a timely manner to all strengthened standards.

* **CMR:** Carcinogenic, Mutagenic, Reproduction toxins. CMR standards would govern the level of CMRs emitted by a product.



Fine and ultrafine particle measurement device

Safety Assessments on Ink, Toner and Other Consumables

Canon assesses the safety and ensures the quality of its ink, toner and other consumables, enabling customers to use our printers and MFDs with confidence. In addition to complying with laws and regulations, we verify an array of safety issues from the earliest stages of development.

With regard to the chemicals that form the raw materials for ink and toner, for example, we carry out assessments related to genotoxicity, which is thought to be closely linked to carcinogenicity. We perform bacterial reverse mutation tests and in-vitro mammalian chromosome aberration tests to confirm that all products test negative for genotoxicity. In addition, we introduced in-vitro mammalian cell micronucleus tests from 2011. Currently, we are also expanding the range of substances for testing to enable more accurate testing of the distinctive water-insoluble materials used in Canon products.

Canon's testing laboratories are highly reliable and comply with the Good Laboratory Practice (GLP)* standards in the Japanese Ministry of Health, Labour and Welfare Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the Industrial Safety and Health Act. Laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD).

* **Good Laboratory Practice (GLP)**
The standard for the management, testing and reporting of facilities and organizations that operate as testing agencies conducting chemical substance safety assessments. Testing according to GLP standards ensures reproducibility and data reliability. Periodic reviews are carried out by the accrediting government body.

Electronic Parts Quality Certification System to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component to provide customers with products of consistent quality and a high margin of safety. We operate a quality certification system for the electronic parts, such as integrated circuits and other semiconductors, resistors and capacitors, used in our products.

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

While procurement of electronic parts has proven difficult during times of natural disasters, such as with the Great East Japan Earthquake or the flooding in Thailand in 2011, by working in close cooperation with the procurement division we have been able to ensure that quality certification systems remained in place, even at times such as these, and that supplies were secured without compromising quality.

Electrical characteristic evaluation of parts

Response to Software Vulnerability

In recent years, network compatibility has been a standard feature of MFDs and other office products. However, incidents of personal and confidential information leaks via networks and other information security problems are increasing. These stem from software vulnerability, whereby a defect enables a third-party intruder or program to gain unauthorized access to data.

In response to such risks, we conduct various vulnerability tests on software for network-compatible products during development, as well as strive to standardize approaches toward and tests for vulnerability risk company-wide.

In addition, if a weakness is discovered after product shipment it is vital to minimize its impact on customers by issuing an advisory statement or taking other measures as necessary. Accordingly, we created a framework to facilitate quick sharing of information related to vulnerability issues throughout the company and drafted market response rules to address vulnerability issues. We are currently using the draft as we continue efforts to establish formal rules.

In order to respond to new network-attack techniques, we monitor vulnerability-related market trends for Canon products as well as those of other companies. In addition, we use the aforementioned information-sharing network to share information in a timely fashion so we can respond promptly.

In 2012 we began expanding network- and software-vulnerability prevention efforts to Group companies.

For Customer Satisfaction and Peace of Mind

Pursuing Universal Design

Universal Design Approach

Canon strives to create people-friendly products by pursuing functionality, operability and convenience from the customer's perspective in actual usage situations. As part of this drive, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability.

Canon's mantra is "Design for use," and it is from that perspective that we approach product design and development. For example, we conduct user-centric testing of display characters, audible alerts and voice guidance in our product controls, and check the extent to which terminology, icons and other features match the perceptions of customers, so as to evaluate usability, accessibility, safety, comfort and other criteria. This is valuable in the development of more user-friendly products.

The PIXMA MG6300 series inkjet printer equipped with new Intelligent Touch System to navigate operations

The Universal Design Project

Canon incorporates universal design as an aspect of our policy of "making user-friendly products."

We launched a company-wide Universal Design Project (UDP) in 2009 with the goal of further encouraging this effort. We followed up with the drafting of a universal design policy. Information on our policy was later shared throughout the company and with the public. A booklet addressing the physical characteristics of users as well as various issues that arise during product use was distributed throughout the development department, while customer-oriented pamphlets and websites were created to introduce the UDP initiatives underway at Canon. Additionally, we provided sponsorship for the International Conference for Universal Design in Fukuoka 2012 and also took part in the conference exhibits, where we displayed videos and products focused on Canon's implementation of universal design.

We will continue to work to develop products that all of our customers can use with ease, as well as generate new product value with the aim of increasing the satisfaction of a broader range of users.

Exhibit at the International Conference for Universal Design

TOPICS

Digital Cinema Camera Instruction Manual Wins Award in Japan Manual Contest

Together with improved product usability, Canon has also been working to increase the quality of its instruction manuals. The instruction manual for the EOS C300/EOS C300 PL digital cinema camera won the Excellence Award in the 2012 Japan Manual Contest in the category of paper-based operation manuals. The contest has been held by the Japan Technical Communicators Associations since 1997, and is the most prestigious contest of its kind in Japan. In recognition of its excellent searchability and ease-of-use, the manual was also nominated as one of three candidates for Manual of the Year 2012.

Manual contest award ceremony

Product Accessibility

Canon is working to increase the accessibility of its products.

Accessible products are those designed for easy use by all, including persons with disabilities or the elderly. For instance, the imageRUNNER Advance series of office multifunction devices feature voice guidance and voice recognition for basic commands, allowing for easier use by the visually impaired.

Section 508 of the United States Rehabilitation Act requires that agencies of the federal government only purchase products that meet stipulated accessibility standards. The results of Section 508 accessibility evaluations of Canon products are collected into a "Voluntary Product Accessibility Template" (VPAT), which is made available on the Canon U.S.A. website and has also been registered with the United States Federal Government General Services Administration's database.

As the trend for greater accessibility expands worldwide, Section 508 Standards are expected to be revised in 2014 and similar standards released in Europe as well. Canon will continue to improve product accessibility while keeping abreast of legal adjustments in these various countries.

Pursuing Beauty and Comfort

To provide higher quality products, Canon has formulated methods for quantitatively evaluating and measuring the beauty and comfort that people feel from printed materials. We have used these methods to develop practical tools to consistently achieve uniform, high-quality color reproduction from input to output. In order to expand the benefits of our findings to video media, we are establishing techniques for evaluating and measuring the beauty and viewer comfort of TV and video images.

With respect to sound, we have researched the auditory impact on users of sounds from product operations and ambient noise, with the aim of creating the most pleasing sounds. We are also developing quiet products that generate minimal operating noise.

Customer Support

Online Support Service

In order to facilitate troubleshooting, Canon provides worldwide customer-support services through its company website.

Customers can access support information, including FAQs, product specifications and user guides, and can also download the latest software and drivers from our website. Support information and software that are common worldwide, as well as local contents which have been added by marketing affiliates, are published through our company websites in their respective languages.

Customer usage is continuously monitored and survey information analyzed, with feedback going to the departments that created the relevant content. We continuously improve contents based on frequently searched keywords, making it easier for customers to make full use of the contents.

Enhancing After-Sales Service Worldwide

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

For instance, in the fast-growing Chinese market, Canon China is building a prompt and reliable support system centered on Quick Response & Repair Centers (QRC), where customers can take products to be serviced quickly. We continue to aim for an enhanced level of service by resolving customers' issues while at the same time offering a sense of assurance.

We are also strengthening our services in South and Southeast Asia where the number of customer repairs, requests and inquiries is growing rapidly. Improvements include the introduction of on-site repairs, pickup and delivery services, and an Express Service for quick repair after drop-off, as well as expansion of call centers to respond to customer calls and e-mails.

At toner-cartridge manufacturer Canon Virginia, meanwhile, we established the Marketing Engineering Technology Center. Concentrating repair facilities at the center allows us to provide high-quality repairs to the North and South American market that are backed by our production technologies.

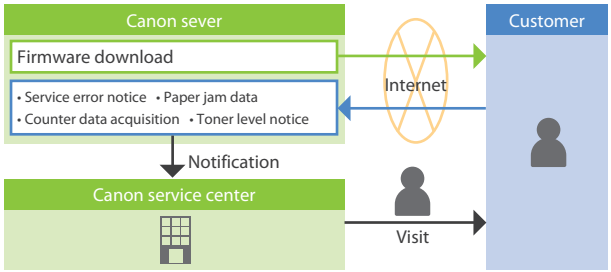
Remote Monitoring Support via the Internet

Canon began offering the Remote Monitoring Support Service for MFDs and laser printers via the Internet worldwide in 2005 to ensure that customers can always use their products under optimal conditions.

This service provides real-time monitoring of the usage conditions of customer MFDs and printers by connecting them to the Canon server via the Internet. Our server detects such conditions as paper jams, errors, usage volume and toner levels, and when necessary, we can provide a prompt response through a phone call or visit.

In 2009 we also began offering our associated Content Delivery System (CDS). By delivering the latest firmware and other updates to customer's MFDs, the service helps to ensure an optimal operating environment. Customers can even designate a time for automatic updates when the device is not in use. Hoping to use CDS as a core tool in our after-sales support, we are currently expanding the system worldwide.

Conceptual diagram: Remote Monitoring Support Service



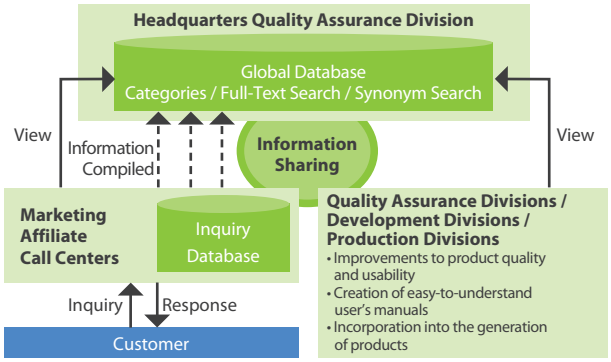
Improving Products by Reflecting Customer Opinions

Utilizing Feedback from Market Data Analysis in Product Improvements

In order to achieve the highest level of customer satisfaction, during the development stage Canon incorporates not only user feedback but also customer requests into its product improvements.

One method by which we do this is the collection of customer feedback and requests received by call centers at our worldwide marketing subsidiaries via our Call Analysis Tracking System. Divisions such as development, production or sales can view this information at any time, which helps them to improve quality, revise user manuals and develop better products.

Call Analysis Tracking System



TOPICS

Rising to Ninth Place in the Quality Management Level Research Survey

In the 7th JUSE Quality Management Level Research survey, announced in October 2012, Canon's overall ranking rose from 15th in the previous survey to 9th.

Conducted by the Union of Japanese Scientists and Engineers with sponsorship from Nikkei Inc., the survey provides a quantitative comparison of initiatives towards product and service quality and other issues related to a company's competitive power. In 2012 the survey was distributed to 651 companies in such fields as manufacturing, construction and software, with 217 companies returning valid responses.

The overall rankings are based on six separate items. Canon ranked particularly high in the field of "top management commitment."

Regional and Community Contributions

Local students and Canon Vietnam employees participate in volunteer tree planting

With operational bases throughout the world, Canon values the relationships of trust it builds with local communities. As a global corporation, we hope to contribute towards realizing solutions to the issues faced by the global society.

To this end, we focus on a broad range of social contributions in six areas; namely, humanitarian/disaster relief, environmental conservation, social welfare, regional community activities, support for education and science, and support for arts, culture and sports.

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
The Canon Institute for Global Studies	• Carried out research in the fields of macroeconomics, natural resources, energy and the environment and foreign affairs and national security, including thesis readings, seminars and publishing of information and policy proposals via a variety of media	• Continued research efforts, publishing information and policy proposals as necessary
Canon Foundation	• Selection and presentation of 16 research grants (fiscal 2013)	• Continued implementation of research grant program
Humanitarian/disaster relief	• Offered long-term support for areas in Thailand affected by flooding	• Continued support for areas affected by disaster throughout the world
	• Provided support for UNHCR Refugee Film Festival, highlighting the plight of refugees (Canon Inc.)	• Continued support for UNHCR (Office of the United Nations High Commissioner for Refugees)
Environmental conservation	• Continued support for conservation efforts in the arctic (2012–2014), as a WWF conservation imaging partner (Canon Europe)	• Continued equipment loans and financial support for WWF conservation efforts
Social welfare	• Hosted ceremonies and charity events to support NCMEC (National Center for Missing and Exploited Children, America) (Canon U.S.A.)	• Contributions to the rescue of missing children through support for NCMEC
Regional community activities	• Tree-planting activities, school construction/repair, environmental education outreach program and other local volunteer work led by Canon Vietnam employees	• Contributions to community development through network expansion and application
Support for education and science	• Visited the four Hope Schools, which Canon Dalian helped to build, to present donations and environmental education outreach program	• Continued support for Hope Schools
Support for arts, culture and sports	• Held Canon Museum Campus in collaboration with the Tokyo Metropolitan Art Museum, presenting free-entrance invitations to 44 college students (Canon Inc.)	• Continued collaborative museum projects

Stakeholder Feedback

- I would like to see more attention paid to social issues. In particular, support for education is a fundamental means of contributing to regional development. I look forward to the effects of Canon's contributions. (Consumer, Asia)
- In order to continue meeting the needs of society, it is important to work together with other organizations such as local governments and municipalities. (NGO, Americas)
- Following designated action plans, I would like Canon to make use of its internal resources to further contribute to society. (Shareholder/investor, Americas)

2012 Topics

Supporting Conservation of the Wild Panda in China

Since 2004, Canon China has been developing conservation efforts designed to protect China's wild panda population. In April 2012, in order to preserve wild pandas in the precious Sichuan ecosystem, Canon instituted its Video and Plains Tracking Project.

The project was carried out in cooperation with such organizations as the China Wildlife Conservation Association, the Wolong National Nature Reserve's Panda Conservation Research Center in Sichuan, and the Fengtongzhai National Nature Reserve in Ya'an, Sichuan. In addition to contributions made to the panda protection fund, Canon China has also donated network cameras for surveillance. By enabling the previously difficult task of observing and photographing pandas in the wild, we are helping to preserve the endangered wild panda population.

Sichuan's Wolong National Nature Reserve Panda Conservation Research Center

Promoting Community Sports

through Company Sports

Through the management of rugby, track and field and other company sports teams, Canon aims to contribute to the education of children by raising interest in sports within Japan.

Our rugby team, the Canon Eagles, gives guest lessons in tag rugby to elementary schools in Ota Ward, where company headquarters are located. While safe for children and beginners, few teachers are familiar enough with tag rugby to offer coaching. By sending athletes and staff to offer assistance in physical education lessons, we are helping to further education. We also support community athletics by opening our homeground, Canon Sports Park, to local rugby and soccer schools, and by offering rugby classes.

Based out of the Canon Group companies in Oita Prefecture, our women's track and field team, Canon Athlete Club Kyushu, has been working to contribute to society through sports promotion in Kyushu since its founding in 2009. The club offers coaching lessons to nearby middle and high school track and field teams by focusing on fundamental skills and good practice regimens.

Rugby match at Eagles Festa 2012

Coaching middle and high school track and field teams

Social Contribution Activities

Canon's Approach to Social Contribution

The range of Canon's social contribution activities has expanded to cover such areas as humanitarian aid and disaster relief, conservation of the environment, social welfare, local communities, education and science, and art, culture and sports.

In the past several years, many parts of the world have suffered natural disasters. In response, Canon actively pursues timely relief efforts, including donations and fundraising for those affected.

In such activities, Canon focuses on long-term recovery, providing ongoing assistance to people and organizations in need. Our aim is to provide wide-ranging support by working in partnership with groups that have a broad outlook and wide knowledge.

Canon will continue to make the best possible use of the resources it has built up over many years, such as its personnel, capital, technologies and infrastructure, working as a good corporate citizen to tackle problems and contribute to an enriched society.

Humanitarian Aid and Disaster Relief

Continuous Support for Areas Stricken by Floods in Thailand

In order to provide relief for victims of flooding caused by unprecedented heavy rainfall in Thailand in 2011, as a group Canon donated ¥50 million in funds. Local Group companies such as Canon Marketing Thailand and Canon Hi-Tech (Thailand)

Local workers engaged in repairs to affected school

Contributing to Society through Two Organizations

To commemorate Canon's 70th anniversary, in December 2008 we established the Canon Institute for Global Studies and the Canon Foundation, both of which are dedicated to contributing to society within Japan and worldwide.

The Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Mankind

Amid this age of globalization, the Canon Institute for Global Studies approaches the Japanese economy in terms of global economics and considers Japan's ideal place in the world, analyzing present conditions and drafting strategic proposals. The institute brings together researchers from diverse industry, academic and government backgrounds to share in global initiatives and exchange knowledge.

Focused on three main fields of "macroeconomics," "natural resources, energy and the environment" and "foreign affairs and national security," the institute publishes information and policy proposals based on scientifically valuable research.

The institute also promotes academic exchange with America, Europe and developing nations (especially China), and analyzes relations between Japan, America and China.

Contributing to Scientific Advancements in Learning and Culture through the Canon Foundation

The Canon Foundation aims to contribute to the ongoing prosperity and well-being of mankind through a wide range of support activities for both organizations and individuals engaged in research, projects and education in various academic fields, beginning with science and technology.

Since 2009 the Canon Foundation has offered two research grant programs, known as the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, both of which are open to researchers working at universities, postgraduate research institutes, or other public research institutes located throughout Japan. 13 projects were selected for Creation of Industrial Infrastructure grants in 2013, while three were chosen for Pursuit of Ideals grants on the theme of oceanic research.

* A list of research grant program can be found on the Canon Social Contribution Activities website: http://www.canon.com/scsa/index.html

also carried out their own efforts, distributing relief supplies and emergency kits.

In May and July of 2012, 40 employees from Canon Hi-Tech (Thailand) also visited schools in Thailand's Ayuthaya Prefecture to rebuild school grounds, buildings, and playground equipment that were damaged in the floods. Also, schools supplies as well as farm tools were donated to help rebuild the educational environment.

Supporting UNHCR Refugee Film Festival

The United Nations High Commissioner for Refugees (UNHCR) provides protection and aid for refugees forced from their home due to war, human rights violations, natural disasters or other misfortunes. Canon Inc. has supported the UNHCR since 2006 through the Japan Association for UNHCR, the official recipient of UNHCR donations in Japan. In addition to special support for the UNHCR Refugee Film Festival, which screens films focusing on the plight of refugees worldwide, Canon Inc. also offers assistance in such ways as the production of public relations films and the construction of photo panels for exhibits.

From September through October 2012, the 7th UNHCR Refugee Film Festival was held at six locations throughout Tokyo, with 28 screenings of 15 films. The festival, attended by over 4,000 visitors, provided the opportunity to learn more about the problems faced by refugees and consider possible solutions.

Opening film at the Istituto Italiano di Cultura
©UNHCR/K. Saito

Conservation of the Environment

Support for WWF Conservation Projects

Canon Europe has been a conservation partner to WWF since 1998. We provide financial sponsorship for WWF's worldwide conservation efforts, focusing on specific projects such as the WWF–Canon Global Photo Network digital photograph database, and the use of imaging technology to promote awareness of research and conservation projects in the Arctic.

From 2012 to 2014 we are supporting specific conservation projects in the Arctic. In 2012, the project involved a survey of the ecology, people and wildlife in the 'Last Ice Area', the last area where summer arctic sea ice is expected to remain. The WWF team travelled the region by sailboat, using Canon equipment to survey the area. They were accompanied on their journey by our own Canon Ambassador, professional photographer Thorsten Milse.

Greenland
©Thorsten Milse, Canon Ambassador

Social Welfare

Support for the National Center for Missing and Exploited Children

Since 1997, Canon U.S.A. has supported the National Center for Missing and Exploited Children (NCMEC), an NPO engaged in the recovery of missing children in the United States. When a child goes missing, one of the most important tools for locating them is an updated photograph. Canon has donated more than 2,000 digital cameras, scanners, printers and other equipment to help law enforcement agencies quickly disseminate photographs and information regarding missing children.

In June 2012, a pre-game ceremony was held before thousands of baseball fans at Yankee Stadium in New York. After introducing NCMEC's activities and Canon U.S.A.'s support, Canon officials presented a ceremonial check to NCMEC in the amount of $470,000, representing the cumulative total raised by Canon U.S.A.

We also support NCMEC with a variety of activities throughout the year, such as a charity event and a golf tournament in January, and employee fundraising in May on National Missing Children's Day.

Support for Pink Ribbon Day in Oceania

The pink ribbon campaign is a worldwide effort to raise awareness of breast cancer and increase screenings for early detection. Since 1994, the fourth Friday of October in Australia has been designated as Pink Ribbon Day. Public awareness, research and educational programs are held, and fundraisers for charitable organizations are carried out.

Canon Australia has been a steady supporter of Pink Ribbon Day since 2010. For the 2012 Pink Ribbon Day, employees of each branch office sold cupcakes and pink ribbon products for charity. The sale raised 2,798 AUD for the Cancer Council, an NPO that offers assistance to breast cancer patients in Australia and carries out educational and research programs.

Supporting Pink Ribbon Day

Supporting Children with Special Needs in the Philippines

Canon Marketing Philippines supports the Reach for the Sky Program, which gives children living with special needs the opportunity to experience flight.

The program is designed to allow those children who are usually unable to board airplanes the opportunity to experience the joy of flight. The children learn about aircraft controls and aerodynamics, and even board a real ultra-lightweight aircraft. Held since 2011, the program is organized by Photography With a Difference, an NPO headed by a celebrated Philippine photographer, with support from the Philippine Air Force, Canon Marketing Philippines, major Philippine retailor SM Supermalls and the Angeles City Flying Club. The program was held for the second time in March 2012, with 42 children from various disabled support groups participating. Canon Advocacy Team, made up of Canon camera users, and employees from Canon Marketing Philippines, also participated, offering administrative support.

Commemorative photograph with participants

Local Communities

Developing Volunteer Work in Vietnam

Recognizing the importance of employee volunteerism in the community, Canon Vietnam established the Canon Social and Cultural Volunteer Network in 2010. The network mobilizes Vietnam's young citizens to contribute towards local development and the building of a brighter future.

The network consists of over 1,000 young adults, including employees from Canon Vietnam and other companies as well as university students. Members take part in many of Canon's social contribution initiatives, including afforestation activities, cleanup drives, environmental education, repairs to schools and relief for flood victims.

A variety of activities were held throughout Vietnam in 2012. Approximately 700 persons (including approximately 50 Canon Vietnam employees) participated in For a Green Vietnam afforestation efforts, while roughly 200 (70 Canon employees) helped out with school repairs, and approximately 700 people (30 Canon employees) including students, took

Volunteers painting the walls of Canon- Bet Tray friendship school

part in environmental education outreach program at local elementary schools.

Canon Vietnam hopes to broaden its network of regional volunteers and further contribute to local development.

Educational and Science

Support for Construction of Hope Schools in China

Canon Dalian has been offering continuous support for the China Youth Development Foundation's Hope Schools project since 1995. Support includes backing for the building of new Hope Schools, enabling economically disadvantaged children to attend school. Currently, Canon China and Canon Suzhou also participate in the program, with a total of nine schools built with support from Canon.

In addition to support for school construction, Canon also holds photography lessons at Hope Schools and carries out a photography exchange program with other elementary schools in Asia.

In 2012, Canon Dalian visited four Hope Schools that it had helped to build. Donations to the schools were presented and Canon employees held a guest lesson on environmental conservation. Among the visiting employees were three former graduates of the Hope Schools, who visited their alma maters in order to encourage the current students.

Students earnestly listening to their lesson on the environment

Support for Industry/Academia Partnerships to Develop Japanese Optical Technologies

Optics technology is essential to a variety of major industries, such as imaging equipment, telecommunications and medical care. Opportunities for the systematic study of optics in Japan, however, have been on the decline. To remedy this situation, Canon offered support to Utsunomiya University, which has a strong relationship with our Utsunomiya Office where the Optics R&D Center is located, for the establishment of facilities. This resulted in the establishment of the Center for Optical Research & Education at Utsunomiya University in 2007. The Center conducts basic research in optics technology to meet industry needs, and is attracting attention as one of the few such postgraduate institutes in Japan. Its goal is to become the global "Center of Excellence" for optics technology research. In addition to financial support, Canon also provides highly skilled engineers as lecturers.

In order to more fully round out the staff of lecturers and researchers at the center, in 2012 professors Mitsuo Takeda (formerly of the University of Electro Communications) and Kazuo Kuroda (formerly of the University of Tokyo), Japan's leading authorities in the field of optics, were invited as special-appointment professors. Their appointment will help to cement a foundation for internationally competitive research results. The number of papers released by the center is already growing steadily, and papers have won awards from a variety of academic societies, including SPIE (photonics), LPM (laser materials processing) and IDW (displays).

Canon will support the Center in developing optics technologies in Japan.

Art, Culture and Sports

Canon Museum Campus

Known as the "Art Communication Program," the Tokyo Metropolitan Art Museum actively engages in the creation of learning spaces at the museum.

In combination with our support for the Metropolitan Art Museum Exhibition in November 2012, Canon Inc. held a special event entitled Canon Museum Campus, to which we invited 44 persons, primarily college students, to attend free of charge.

In addition to a lecture by the museum's curator Sawako Inaniwa, participants were given a private viewing of the popular Metropolitan Art Museum Exhibition. Canon took photographs and videos of the event, presenting them later to the museum's archives. Responses to the event were extremely positive. "This was a very useful opportunity," shared one participant. "It allowed me to take a new approach to seeing the museum as a learning space."

Organizational Governance

General meeting of shareholders

Strengthening corporate governance and enforcing transparent, well-regulated management is the foundation behind all operations. Following this philosophy, Canon imposes a strict internal auditing system and makes yearly efforts to improve auditing systems and contents.

Additionally, in accordance with management risks, we also pursue other measures, such as working to strengthen information security and improving BCPs (Business Continuity Plans).

Results of Major Efforts in 2012 and Future Plans

Category	Results in 2012	Future Plans
Corporate Governance	• Strengthened internal audits by enlarging and intensifying scope (over 1,800 proposals for improvement in 125 themes)	• Strengthen and expand internal auditing system
Security	• Self-inspections by individual group companies and on-site inspections by regional marketing headquarters (companies have generally been found to be operating in good order) • Revised contents of on-site inspection for greater effectiveness	• Continue implementation of on-site inspections, including overseas bases
	• Restructured personal information management systems, introducing more rational systems and revising educational/awareness efforts (Canon Inc.)	• Strengthen information management under new system conforming to Personal Information Protection Law and related government guidelines
	• Improved information security training program, with approximately 26,000 participants (Canon Inc.)	• Continue to improve awareness of employees using information infrastructure
	• Inspected trade secrets management status at 45 Japanese and overseas group companies • Promoted Group-wide initiatives by setting trade secret management as theme for overseas and domestic company presidents' meetings	• Continue inspections of trade secrets management conditions • Continue training through e-learning • Promote introduction of i-Library (standardized company-wide system for the management of confidential documents)
Business Continuity Plans for Disaster Response	• Continued implementation of disaster prevention training, such as triage training and nighttime drills (Group companies in Japan) • Introduced simultaneous unlocking system for buildings and facilities (Group companies in Japan)	• Implement practical training • Strengthen disaster response system • Maintain disaster reserve stocks, evacuation sites, etc.
Appropriate Information Disclosure and Returns to Shareholders	• Held corporate strategy conference and financial results conferences (Canon Inc.)	• Continue implementation of various information sessions

Stakeholder Feedback

- Through strengthened internal controls, I hope to see Canon protect itself from scandal and create environments in which employees can pursue their work with peace of mind. (Consumer, Asia)
- It is important to raise employees' risk awareness and sense of personal responsibility through appropriate internal controls. (Supplier, Asia)
- I would like to see greater transparency through enhanced information disclosure. This will also help to raise the company's image. (Consumer, Asia)

2012 Topics

Internal Auditing Comprising 125 Themes

▶p.118

Recognizing the importance of strengthening internal audit systems and achieving more effective governance, the Corporate Audit Center, which serves as Canon Inc.'s internal auditing division, is working to further strengthen and expand internal audit systems.

The Corporate Audit Center has the authority to inspect all divisions of both domestic and overseas Group companies. Aiming for internal audits which increase corporate value, the center carries out a variety of inspections, including management audits, operations audits, accounting audits, IT system audits and compliance audits.

In 2012, audits were carried out following 125 themes, with proposals for improvement in over 1,800 items considered from a variety of perspectives. The goal of these audits, in addition to the previous goal of more effective internal controls, was to establish more efficient operations, and included new auditing themes such as "outsourcing management" and "quality risk management."

In order to facilitate improvements, auditing results are reported directly to company presidents, directors, vice presidents, the Audit & Supervisory Board and department heads.

Approximately 26,000 Participate in Information Security Training

▶p.121

In order to maintain and improve information security, Canon is working to raise awareness among those accessing information systems, the employees. As a basic approach, we educate employees on the importance of information security and related rules through such means as group training and our e-learning system. We also publish an online Information Security Site and Information Security Guidebook with easy to understand explanations, which employees can peruse at any time of their choosing.

At Canon Inc., we implement an ongoing information-security training program, targeting all regular and temporary employees.

Beginning from October 2012, we implemented an information-security training program in connection with our trade secret management training, which has been completed by approximately 26,000 employees.

2012 Information Security Training (Canon Inc.)

Targets	Participants	Training content
New employees (regular hiring, mid-career)	All	• Group training • E-learning (basics, review)
Existing employees	All	• E-learning
Employees dispatched to or returning from abroad	All	• Group training

Corporate Governance

Governance Structure

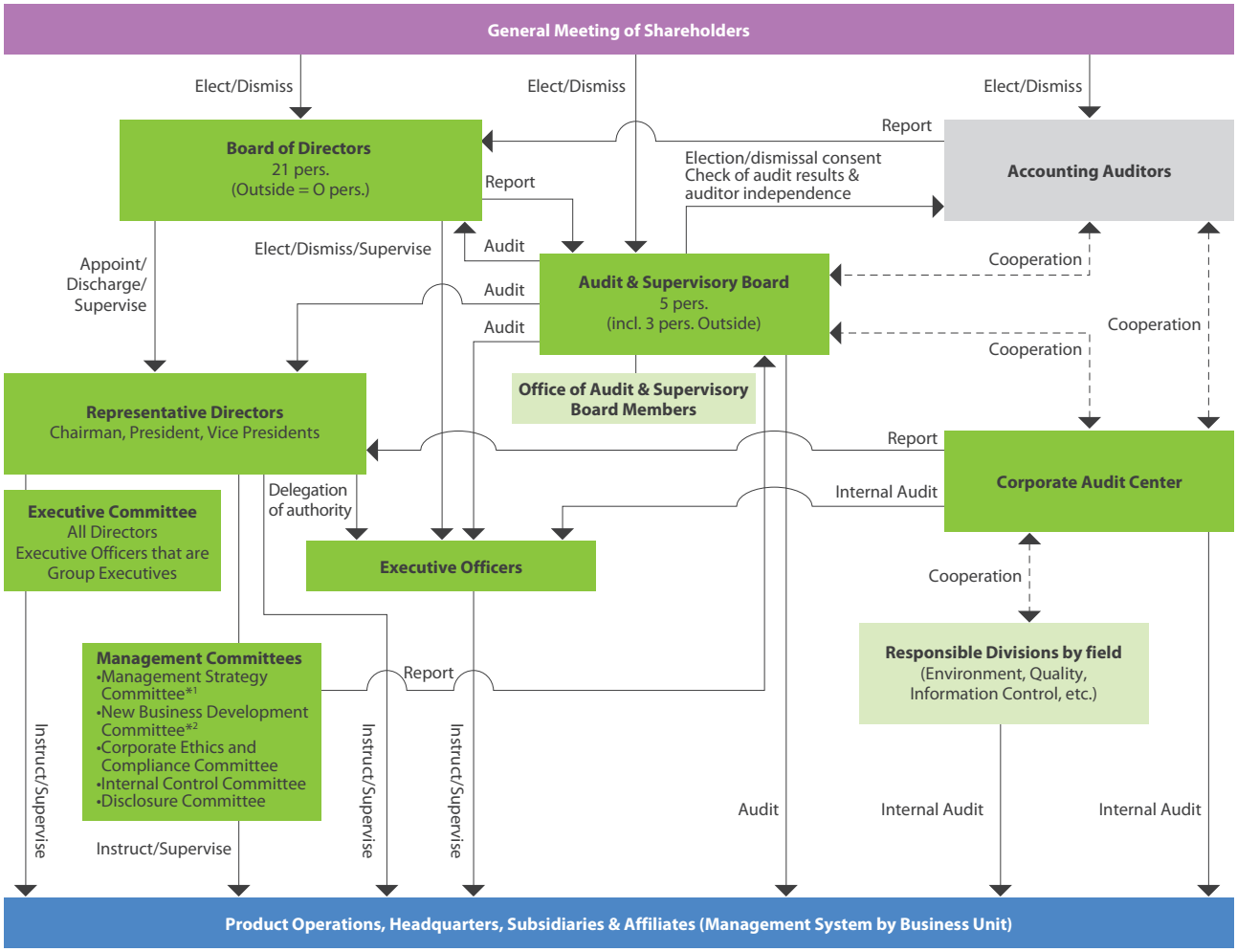
In addition to the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board and accounting auditors required by law, Canon Inc. has further strengthened its corporate governance through careful deployment of executive officers and the adoption of an independent internal auditing structure.

As a horizontal organization that includes worldwide Group companies, management committees are established to address important management issues, and serve a mutual-check function complementing our system of products operations.

Board of Directors

Important management decisions are discussed and ratified at meetings of the Board of Directors and the Executive Committee with all directors in attendance as a general rule. As of April 1, 2013, Canon's Board consists of 21 members. We believe that familiarity with current on-site conditions is integral to more effective and efficient decision-making. Accordingly, the company does not presently appoint outside directors. This management structure has functioned effectively for Canon since its establishment, as evidenced by the company's steady development.

Corporate Governance Structure (As of April 1, 2013)



*1 **Management Strategy Committee**
Deliberates on capital investment and other key issues by receiving reports from executives on the current status of their operations and discussing problems, solutions, and future directions.

*2 **New Business Development Committee**
Meets to approve or reject new business proposals and monitor newly formed business while also deliberating business continuation, including existing business.

Executive Officer System

Timely, appropriate decision-making and efficient business activities are vital issues for Canon as it pursues its basic strategies of diversification and globalization.

To this end, Canon Inc. introduced an executive officer system in 2008 to maintain an adequately scaled Board of Directors while allocating the execution of duties to executive officers appointed for their significant knowledge of the business. The objective is to create a managerial structure that can respond appropriately to business expansion and globalization through strengthened executive functions. As a result, we have created a system in which directors can focus more attention on management and supervision than before. We currently have 15 executive officers (as of April 1, 2013).

Audit & Supervisory Board

As of April 1, 2013, there are five members on Canon Inc.'s Audit & Supervisory Board, three of whom are outside Audit & Supervisory Board members. We have reported to the stock exchanges of Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo that each of the three outside Audit & Supervisory Board members is an independent auditor according to the rules of each exchange.

In addition to auditing the execution of duties by directors, the Audit & Supervisory Board members audit the execution of duties by the executive officers and the presidents of Group companies in Japan and overseas. To verify that decision-making is being conducted in an appropriate manner, the Audit & Supervisory Board members attend meetings of the Board of Directors, the Executive Committee and the Management Strategy Committee. They also verify the execution of duties through on-site auditing, inspect resolution and approval documents, and otherwise fulfill a broad range of duties relating to corporate governance.

In addition, the Audit & Supervisory Board complies with pertinent Japanese laws and supervises the appropriateness of audits by the Accounting Auditors and the compliance system. Moreover, as Canon Inc.'s shares are listed on the New York Stock Exchange, the Audit & Supervisory Board is also obligated to monitor the independence of the Accounting Auditors in accordance with the Sarbanes-Oxley Act*.

To support the activities of the Audit & Supervisory Board members, including the outside Audit & Supervisory Board members, Canon has established an Office of Audit & Supervisory Board Members and placed the required number of dedicated staff at their disposal.

*** Sarbanes-Oxley Act**
Passed into U.S. law in July 2002 following a series of corporate accounting scandals, the law aims to restore investor trust in the stock markets by strengthening the effectiveness of corporate governance and reinforcing the independence of auditing boards and independent auditors, while adding new penalties for corporate management in the event of accounting misconduct.

Cooperation with the Accounting Auditors and the Internal Auditing Division

The Audit & Supervisory Board works closely with the Accounting Auditors and the internal auditing division to ensure the effectiveness of auditing and supervision.

At the beginning of the year the Accounting Auditors submit summaries of the auditing plans and reports on the main auditing items to the Audit & Supervisory Board, which examines them and comments on their validity. The Audit & Supervisory Board also engages in discussions with the Accounting Auditors concerning the audit results, as well as such matters as risk evaluation and the operation of the internal control system from the standpoint of the Accounting Auditors. Furthermore, in addition to conducting onsite audits, attending audit reviews, and taking accounting audit and internal control audit reports from the Accounting Auditors, the Audit & Supervisory Board also receives detailed explanations of the audit quality control system so as to determine its validity. Also, pre-approval regulations are stipulated relating to contracts between Group companies and the Accounting Auditors, and after pre-contract discussions, an approval system is strictly enforced.

At the beginning of the year the internal auditing division submits the internal auditing plans and reports on the main internal auditing items to the Audit & Supervisory Board for preliminary confirmation. After the internal auditing has been conducted, the internal audit division reports to the Audit & Supervisory Board on such items as the internal control system, quality control, environmental conservation, and security. In addition, the chief of internal audits (Corporate Audit Center) holds monthly meetings with Audit & Supervisory Board members, reporting on auditing finds as necessary.

External Audit

Canon Inc. contracts accounting auditors to conduct external audits of the company's financial statements in accordance with the Companies Act and the Financial Instruments and Exchange Law of Japan. An audit of internal controls is also conducted in accordance with the Financial Instruments and Exchange Law and the Sarbanes-Oxley Act.

In 2012 (the 112th term), the accounting auditor expressed unqualified opinions on Canon's financial statements and its internal control.

Internal Audit

Upgrading and Expanding the Internal Auditing Structure

With more than 60 years of history, the Corporate Audit Center, which comes under the direct supervision of the president, has

been an integral part of Canon Inc.'s internal auditing division since its establishment in 1951. In accordance with management's recognition of the importance of strengthening the internal audit structure and increasing the effectiveness of governance, Canon has since 2002 been working to strengthen and expand the internal auditing structure.

The Corporate Audit Center comprises knowledgeable members drawn from a broad range of fields, spanning from planning and development through production and marketing, and as of January 1, 2013, the Center consists of five departments with 70 employees in total. Aiming to expand the quality and scope of audits, the Corporate Audit Center is in the process of bringing the number of staff to 100. Education and training programs for new members are being enhanced, and plans call for the addition of 10 more staff members, bringing the total to 80, by the end of 2013.

While focusing primarily on Canon Inc. and Group manufacturing/R&D companies worldwide, the Corporate Audit Center has authority to audit all areas of business without exception, including Group companies both in Japan and overseas. The Center took particular care concerning Group companies outside Japan in 2012, conducting audits of five Group companies in total, including three manufacturing companies in China, and one service company and one sales company in Korea.

Internal Audit Implementation Status

In its bid to link internal auditing with increased corporate value, the Corporate Audit Center conducts an array of audits, including management audits, operations audits, accounting audits, IT system audits and compliance audits, and undertakes improvements based on its findings. To confirm the actual implementation of these improvements, a series of rolling follow-ups have been carried out, using a combination of document and field auditing methods. Additionally, auditing plans are drafted by the chief of the Corporate Audit Center and approved by the president before execution.

During 2012, the Center put 125 auditing themes into practice, and issued more than 1,800 improvement recommendations. In addition to the previous goal of "improving the effectiveness of internal control," a new goal of "contributing to improvements in operational efficiency" was also added, with new auditing themes including "management of outsourcing/management conditions audit" and "quality risk management/management conditions audit."

All audit results are reported directly to the chairman, president, executive vice president, Audit & Supervisory Board, and the chief of the department being audited with the aim of facilitating improvements.

Audits related to such fields as product quality, environmental conservation, and security are carried out by the Corporate Audit Center in cooperation with the relevant control division.

Strengthening Internal Control Auditing

In addition to the above-mentioned themed audits, the Corporate Audit Center annually conducts internal control audit for compliance with the Sarbanes-Oxley Act to ensure the reliability of financial reporting. During the execution of internal control audits, each division conducts a self-assessment, which is followed by a supplementary audit by the Corporate Audit Center to verify its conclusions, leading to the realization of "self-contained internal control."

In 2009, the Center also began conducting expanded audits beyond confirmation of the reliability of financial reports. These Expanded Range Internal Control Audits cover the overall condition and application of the internal control structure from the perspective of the effectiveness and efficiency of work and legal compliance.

Canon has continued with Expanded Range Internal Control Audits, conducting such audits at one Canon Inc. division headquarters and one product operation, as well as at four Group companies, in 2012. In addition, entity-level audits were conducted at three Group companies.

Divisions Responsible for Internal Audits and Internal Checks

Corporate Audit Center	Auditing of management functions, operations, accounting, IT systems, compliance, and internal controls to comply with the Sarbanes-Oxley Act
Global Logistics Management Center	On-site diagnosis of security trade control at Canon Group companies located in and outside Japan
Global Environment Center	Examination of operation status of environmental management systems
Facility Management Headquarters	Examination of safety management structures, such as premises security, hazardous materials and chemical substance management
Human Resources Management & Organization Headquarters	Auditing of the introduction and operational status of the occupational safety and health management system
Information & Communication Systems Headquarters	Internal checks to ensure security of information, including internal IT
Quality Management Headquarters	Examination of quality assurance activities based on the Quality Management System
Global Procurement Headquarters	Examination of compliance, effectiveness and efficiency in procurement

Management Committees

Corporate Ethics and Compliance Committee

The Corporate Ethics and Compliance Committee, comprised of Canon Inc. board members and executives, convenes every quarter to discuss and approve corporate ethics and compliance policies and measures. Audit & Supervisory Board members attend these meetings as observers.

At one of the quarterly meetings each year, the Committee invites the presidents of Canon's regional marketing headquarters worldwide as well as Group manufacturing companies worldwide to attend an Expanded Corporate Ethics and Compliance Committee Meeting with the aim of improving compliance awareness throughout the Group. At this meeting, compliance policies and measures are discussed and approved, and there is exchange of information concerning such matters. There were 90 participants at the 2012 Expanded Corporate Ethics and Compliance Committee Meeting, which focused on strengthening Canon Group compliance and company values.

Internal Control Committee

The Internal Control Committee, chaired by the president and attended by all directors and Group company presidents, oversees the internal control structures and activities for the Group.

The committee ensures reliable financial reporting in accordance with Article 404 of the Sarbanes-Oxley Act and Article 24 and193 of the Financial Instruments and Exchange Law of Japan. It also pursues effectiveness and efficiency in business, including compliance to related laws, regulations and internal rules with the objective of promoting a sustainable Group internal control structure.

During 2012, the seventh year under the Sarbanes-Oxley Act and the fourth year for the Financial Instruments and Exchange Law, we attained a positive assessment on the validity of internal controls with relation to ensuring the reliability of financial reporting. The Internal Control Committee, in cooperation with Group companies, will continue to strengthen and improve internal controls across the Canon Group including those in response to the Sarbanes-Oxley Act and the Financial Instruments and Exchange Law.

Disclosure Committee

The president of Canon Inc. chairs the Disclosure Committee, which is responsible for making decisions regarding the necessity, content and timing of disclosure. Its objective is to achieve the timely, accurate and comprehensive disclosure of the company's material information in accordance with related laws, regulations and the rules of stock exchanges.

Financial information (earnings summaries, etc.), occurrences (occurrences significant in terms of their relationship to the company's business operations or properties), and other details requiring timely disclosure are reported to the Committee by the person in charge of the disclosure working group at each division headquarters.

Executive Compensation

Compensation for directors at Canon Inc. comprises "basic compensation," which is based on fulfillment of duties, and an "executive bonus," which is tied to company performance each year. Additionally, directors may be presented with stock options as a medium- to long-term incentive. Remuneration for Audit & Supervisory Board members, however, consists only of basic compensation and is not tied to company performance.

The maximum limits of basic compensation for directors and Audit & Supervisory Board members are set by vote at the general meeting of shareholders. Remuneration for individual directors and Audit & Supervisory Board members is decided by meeting of the Board of Directors or by meeting of the Audit & Supervisory Board, respectively.

Bonuses are calculated according to company performance, with the total amount presented to the general meeting of shareholders for approval. Once the total amount is determined, bonuses for individual directors are decided by the board of directors based on rank and individual achievement.

Stock options are issued in order to increase motivation and morale. Proposals are tendered to the general meeting of shareholders and, if approved, stock options are issued.

Total Compensation Paid in 2012 by Executive Division, Category of Compensation, and Number of Executives (Millions of yen)

	Directors	Audit & Supervisory Board members (exc. outside Audit & Supervisory Board members)	Outside Audit & Supervisory Board members
No. of officers	23	3	3
Basic compensation	782	47	64
Bonuses	191	–	–
Retirement bonuses*	649	7	–
Stock options	220	–	–
Total	1,842	54	64

* The retirement bonus system for directors was abolished as of the close of the 112th general meeting of shareholders, held on March 28, 2013.
* No. of officers include those retiring midterm.

Security

Information Security

Information Security Management Structure

Canon has established the Global Information Security Committee as a decision-making body for information security measures. This committee is made up of experts from information security departments and is responsible for the information security management of the entire Canon Group.

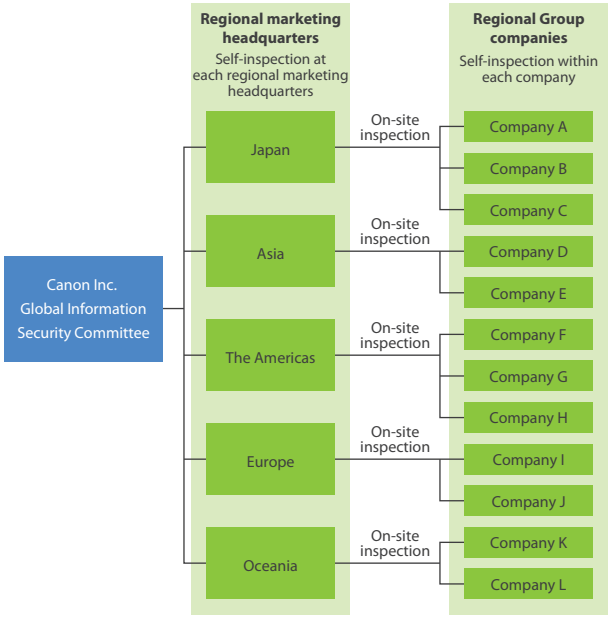
To maintain and improve information security across the entire Group, in 2007 Canon established the Canon Group Information Security Rules, which are common to Canon Group companies worldwide and constitute the rules and guidelines concerning security controls and information security in accordance with the actual situation at each company.

The regional marketing headquarters conduct regular inspections to confirm how information security is being implemented at each Group company and use this data to review and improve information security controls. Inspections take a dual approach, with self-inspections carried out by each Group company and reported to the committee, and on-site inspections conducted by regional marketing headquarters to confirm the actual status of each company's operations.

In order to increase the effectiveness of on-site inspections, in 2012 inspection contents were revised to provide a greater focus on on-site confirmation, such as with an increase in the number of workstations to be inspected. Inspection was carried out at 30 manufacturing companies in Japan. All inspected companies were found to be in generally good order.

From 2013, inspections stressing on-site confirmation will also be implemented for locations outside Japan. We are currently working to ensure a system capable of identifying and addressing relevant inspection issues.

Conceptual Diagram of the Information Security Management Structure



Prevention of Information Leaks

Aiming to prevent information leaks, Canon implements measures to ensure the confidentiality*1, integrity*2, and availability*3 of its corporate information. Valuable information is stored using a specialized system with reinforced security. By controlling access and recording usage, we prevent improper use and information leaks.

The removal from Company premises of recording media and PCs with stored data is as a rule prohibited, but if the need arises and no other measures are available, specially secured PCs or recording media may be removed with the prior approval from the division headquarters. Countermeasures, such as encryption and verification features, have also been put in place to prevent leakage in the event of loss or theft. In addition, we have constructed a Group-wide system that allows remote access to Company information, thus eliminating the need for employees to take PCs and recording media when traveling to other Group companies.

As a part of our effort to strengthen leak prevention measures, in 2011 we installed software on employee PCs that restricts the writing of data to external memory media connected via USB ports. From 2012 we began using this software at Group companies as well. Additionally, a new directive was issued in 2012 requiring that in the unlikely event of an accident the incident is reported immediately to Canon Inc., who will then issue appropriate instructions. Finally, a system of uniform security measures was also established to ensure that all companies comply with the above policies.

We will continue to strengthen security measures so as to prevent e-mail-related security leaks.

*1 **Confidentiality**
Only authorized personnel can access the information.

*2 **Integrity**
Ensures the data and processing methods are accurate and cannot be modified without authorization.

*3 **Availability**
Data is accessible to authorized personnel when needed.

Protecting Personal Information

Canon recognizes that personal information is an important asset, and protecting this asset is one of its social responsibilities. In 2002, Canon Inc. established the Personal Information Protection Policy and the Personal Information Protection Rules, with the Corporate Audit Center performing regular internal audits.

In 2012 the personal information management system was rebuilt, with the new system launched in July. The new system organizes the previously complicated management flow into more logical methods and also revises employee education and awareness efforts according to the level of importance of the information being handled. Hereafter the new system will be used to ensure both strict information management in line with the Personal Information Protection Law and other government guidelines, and operational efficiency.

As in the previous year, there were no incidents of loss or leakage of personal information in 2012. Additionally, implementation of the new system was confirmed for all departments, without incident.

Trade Secrets and Technology Outflow Prevention Management

As a global company involved in wide-ranging development, production and sales activities, Canon recognizes the importance of taking appropriate measures to protect and manage trade secrets and technological information. The company is making various efforts in this area.

Trade Secrets Management

In accordance with the Trade Secrets Management Guideline drawn up by Canon Inc. in 2004, trade secrets management rules have been drawn up for each division headquarters. We are promoting PDCA activities, in accordance with each division's operational characteristics. Further, Group companies in Japan and overseas have formulated their rules based on the above-mentioned guideline, and are progressing with the same framework of measures.

We updated our Trade Secrets Management Guideline in 2011 to reflect revisions made to the Unfair Competition Prevention Act and changes made to the "Trade Secret Management Guidelines" issued by the Japan's Ministry of Trade, Economy and Industry. Also, we issued practical handling procedures for four types of information critical to manufacturers: new product planning, production planning, product cost, and drawings. Inspections of the trade secrets management situation at domestic and overseas Group companies were conducted based on these procedures. Each Group company also conducts e-learning or seminars based on these procedures to increase employee awareness.

Continuing with initiatives from the previous year, in 2012 trade secrets management was also made a theme of discussion for the meeting of presidents, both within and outside Japan. Our goal is to approach trade secrets management as a Group-wide issue. We also promoted introduction of "i-Library," a standardized company-wide confidential-document management system put into operation in 2010, which enables thorough compliance with trade secrets management guidelines. Plans are in place to begin expanding the system to Group companies in 2013.

Hereafter we plan to continue strengthening our trade secrets management systems through regular inspections, e-learning and other training, and close cooperation between the Information & Communication Systems Headquarters, the Global Procurement Headquarters, the Legal Affairs Coordination Division and other related departments.

Technology Outflow Prevention Management

Canon recognizes technology as a critical asset and has been working since 2002 to prevent inappropriate technology outflow.

Canon's Technology Outflow Prevention Management Guidelines, formulated in 2004, form the foundation of this drive. Each products operations group has drawn up its own rules in line with these guidelines to manage the prevention of technology outflow in accordance with its own operational characteristics.

To strengthen management for the prevention of technology outflow in countries and regions where the legal provisions for the protection of intellectual property rights are still insufficient, in 2002 we established the Confidential Information Management Committee for Overseas Manufacturing Companies in China and Asia. The Committee comprised key executives from Canon Inc. and the presidents of 11 manufacturing companies in Asia. In 2006, this body issued the Confidential Information Management Guidelines 2006 for Manufacturing Companies in China and Asia. Each subsidiary has implemented a management system based on these guidelines and is following strict regulations. Additionally, we began holding confidential information management training for employees dispatched outside Japan as of 2005, and issue alerts related to the handling of information at manufacturing companies in China and Asia.

In 2013 the above-mentioned Technology Outflow Prevention Management Guidelines and Confidential Information Management Guidelines for Manufacturing Companies in China and Asia will be integrated and updated. Through close cooperation with Chinese and Asian manufacturing companies and Canon Inc.'s related departments, we plan to implement even stronger preventative measures against technology outflow.

Physical Security

Basic Physical Security Measures

Aiming to strengthen physical security, Canon has been working to establish physical security systems at each of its operational sites since 2000 based on the following three policies:

1. Establish and put into practice at operational sites an overall design from the viewpoint of disaster prevention, crime prevention, and health and safety to optimize entry and exit routes for all persons.
2. Fully implement strict internal and external security measures to comprehensively prevent company assets (physical objects, information, etc.) from being removed, suspicious objects from being brought in, and suspicious individuals from entering.
3. Limit entry to certain areas to people who have been authorized by area managers, and integrate management of room entry and exit logs.

Physical Security Promotion System

In 2002, Canon established the Canon Group Physical Security Guidelines, which outline the policies and rules regarding room entry and exit management and other kinds of physical security at Group companies. Since then, security measures have been aggressively promoted according to these guidelines.

In recent years, aiming to strengthen physical security throughout the Canon Group, we have been implementing room entry and exit management systems specifically tailored to each location, based on the Integrated Entry and Exit Management System introduced in 2002. An integrated control system coordinates facility equipment and devices such as surveillance cameras and sensors. Centralization of alarm logs, room entry/exit records and other information facilitates efficient and secure information management. Additionally, efforts toward consolidated management of room entry and exit histories at Group companies by our Shimomaruko headquarters in Tokyo, Japan began in 2011.

We have implemented a particularly thorough audit system due to the serious risk to society in the event of the theft of toxic materials. Since 2007 we have carried out physical security audits of all Group sites that deal with toxic materials. Improvements and revisions to physical security measures are implemented based on the results of these audits. In 2012, inspections were carried out for all sites with toxic storage, with no problems found.

Additionally, to raise employee awareness, education on physical security has been included in the program for new employees and in rank-based training sessions. We continued this training for new-employee and mid-career hires, as well as information-security training, in 2012.

Security gate (Shimomaruko Headquarters)

Post-Disaster Business Continuity Plan

Promoting Business Continuity Planning

Canon actively promotes post-disaster business continuity planning. Following the directives of the Canon Group Medium-Term Plan for Disaster Prevention Structure Enhancement, instituted in 2006, we are proceeding with phased improvements, such as upgrading the earthquake resistance of older buildings, establishing disaster prevention agreements with local communities, and implementing systems to collect and disseminate information.

Due to the critical importance of our Shimomaruko headquarters in Tokyo, Japan, as the home base for all Group operations, we have rebuilt all on-site buildings, established a crisis control center, installed backup generators, stockpiled fuel, equipment, and supplies, and established a multiplex communication system. Moreover, we set up the Disaster Recovery Center*1 in Toride, Ibaraki Prefecture, to back up information systems to ensure that the mainframe system will operate securely in the event of a disaster.

We have also updated all Group company facilities, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training.

Also, in regard to our business continuity plan (BCP)*2, the Facilities Management Headquarters has jurisdiction in creating a plan for the initial post-crisis response, while each of the products operations is responsible for creating their own follow-up BCPs.

As a result of these efforts, we achieved 100% of the goals of the Medium-Term Plan by the end of 2009. Taking that into account, we set about strengthening the disaster prevention system at each site and in each division from 2010 onward. Our activities included emergency communications drills using mobile phone messaging, and creating evacuation plans at shift-work sites.

Crisis control center

*1 **Disaster Recovery Center**
A facility prepared for data backup in the event of a system breakdown due to a disaster.

*2 **Business continuity plan (BCP)**
A business continuity plan is an action plan that includes measures to provide for the continuation of a minimal level of business in the event of fire or accident, and to restore operations promptly.

Reinforcing Disaster Prevention by Learning from the Great East Japan Earthquake

Since the Great East Japan Earthquake of March 2011, Canon has promoted a variety of initiatives following a theme of "reinforcing disaster-prevention systems by learning from the Great East Japan Earthquake." In addition to working to improve disaster response through the provision of Earthquake Measure Guidelines in September 2011, we have sought to improve disaster-prevention awareness through practical drills, including nighttime evacuation drills and cleanroom evacuation drills.

In 2012 Canon Inc. and Group companies in Japan continued with these practically focused drills at each of our operational sites. Through such exercises as triage drills*1 and nighttime drills we aimed to raise awareness in each individual employee. We also introduced a simultaneous unlocking system*2 for buildings and facilities.

In addition to ensuring the safety of our employees through implementation of practical drills, we also hope to improve the first response system of our company fire brigade, and to continue with proper outfitting of disaster prevention stockpiles and evacuation areas, aiming for a balanced disaster-prevention system which accounts for individuals, the organization and facilities.

*1 **Triage drill:** Training to determine the priority of rescue, treatment and transport, according to severity and immediacy of injuries, in the event of a tragedy resulting in mass injuries.

*2 **Simultaneous unlocking system:** A system for automatic unlocking of electronic doors in the case of emergency, allowing for quick evacuation.

Prompt and Appropriate Information Disclosure

Dialogue with Shareholders and Investors

Prompt and Appropriate Information Disclosure

As of December 31, 2012, Canon Inc. was listed on the Tokyo, New York, Osaka, Nagoya, Fukuoka and Sapporo stock exchanges, with approximately 1,334 million outstanding shares and some 206,000 shareholders. With an eye to disclosing information on its management strategy, business strategy and performance to shareholders, investors and securities analysts in an accurate, fair and timely manner, Canon Inc. holds regular briefings and other IR events, and posts the latest information and various types of disclosure materials, including audio and video information, on its website.

To ensure fair and prompt information disclosure, Canon created Disclosure Guidelines for capital markets, which detail appropriate disclosure standards, procedures and methods. The company formed a Disclosure Committee to ensure strict compliance with the disclosure rules laid down by stock exchanges, thereby implementing a framework for comprehensive and accurate disclosure.

Through these efforts, Canon endeavors to gain the trust of the capital markets and enable proper assessment of its corporate value and stock price.

Main IR Activities

Main Events	• Corporate strategy conference hosted by a representative director for institutional investors and analysts (annually, about 100 participants) • Financial results conference for institutional investors and analysts (quarterly, about 140 participants) • Financial results conference calls for institutional investors outside Japan (quarterly) • Individual visits to institutional investors in Japan to discuss financial results (ad hoc) • Business conferences for institutional investors and analysts (ad hoc) • Small meetings of investors hosted by securities companies (ad hoc) • Visits to institutional investors outside Japan to discuss management policy (North America, Europe) • Company briefings for salespersons at securities companies (ad hoc) • Company briefings for individual investors (ad hoc)
Daily Activities	• Responding to inquiries and requests for information from institutional investors and analysts (more than 500 a year) • Responding to phone inquiries • Responding to surveys inquiring about Canon's socially responsible investment (SRI)

We also hold quarterly meetings to relay concerns from institutional investors and securities analysts about the company's quarterly financial results and forecasts to products operations and the accounting division. Furthermore, we distribute a monthly IR bulletin to executive officers of Canon Inc. and the presidents of major Group companies presenting opinions expressed by shareholders and investors, helping us improve management and business operations throughout the Group.

Promoting Dialogue with Individual Investors

Canon Inc. has adopted various measures to encourage broader participation in the company by individual investors.

Aiming to increase the number of long-term individual shareholders, we have added an individual investor portal site to the Canon website, with information on Canon's operations, finances, technologies, environmental initiatives and more.

The number of individual shareholders as of December 31, 2012, was approximately 203,000, up approximately 17,000 from the previous year.

Dialogue with Investors outside Japan

The percentage of Canon Inc. shares owned by non-Japanese investors is high, at 34.7% as of December 31, 2012.

Canon Inc. maintains ongoing close communication with institutional investors around the world. In addition to holding corporate strategy conferences as well as conference calls to explain financial results to institutional investors outside Japan, we have also established IR bases in Europe and the United States. In 2012 we hosted a corporate strategy conference during our visit to institutional investors in Europe. The IR information posted on Canon's English-language website contains the same level of detail as that posted on our Japanese-language website, ensuring that our information disclosure system functions at the same level in both languages.

Return to Shareholders

Dividend Policy

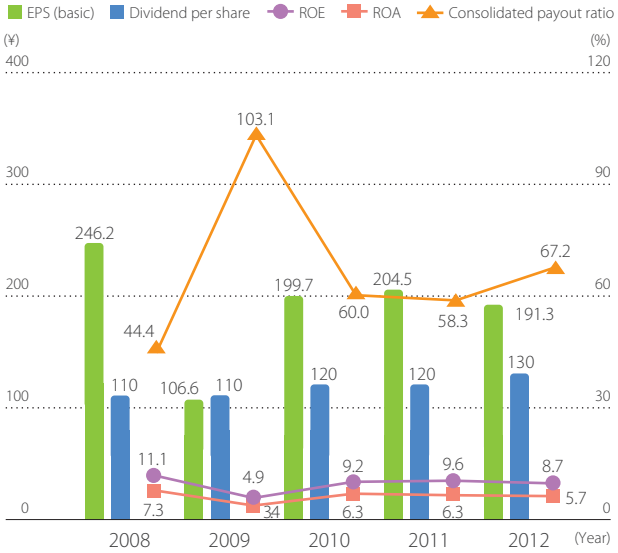
Canon Inc.'s basic policy is to provide stable returns and actively return profits to shareholders, mainly in the form of dividends.

Despite adverse conditions, such as the sluggish economy in Europe, in the period ending December 31, 2012, we were able to increase operational efficiency through careful cash flow management and had ample cash on hand.

Taking the above into account, we were able to raise dividends per share by 10 yen over the previous year, to 130

yen (which includes the 75th anniversary commemorative dividend of 10 yen).

EPS and Dividends



Acquisition of Own Shares

Canon Inc. has been acquiring its own shares to raise capital efficiency and allow for a flexible capital strategy for mergers and acquisitions. In 2012, Canon Inc. acquired approximately 49 million of its own shares in three tranches, for a total of approximately 150 billion yen. Our policy is to continue to implement measures as circumstances demand, taking into account investment and capital plans.

External Corporate Assessments

Credit Rating

Canon Inc. is rated by two agencies in the United States and one in Japan, with the credit rating being one external indicator subject to close scrutiny. Canon continues to maintain a very high credit rating, once again receiving strong marks for maintaining and continuing to strengthen its financial condition in a severe economic climate marked by downgrades across the world.

Ratings by Key Agencies (As of December 31, 2012)

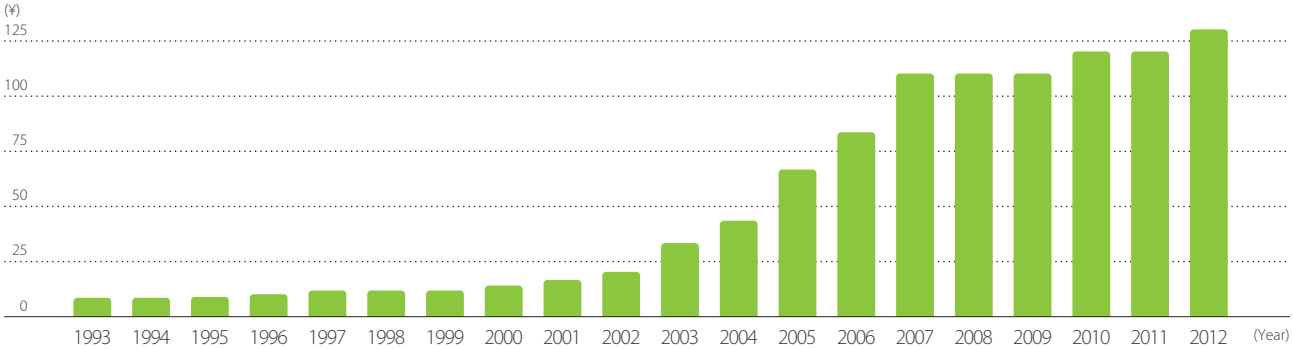
Credit Rating Agencies	Long Term	Short Term
Standard & Poor's	AA	A-1+
Moody's	Aa1	–
Rating and Investment Information, Inc.	AA+	–

Canon's Inclusion in SRI Indexes

Canon Inc. has received high marks from socially responsible investment (SRI) evaluation agencies for responding to their questionnaires and surveys and for disclosing CSR information through various reports. As a result, the company is included in SRI indexes.

In the future, we will strive to disclose CSR information in a more easily understandable manner in response to the needs of society.

Annual Dividend Per-Share Trend



* Figures have been adjusted to reflect a three-for-two stock split made on July 1, 2006.

GRI Guideline Implementation

1. Strategy and Analysis

Index		Data
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	pp. 3–4
1.2	Description of key impacts, risks, and opportunities.	pp. 3–4, 25–29, 69, 75, 87, 99, 109, 115

2. Organizational Profile

Index		Data
2.1	Name of the organization.	p. 2
2.2	Primary brands, products, and/or services.	p. 5
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	pp. 5–6, Canon Fact Book
2.4	Location of organization's headquarters.	p. 2
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	p. 6
2.6	Nature of ownership and legal form.	p. 2
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	pp. 5–6
2.8	Scale of the reporting organization, including:	pp. 5–6, 7
	Number of employees;	
	Number of operations;	
	Net sales (for private sector organizations) or net revenues (for public sector organizations);	
	Total capitalization broken down in terms of debt and equity (for private sector organizations); and	
	Quantity of products or services provided.	
	In addition to the above, reporting organizations are encouraged to provide additional information, as appropriate, such as:	pp. 6, 7
	Total assets;	
	Beneficial ownership (including identity and percentage of ownership of largest shareholders); and	
	Breakdowns by country/region of the following: • Sales/revenues by countries/regions that make up 5 percent or more of total revenues; • Costs by countries/regions that make up 5 percent or more of total revenues; and • Employees.	
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	Not applicable
	The location of, or changes in operations, including facility openings, closings, and expansions; and	
	Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	
2.10	Awards received in the reporting period.	pp. 13, 18, 100, 106

3. Report Parameters

Index		Data
REPORT PROFILE		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	p. 1
3.2	Date of most recent previous report (if any).	p. 1
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its contents.	Back cover
REPORT SCOPE AND BOUNDARY		
3.5	Process for defining report content, including:	pp. 2, 9
	Determining materiality;	
	Prioritizing topics within the report; and	
	Identifying stakeholders the organization expects to use the report.	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	pp. 1, 67–68
3.7	State any specific limitations on the scope or boundary of the report.	pp. 1, 67–68
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	p. 31
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/periods, nature of business, measurement methods).	p. 1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable
GRI CONTENT INDEX		
3.12	Table identifying the location of the Standard Disclosures in the report.	This page
ASSURANCE		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	pp. 131–134

4. Governance, Commitments, and Engagement

Index		Data
GOVERNANCE		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	p. 117
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	p. 118
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/ or non-executive members.	p. 117
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	p. 117
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	p. 120
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	p. 117
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Canon Annual Report, An Overview of Corporate Governance at Canon Inc.

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	pp. 9, 29, 30, 77, 89, 93, 101
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	pp. 9, 32, 33, 117
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	pp. 117–118
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	pp. 34, 35, 89–92, 118–119, 121–123
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	pp. 10 , 34, 42, 43, 79
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:	pp. 43, 88
	Has positions in governance bodies;	
	Participates in projects or committees;	
	Provides substantive funding beyond routine membership dues; or	
	Views membership as strategic.	
STAKEHOLDER ENGAGEMENT		
4.14	List of stakeholder groups engaged by the organization.	pp. 2, 10
4.15	Basis for identification and selection of stakeholders with whom to engage.	pp. 2, 10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	p. 10
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	pp. 10, 11–24

5. Management Approach and Performance Indicators

Economic

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 7–8
Goals and Performance	pp. 7–8
Policy	pp. 7–8
Additional Contextual Information	FORM 20-F
Economic Performance Indicators	
ASPECT: ECONOMIC PERFORMANCE	
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	pp. 7, 78, 126
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.	p. 30
EC3. Coverage of the organization's defined benefit plan obligations.	FORM 20-F
EC4. Significant financial assistance received from government.	
ASPECT: MARKET PRESENCE	
EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	
EC7. Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	p. 74
ASPECT: INDIRECT ECONOMIC IMPACTS	
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	pp. 19–20, 21–22, 111–114
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	

Environmental

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 25–26, 27–28, 29–31
Goals and Performance	pp. 25–26, 27–28
Policy	pp. 25–26, 29–30
Organizational Responsibility	p. 33
Training and Awareness	p. 35
Monitoring and Follow-Up	pp. 33, 39–40, 42, 43
Additional Contextual Information	p. 30, FORM 20-F
Environmental Performance Indicators	
ASPECT: MATERIALS	
EN1. Materials used by weight or volume.	p. 31
EN2. Percentage of materials used that are recycled input materials.	p. 61
ASPECT: ENERGY	
EN3. Direct energy consumption by primary energy source.	pp. 31, 44–45
EN4. Indirect energy consumption by primary source.	
EN5. Energy saved due to conservation and efficiency improvements.	pp. 18, 36, 44–45
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	pp. 30–31, 36, 55–58
EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	pp. 30–31, 42
ASPECT: WATER	
EN8. Total water withdrawal by source.	pp. 31, 47
EN9. Water sources significantly affected by withdrawal of water.	
EN10. Percentage and total volume of water recycled and reused.	
ASPECT: BIODIVERSITY	
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	pp. 37–38
EN13. Habitats protected or restored.	pp. 37–38
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	
ASPECT: EMISSIONS, EFFLUENTS, AND WASTE	
EN16. Total direct and indirect greenhouse gas emissions by weight.	pp. 31, 44–45, 52–54

EN17.	Other relevant indirect greenhouse gas emissions by weight.	pp. 30–31
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	pp. 44–46, 52–54, 55–59
EN19.	Emissions of ozone-depleting substances by weight.	pp. 31, 48–50
EN20.	NO, SO, and other significant air emissions by type and weight.	
EN21.	Total water discharge by quality and destination.	p. 47
EN22.	Total weight of waste by type and disposal method.	pp. 46–47
EN23.	Total number and volume of significant spills.	pp. 50–51
EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	
EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	
ASPECT: PRODUCTS AND SERVICES		
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	pp. 55–59
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	pp. 61–65
ASPECT: COMPLIANCE		
EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	
ASPECT: TRANSPORT		
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	pp. 52–54
ASPECT: OVERALL		
EN30.	Total environmental protection expenditures and investments by type.	pp. 35–36

Labor Practices and Decent Work

Index	Data
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Disclosure on Management Approach	pp. 69–70, 75–76
Goals and Performance	pp. 69–70, 75–76
Policy	pp. 77, 84
Organizational Responsibility	pp. 71, 77, 84–86
Training and Awareness	pp. 24, 72, 81–83, 85–86
Monitoring and Follow-Up	
Additional Contextual Information	pp. 71, 77, 84–86
Labor Practices and Decent Work Performance Indicators	
ASPECT: EMPLOYMENT	
LA1. Total workforce by employment type, employment contract, and region, broken down by gender.	pp. 72
LA2. Total number and rate of new employee hires and employee turnover by age group, gender, and region.	pp. 72, 77
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	
LA15. Return to work and retention rates after parental leave, by gender.	p. 80
ASPECT: LABOR/MANAGEMENT RELATIONS	
LA4. Percentage of employees covered by collective bargaining agreements.	pp. 77–78
LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	
ASPECT: OCCUPATIONAL HEALTH AND SAFETY	
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	p. 85
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	pp. 85–86
LA9. Health and safety topics covered in formal agreements with trade unions.	
ASPECT: TRAINING AND EDUCATION	
LA10. Average hours of training per year per employee by gender, and by employee category.	p. 81
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pp. 81–83
LA12. Percentage of employees receiving regular performance and career development reviews, by gender.	
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY	
LA13. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	pp. 72–73
EQUAL REMUNERATION FOR WOMEN AND MEN	
LA14. Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	

Human Rights

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 69–70
Goals and Performance	p. 69
Policy	pp. 71, 89
Organizational Responsibility	
Training and Awareness	p. 71
Monitoring and Follow-Up	p. 71
Additional Contextual Information	
Human Rights Performance Indicators	
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES	
HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	
HR2. Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	p. 88
ASPECT: NON-DISCRIMINATION	
HR4. Total number of incidents of discrimination and actions taken.	

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	
ASPECT: CHILD LABOR		
HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	p. 71
ASPECT: FORCED AND COMPULSORY LABOR		
HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	p. 71
ASPECT: SECURITY PRACTICES		
HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	p. 89
ASPECT: INDIGENOUS RIGHTS		
HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	
ASSESSMENT		
HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	
REMEDIATION		
HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	

Society

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 87–88
Goals and Performance	p. 87
Policy	p. 89
Organizational Responsibility	pp. 89, 117
Training and Awareness	pp. 91–92
Monitoring and Follow-Up	pp. 89, 118–119
Additional Contextual Information	pp. 87–98
Society Performance Indicators	
LOCAL COMMUNITY	
SO1. Percentage of operations with implemented local community engagement, impact assessments, and development programs.	
SO9. Operations with significant potential or actual negative impacts on local communities.	Not applicable
SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable
ASPECT: CORRUPTION	
SO2. Percentage and total number of business units analyzed for risks related to corruption.	
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	pp. 88, 89, 91
SO4. Actions taken in response to incidents of corruption.	
ASPECT: PUBLIC POLICY	
SO5. Public policy positions and participation in public policy development and lobbying.	p. 88
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	
ASPECT: ANTI-COMPETITIVE BEHAVIOR	
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable
ASPECT: COMPLIANCE	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable

Product Responsibility

Index	Data
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Disclosure on Management Approach	pp. 99–100
Goals and Performance	pp. 99–100
Policy	pp. 101, 102
Organizational Responsibility	p. 101
Training and Awareness	p. 103
Monitoring and Follow-Up	pp. 95, 101
Additional Contextual Information	pp. 106–108
Product Responsibility Performance Indicators	
ASPECT: CUSTOMER HEALTH AND SAFETY	
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	pp. 101–105
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	p. 103
ASPECT: PRODUCT AND SERVICE LABELING	
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	pp. 16–17, 56
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	pp. 107–108
ASPECT: MARKETING COMMUNICATIONS	
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not applicable
ASPECT: CUSTOMER PRIVACY	
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable
ASPECT: COMPLIANCE	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not applicable

Reference:

FORM 20-F
http://www.canon.com/ir/library/index.html

Canon Fact Book
http://www.canon.com/media/index.html

An Overview of Corporate Governance at Canon Inc.
http://www.canon.com/ir/strategies/governance.html

Canon Annual Report
http://www.canon.com/ir/library/index.html

Project Co-ordinator,
Sustainable Production and Consumption Department,
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Dr. phil. Justus von Geibler

Sustainability is a moving target—improving sustainability performance appears as an ever on-going task for organisations committed to sustainable development. To what extent has Canon managed to improve the quality of the content in this year's report? Based on my involvement in the commentary process, discussing the themes of the entire report, and reviewing the summarized version of the report, my overall judgement is very positive. I welcome many changes, taking the perspective of the four principles set by the Global Reporting Initiative (GRI) for defining the content of sustainability reporting: 1. Materiality, 2. Stakeholder inclusiveness, 3. Sustainability context, and 4. Completeness.

Materiality concerns the coverage of reported information and indicators reflecting the reporter's significant social, economic and environmental impacts, or substantively influencing stakeholder's assessments. From this perspective, I highly appreciate the broader coverage of themes, both in the Key Activities Report (page 11–24) and the ISO 26000-related section (page 25–126), which I suggest should be merged in the medium term. Important specific themes such as the impact on health systems and security issues are addressed more intensively. More quantitative indicators have been included; this should continue in future reports. This year's report is a longer PDF version including all website information, which is more convenient for readers since there is no need to switch between two formats.

Stakeholder inclusiveness relates to the degree to which a company has identified its stakeholders and responded to reasonable expectations and interests. I welcome that the report's content continues to draw upon the outcomes of a stakeholder engagement processes. This year, Canon has chosen specific activities carried out in 2012 as candidates for the Sustainability Report 2013 materiality themes; the final selection of themes has been based on the results of the questionnaire (page 10). For the commentary process, Canon has unfortunately reduced the number of external commentators as a result of updating the report production process, including moving the issue date one month earlier in response to the needs of certain stakeholders. However, based on survey and interview statements more stakeholder voices are represented throughout the report.

Sustainability context refers to the presentation of information in the wider context of economic, environmental or social conditions and trends illustrating the organization's performance relative to these concerns. From my perspective, the report provides more context related information; specifically in the Message From Top Management or through reference to relevant awards and labels (e.g. the EPEAT Environmental Label, page 17). An even stronger use of context information, for example with respect to increasing global concerns about natural resource scarcity, might be valuable in future reports.

Completeness encompasses the dimensions of report scope, boundaries and time period, as the coverage of information in a report should appropriately reflect the organization's significant impacts. The time line for this year's report has been shortened, thus the performance will be reported nearer to the time at which it occurred.

I congratulate the CSR Division and the team involved in the report preparation for their valuable work to further improve Canon´s sustainability report. Canon has made promising achievements and can build on substantial experience in this field being ready to further advance the sustainability report. I look forward to continued progress in the future.

About the Third-Party Opinion

Canon has received third-party opinions from Dr. phil. Justus von Geibler, an expert from the Wuppertal Institute, every year for six years since 2008. As a result, Dr. von Geibler is able to offer opinions from a medium- to long-term perspective on how well this report (summarized version) meets expectations regarding the information included in the report, the quality of performance it conveys, and its usefulness for substantial engagement.

We held a dialogue session via phone regarding the composition and contents of the report so as to ensure a meaningful exchange of views with Dr. von Geibler and reflected his suggestions in the report to the greatest extent possible. (See the table below for details.)

These third-party opinion pages include the main items discussed with Dr. von Geibler, particularly the items worthy of praise and the key issues to be addressed over the long term. Based on the issues raised by Justus von Geibler and opinions from other stakeholders, Canon is stepping up its CSR activities and striving for more complete information disclosure through this report and other media.

* This third-party comment is the personal view of the author and no verification of the report contents or data. The comment does not imply any endorsement from his organization.

Commentator Opinions and Canon's Response in Third-Party Dialogue

Main Suggestions	Main Reflections (New Content in the 2013 Report)	Pages Posted
The distinction between "Key Activities Report" and "Reporting in Accordance with the ISO 26000 Core Subjects" should be clarified.	As the report's opening explains, the "Key Activities Report" section of the report is organized according to the "Key Activities" listed in the Canon Group CSR Activity Policy and focuses on activities implemented in 2012 of high interest to stakeholders, while, mindful of international ISO 26000 standards, the "Reporting in Accordance with the ISO 26000 Core Subjects" section covers all CSR activity at Canon with a focus on our duty to disclose certain information and data to stakeholders.	p. 10
The GRI Sustainability Reporting Guidelines will be revised this fiscal year. In the future, I hope to see contents included which correspond to these revisions.	Canon has also been keeping an eye on the progress of revisions to the GRI guidelines as the organization works out policies of investor concern. We plan to hold internal investigations after revisions are complete so as to comply with new guidelines to the fullest extent possible.	–
It would be better if concrete figure were incorporated for the included objectives and actual results.	Due to repeated advice to this effect, we are disclosing a number of concrete figures in this report. Additionally, for items which are difficult to disclose, we plan to work to clarify related issues so as to comply as fully as possible in future reports as well.	pp. 25, 69, 75, 87, 99, 109, 115

About the Third-Party Review Process

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

Dr. phil. Justus von Geibler has provided comment to Canon's reporting every year since 2008. Via a telephone dialogue session and written comments, Dr. von Geibler provided input at several points during Canon's report preparation process. The dialogue provides the basis for a degree of stakeholder engagement with Canon – on reporting, on the company's performance, and on Canon's relationships with stakeholders.

Basis for the Commentator's Opinions

For the fifth year running, Canon has welcomed external comment using a portion of the Global Reporting Initiative Sustainability Reporting Guidelines as the basis for the commentator's opinions, namely four Reporting Principles relating to Defining Report Content* :

- **Materiality**
  Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness**
  Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context**
  Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness**
  Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

Using these principles as a guideline, Dr. von Geibler was asked to assess the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2013
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Judy Kuszewski has provided advice and support to Canon with regard to the third-party opinion section, by defining terms of reference for the third-party opinion, facilitating relationships with the commentator and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Judy Kuszewski nor the external commentator functions as an assurance provider, but as a well-informed, independent sustainability professional with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting.

* Detailed information on the four principles can be found at https://www.globalreporting.org/reporting/guidelines-online/G31Online/DefiningReportContentQualityAndBoundary/Pages/DefiningReportContent.aspx

What the Commentator Discussed

Through the telephone conference process, Dr. von Geibler and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included:

- Clarifying the process of updating the Canon report for 2013, including the high-level goals and objectives, timing and any impacts inherent in these decisions
- Desire to maintain and improve Canon's stakeholder engagement throughout its CSR activities, including the development of its reporting
- Reviewing materiality in Canon's report, specifically the linkages between Canon Group CSR Activity Policy, the ISO 26000 Standard and the report's Materiality Themes
- Strengthening the expression of Canon's overall sustainability impact, contribution and management approach in light of the increasing specificity and depth of reported information
- Modifications to report format and presentation to meet the needs of readers and stakeholders

Dr. von Geibler's full statement can be seen at "Third-Party Opinion."

About the Facilitator

Judy Kuszewski is a specialist consultant in the field of corporate responsibility, and is a director of IWJK Limited, located in the UK. Her career spans over 20 years, including senior roles with Ceres, the Global Reporting Initiative, and the consultancy SustainAbility. She has provided advice and support on sustainability accountability, reporting and stakeholder dialogue to a wide range of companies around the world. For more information, please visit www.kuszewski.net.

The Canon Group CSR (Sustainability) Report

Canon Inc. began publishing Environmental Reports from 1999, following Ecology, first published in 1994. In 2003 the scope of content was expanded to include economic and social issues, and a yearly Sustainability Report replaced the previous Environmental Reports.

Canon (Schweiz) was the first Group company, in 1994, to begin publishing its own environmental reports. Currently, other regional Group companies also publish environmental or CSR (sustainability) reports. In addition to English, Canon Europe publishes its sustainability report in five European languages (French, German, Spanish, Italian and Dutch). Marketing subsidiaries from the various European countries also include additional content to create localized versions of the report. In 2012 the report was published in 20 regions and 15 languages, and made available online in each country and region.

We will continue to expand the scope of reporting as we report on Canon's global measures towards the achievement of a sustainable society.

Canon Marketing Japan CSR Report
http://cweb.canon.jp/csr/csr-report/index.html

Canon Europe Sustainability Report
http://www.canon.co.uk/About_Us/sustainability/index.aspx

Canon China CSR Report
http://www.canon.com.cn/corp/download/aboutcanon.html

Canon Oceania Sustainability Report
http://www.canon.com.au/About-Canon/Sustainability-Environment/Sustainability-Report

About the Cover Photo

Canon Europe has served as a WWF Conservation Partner since 1998, supporting a wide range of environmental activities. In addition to such initiatives as the WWF–Canon Global PhotoNetwork (the WWF's digital photograph database) and other activities, from 2012 to 2014, Canon Europe is supporting a specific Arctic conservation project each year.

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