To Our Readers

The Canon Sustainability Report 2005 is published to ensure accountability to Canon stakeholders by informing them of the ways in which our global business activities are helping to achieve a sustainable society. The Sustainability Report also promotes constructive two-way communication with stakeholders, which directly leads to improvements in the various activities outlined within this report. We endeavor to expand the contents of this report each year to reflect the needs of a broad range of stakeholders, and outline Canon’s diverse activities in a systematic and clear manner.

Throughout the report "(P. 00)" indicates pages with additional reference material.

This report is available in Japanese and English.

URL: canon.com/environment

•Features of the Canon Sustainability Report 2005
  The contents of the 2005 report have been improved and expanded in the following areas.
  Editorial Policy:
  • Areas covered by the "Social Management" and "Environmentally Conscious Management" sections have been clarified.
  • Management and performance data sections, previously reported separately, are now reported together.

  Social Activities:
  • Corporate governance and compliance information (P. 23-28).
  • Information on social contributions of products (P. 7-8, 31-34), etc.

  Environmental Activities:
  • Vision for 2010: Factor 2 progress report (P. 14).
  • Global warming countermeasures (P. 17-18, 53), etc.

•Reporting Scope
  In principle, this report covers Canon’s economic, social, and environmental activities within the consolidated accounting scope for the 2004 fiscal year (January 1, 2004 to December 31, 2004). The scope, however, of environmental assurance activities is not limited just to Canon’s development, production and sales operations, but covers business activities at every stage of the life cycle, including manufacturing by suppliers and product usage by customers (P. 13). Please see P. 65 for a list of operational sites covered by this report. Also, please note that supplemental information on important targets and initiatives prior to 2003 and beyond fiscal 2005 are also referenced in the report, and any information limited to certain regions or organizations is indicated as such.

•Third-Party Opinions
  Since 2002, Canon has asked SustainAbility Ltd. to consult on and assist with arrangements for third-party opinions to improve the objectivity of our Sustainability Report. Included in this year’s report are unedited views received from two environment and social science experts, each with a different perspective, so that readers may develop an opinion of Canon and its activities based on a comprehensive compilation of information (P. 67-68).

•Reference Guidelines
  • GRI Sustainability Reporting Guidelines (2002)
  • Environmental Reporting Guidelines (2003 version) from Japan’s Ministry of the Environment
  • Environmental Accounting Guidelines (2005 version) from Japan’s Ministry of the Environment

•Feedback from Readers
  We welcome feedback from readers. The suggestions and views of readers serve as valuable guidance to enhance future sustainability initiatives.
  Please feel free to e-mail your comments or send us a fax using the questionnaire at the end of the report.
  (Fax: +81-3-3758-8225, E-mail: eco@web.canon.co.jp)

*The product names used in this report are the names used in the United States and Europe/Asia. The product name is written only once if the same name is used in the United States and Europe/Asia. For products not sold in the United States or Europe/Asia, the product names are those used in Japan.
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Overview of Canon Inc.
Company Name: Canon Inc.
Establishment: August 10, 1937
Headquarters: 30-2, Shimomuramuko 3-chome, Ohta-ku, Tokyo, Japan
President and CEO: Fujio Mitarai
Capital: ¥173,864 million
Group Companies: 184 consolidated subsidiaries
17 companies accounted for under the equity method
(as of December 31, 2004)
employees to follow the principle of putting public order and morals ahead of profit.

Recognizing how important it is to increase transparency and reinforce monitoring functions for management, we have instituted a variety of measures to enhance our corporate governance system. In the past two years alone, three new regulatory committees, which I oversee as chairman, have been established; namely, the Corporate Ethics and Compliance Committee, the Internal Control Committee, and the Disclosure Committee.

These are, however, only systems of governance. What is most important is that employees and managers manifest a natural consciousness of compliance and a desire to contribute to society as a responsible corporate citizen. Since Canon’s founding, employees have been trained and evaluated based on the principle of the “Three Selfs”—self-motivation, self-management, and self-awareness. My role is to lead the way in promoting the awareness and application of the Three Selfs principle among Canon group employees worldwide.

Promotion of Environmentally Conscious Management and Factor 2

The development of new technologies in the 20th century spurred the growth of an industrial society, but also brought about environmental problems, which threaten the very existence of man. For Canon—a company that has striven to develop new technology since its founding, identifying and creating revolutionary products and diversifying business—these are not problems that can be overlooked.

Canon believes that technology and economic activity can be effectively used to restore the environmental balance. It was this conviction that motivated us to establish the Maximization of Resource Efficiency concept in 2001 as a cornerstone of our environmental activities. Under this concept, Canon seeks to extract the maximum value out of minimal resources at every stage of the life cycle. This approach ensures that environmental conservation and economic development activities proceed hand-in-hand. In 2003, we put this thinking into practice by setting forth our Vision for 2010, a medium-to-long-term plan that relates to all of our stakeholders.

Corporate Citizenship and the “Three Selfs”

Companies are organs of society, and as such must undertake various activities with an uncompromising spirit of compliance. They must actively participate in society through contributions to local communities and support for cultural and humanitarian assistance activities. While participation in such activities is the responsibility of a “good corporate citizen,” it can also serve as a means to improve corporate value and deepen public trust in the company. Also, in striving to become a Truly Excellent Global Corporation, Canon thoroughly educates its employees to contribute to society as a responsible corporate citizen.
A Truly Excellent Global Corporation

I believe that providing stable livelihoods with upward potential for employees and profitable returns to shareholders, contributing to society, and creating equity capital (profit) for sustainable development of the company are essential requirements for the growth and development of any company. If a company cannot meet these requirements, it has no value as a business enterprise.

In 1996, in accordance with the kyosei philosophy, Canon announced the Excellent Global Corporation Plan, which embodies our goal of continuing to contribute to society through technological innovation while aiming to be a corporation worthy of admiration and respect worldwide. Since then, we have promoted management reforms to fulfill our mission of becoming an Excellent Global Corporation, and as a result, were able to see our sales and profits increase for the fifth straight year in 2004. We are anxiously preparing for the start of Phase III of the Excellent Global Corporation Plan in 2006, from which time we will pursue a course of healthy growth while maintaining our current high profit structure.

Building on the solid trust of our stakeholders, we aim to grow into a business group possessing the corporate value necessary for sustained development.
Development of the Canon Group

Beginning with the development of Japan’s first 35mm focal-plane-shutter camera in 1934, Canon has expanded business operations over the years based on the continual creation of innovative proprietary technologies. Our global expansion got underway in 1955 with the establishment of a New York branch office, and we never looked back from there, as by the late 1960s, more than half the goods the company produced were exported. Canon was firmly on the path to becoming a major global enterprise.

Our operations diversified in the 1960s to include business machines as well as cameras. In the 1970s we developed Japan’s first plain-paper copying machine and laser beam printer (LBP), and then in the 1980s we began marketing inkjet printers and other cutting-edge technologies. The establishment of new global footholds coincided with this diversified business growth. Canon gradually built a network of sales offices and production plants to span the globe.

A Truly Excellent Global Corporation based on the Philosophy of Kyosei

Canon set forth the corporate philosophy of Kyosei in 1988. This philosophy was founded with the aim of “all people, regardless of race, religion or culture, harmoniously living and working together into the future.” Put succinctly, Kyosei aims for the creation of a sustainable society.

Based on the Kyosei philosophy, we embarked on our Excellent Global Corporation Plan (P. 9) in 1996 with a mission to become an admired and respected company around the world. Since then, Canon has promoted a wide variety of initiatives in keeping with this goal of becoming a Truly Excellent Global Corporation.

Canon’s Stakeholders

The Canon Group depends on a large and diverse group of stakeholders supporting its global expansion. Three-fourths of the Group’s consolidated sales now take place outside Japan. We consider every world citizen as either a present-day customer or a potential customer. Other important stakeholders include the investors and shareholders who entrust their funds with Canon to finance the company’s businesses, as well as Group employees, suppliers around the world, industry, government, and academia. All Canon stakeholders are in some way instrumental in the supply of Canon products and services to the market.

From a wider perspective, the global environment, local communities, and international society affected by our activities are also major stakeholders in their own rights.

Canon’s Management Stance

“Contribution to society” and “fair business activities” are the cornerstones of Canon’s management stance, as embodied in the Canon Group Code of Conduct (P. 27). Accordingly, we consider the following factors to be indispensable: 1) Provision of Excellent Products, 2) Protection of Consumers, 3) Preservation of the Global Environment, 4) Social and Cultural Contributions, and 5) Communication.

The Canon Group shall continue its commitment to full compliance with all laws and regulations applicable to its activities, and shall engage in its business with fairness and sincerity, with a full understanding of the importance of these commitments.

The Group strives to maintain two-way communication, direct and otherwise, with its many stakeholders, as well as to reflect this communication in all Group operations conducted around the world.
**Canon Group Vision and Relationship with Stakeholders**

**Corporate Philosophy**

*Kyosei*

Living and working together for the common good

**Corporate Goals**

1. **Establish a Truly Global Corporation**
   Transcend borders to actively fulfill our social responsibility to all humankind, in every region of the world

2. **Accept the Responsibility of Being a Pioneer**
   Create products without rival in quality and service, and which contribute to the improvement of societies around the world

3. **Ensure the Happiness of All in the Canon Group**
   Contribute to continuing prosperity by building an ideal firm

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**Consolidated Net Sales by Product (1995–2004)**

- Office imaging products
- Cameras
- Computer peripherals
- Optical and other products

**2004 Net Sales by Region (consolidated)**

- **Japan**: 849,734
- **Europe**: 1,093,295
- **Americas**: 1,059,425
- **Other**: 465,399

**Total**: 3,467,853 (¥ million)

**2004 Employees by Region (consolidated)**

- **Japan**: 46,103
- **Americas**: 10,898
- **Europe**: 10,258
- **Other**: 40,998

**Total**: 108,257 (people)

(as of December 31, 2004)

*Please see P. 59 for more detailed information.*
A Pioneer in Imaging Technology

The most important contribution a manufacturer can make to society is to consistently provide excellent products and services. Canon has diversified its products and services from its original specialty of cameras to a new core field of business machines, as well as a remarkable range of input and output devices, solutions and services, and software in the field of imaging. From 2005 we have also begun to prepare for the production of next-generation flat-screen SED displays (P. 22). Canon has developed its business in stride with digitalization and networking trends to provide total imaging solutions that combine every type of still and video imaging equipment with related services.

Enriching World Culture with Premium Products and Services

As a pioneer of new technologies, Canon responds to the diversifying needs of customers around the world with original products, services, and businesses.

Personal-Use Products

Personal-use imagining products such as cameras and inkjet printers play a meaningful role in encouraging and capturing personal expression and ideas around the world—one of the major goals of Canon’s business.

A. Canon DIGITAL REBEL XT /
    EOS 350D DIGITAL

B. PowerShot SD500 Digital ELPH /
    DIGITAL IXUS 700

C. EOS DIGITAL REBEL XT /
    EOS 350D DIGITAL

D. PIXMA iP8500

E. CANSON 9950F

F. PIXMA MP760

G. PIXMA MFP 760

H. ELURA 90/MVX350i

Digital SLR Cameras

Canon independently develops the EF interchangeable lenses, the CMOS sensors, and the DIGIC imaging processors that hold the key to superb image quality. We combine decades of camera expertise with leading-edge digital technologies to deliver the outstanding performance that discerning professionals rely on.

Compact Digital Cameras

In the continuing pursuit of user-friendly operation, outstanding image quality, and compact size, our compact digital cameras incorporate the latest imaging technologies, including ultra-small high-performance zoom lenses and the DIGIC II imaging processor.

Digital Video Camcorders

Canon has incorporated such original innovations as optical image stabilizers into its camcorder products. The development of the DIGIC DV imaging processor has made it possible to shoot superb video and still images with a single camcorder.

Image Scanners

Canon produces image scanners for use with photographs, film, or clippings, including UDE models that incorporate our thin, energy-saving contact image sensor (CIS), and high-resolution CCD models that are ideal for film scanning.

Inkjet Printers

By continuing to pursue both image quality and speed, Canon made it possible to print high-quality digital photographs in the comfort of one’s own home. Canon inkjet printers ensure consistent color reproduction while meeting human color perception preferences.

Inkjet All-In-One Printers

Canon inkjet All-In-One (AIO) printers for Small Office/Home Office (SOHO) provide smooth printing, copying, scanning and faxing in a single device while producing high-quality image output.
Business Products
Canon continues to develop business products—from single-function copying machines, printers, and scanners, to network digital multifunction devices (MFDs)—which streamline the efficiency of business communication and enhance office productivity.

Office Color MFDs/Office Network MFDs
As a central input and output device in today’s office networks, multifunctional devices (MFDs) not only provide simultaneous parallel processing of copying, printing, scanning and faxing operations, they also provide data compression, saving and mailing functions.

Industrial Products
When Canon developed Japan’s first indirect X-ray camera in 1940, we launched an industrial products business that has since grown to include medical devices, broadcasting equipment, semiconductor manufacturing equipment and a gamut of other leading-edge systems, devices, and components. Canon’s industrial products serve as a foundation for the development of various industries and richer lifestyles.

Semiconductor Production Equipment
Semiconductor exposure tools, which are used to expose circuit patterns, must be capable of ultra-precise etching to create circuit widths measuring a mere 80 nanometers. Canon skillfully blends optical technologies and mechatronics technologies to realize the high productivity required by semiconductor manufacturers.

Color LBPs/Monochrome LBPs
Canon has driven the development of cartridge and laser technologies. Progress always begins with Canon, as exemplified by such revolutionary developments as color LH fixing, which yields tremendous energy savings.

Large-Format Inkjet Printers
Canon large-format inkjet printers combine photographic and art-grade image quality with high-speed printing. We also developed software that simplifies the production of professional-looking posters for a range of applications.

Liquid Crystal Display (LCD) Projectors
For LCD projectors, a must for conference presentations, Canon drew on its proprietary optical technologies to develop the compact high-resolution AIDYS (Aspectual Illumination System) optical system to maximize the performance of LCOS reflective LCD panels.

Digital Radiography Systems
Digital radiography systems are on the front lines of healthcare, where digitization and network connectivity continue apace. Canon is making digital radiography easier than ever with the development of upright, horizontal and cassette-type models.

Information on Canon products URL: www.canon.com
Vision & Strategy

Concept behind the Excellent Global Corporation Plan

Building an Ideal Corporation for Growth and Development

Canon continues to introduce management, development, and production innovations to support sustainable development on a global scale.

Management Innovations at Canon

Canon must continue to grow and develop as a corporation if we are to contribute to the prosperity of the world and happiness of humankind. We believe that we must serve the following functions to ensure our sustainable corporate development:

1. Provide stable livelihoods with upward potential for employees;
2. Return profits to shareholders;
3. Contribute to society; and
4. Make forward-looking investments to support sustainable development of the company. These are the quintessential functions of any company, and to provide them a company must generate profits.

When Canon initiated its Excellent Global Corporation Plan in 1996, we became one of the first Japanese corporations to resolutely implement new management reforms emphasizing cash flow and consolidated Group management targeting total optimization. We continued to institute management innovations in 1997 with the introduction of a Consolidated Planning and Measurement System to provide consolidated financial reporting and results evaluation based on each product group operation. In 2001 we commenced our Excellent Global Corporation Plan Phase II, the second phase of our long-term management strategy requiring that we meet targets by the end of 2005 for the further enhancement of corporate value. These management initiatives have led to a high-profit structure demonstrated by five straight years of increased sales and profits, beginning in 1999.

Development Innovations

Canon aims to become No. 1 in the world in all of its major business areas while maintaining the research and development capability to continually create new businesses. Aggressive, forward-looking investment and a deep commitment to research and development are crucial to meet these goals. With shortened development times for new products, Canon can reduce costs and speed up commercialization. These benefits enhance our competitiveness in terms of both price and product functionality. We have pursued development innovation activities like prototype-less development* throughout the company at every stage of the product creation process, from initial research to final production. In 2000 we rolled out a 3D computer-aided design (CAD) system (p. 49), which greatly reduces the need to build actual prototypes in the design process. These development innovations have greatly reduced Canon’s product development time and costs per manufactured product and greatly raised the ratio of new product sales to overall sales.

Excellent Global Corporation Plan (1996–2005)

In accordance with the kyosei philosophy, Canon will continue contributing to society through technological innovation, aiming to be a corporation worthy of admiration and respect worldwide.

**Vision**

1. Becoming No. 1 in the world in all of Canon’s major areas of business
2. Maintaining the R&D capability to continually create new businesses
3. The Group as a whole should have a strong financial structure that can operate and handle long-term investment without borrowed capital
4. All employees should be enthusiastically committed to achieving their ideals and take pride in their work

**Goals**

- Pursuit of overall optimum results
- Shift to profit focus
- Implementation of the just-in-time production system
- Foster multi-skilled production employees
- Emphasis on employee-designed tools
- Improvement of the just-in-time concept

**Change in Thinking**

**Advancement of Consolidated Management**

- Implementation of the Consolidated Planning and Measurement System (1997)
- Consolidated financial results by product group operation
- Performance evaluations for each product group operation

**Production Reform**

- Upgrade to oil production from conveyor belt system
- Foster multi-skilled production employees
- Emphasis on employee-designed tools
- Implementation of the just-in-time concept

**Development Innovations**

- Production of new simula-tion to the development of a 3D-CAD system and a commit-ment to the develop-ment of new simula-tion, measurement, and analysis technologies.

**Four Purposes of Companies**

- Stability of livelihoods of employees
- Returns to shareholders
- Contributions to society
- Investments for continued development

**Company Innovations**

- Cash flow management
- Withdrawal from unprofitable businesses

**Sales Innovations**

- Restructure and consolidate marketing subsidiaries
- Emphasize solution businesses
- Construct pan-European business system
- Strengthen business in China and other parts of Asia

**New Diversification**

- Development of new businesses at headquarters
- Enhancement of basic research
- Group diversification
- Individual Group companies strengthen their own businesses
- Global diversification
- Establish a three-regional headquarters global management system

* Prototype-less development
  The need for prototypes has been greatly reduced with the introduction of a 3D-CAD system and a commitment to the development of new simulation, measurement, and analysis technologies.
Production Reform

To meet the challenges of international competition and address changes in its operating environment, Canon has engaged in production reform activities since 1998. These include the adoption of the “just-in-time” production system and a switch to cell production*, a move that completely eliminated conveyor belts from our operations. We have also introduced systems such as factory vanning, a practice which allows us to load containers for export within our plants. These activities have contributed to our many successes in flexible production. As a result of production reform activities, Canon has eliminated about 20km of conveyor belts, created some 1 million square meters of usable space, and reduced its use of leased warehouse space by around 140,000m² over the last seven years. This has translated into dramatic cost savings and a cumulative reduction in CO₂ emissions equivalent to about 75,000 tons.

Continuing Innovation

Ongoing innovations in development and production at Canon have directly led to improvements in the ratio of gross profit to sales. This is not to say that the innovations of today will sustain us for tomorrow. Amidst the rapid changes in present-day markets and technologies, Canon believes that further innovations will be crucial to maintaining sustainable development. One key challenge will be to supplement the conventional need to consider the production efficiency at the product-development stage with the thorough reinforcement of production infrastructure and the introduction of new pragmatic manufacturing technologies at production sites. Costs can be further reduced by establishing a more profitable “concurrent development structure” that links the development and production divisions.

Other reforms aim to further automate the assembly process and increase the ratio of in-house production of key product components along with the equipment and dies to manufacture those components. Through these initiatives, we expect to accumulate internal production know-how and improve our cost ratio by pushing costs down even further.

These new innovations will enable Canon to build and expand a global infrastructure that sufficiently adapts to the changes in today’s global business environment. In Japan, we are restructuring our Group manufacturing and marketing companies to optimize both the Group and each company’s competitive strength, while establishing new R&D and production sites. Overseas, mainly through our marketing companies, the Canon Group has strengthened sales networks to support our solutions business, and adopted a new streamlined sales organization in the EU that better responds to regional market integration. We are also keeping a close eye on the expanding Chinese and other Asian markets and plan to strengthen our sales structure there as well.

A Corporate Spirit of Meeting Challenges

The Canon Group comprises 184 consolidated subsidiaries (as of December 31, 2004) around the world, which together employ more than 100,000 people (► P. 35). Well over half the Group employees are from countries outside Japan. Group companies in the Americas, Europe, and Japan/Asia regions are promoting economic and cultural development in their communities through sales of Canon products and outstanding development, production and recycling activities suited to local customs and cultures.

One of the objectives of the Excellent Global Corporation Plan is to nurture employees who take pride in their work and enthusiastically commit themselves to achieving their ideals. Canon strives to meet this goal by developing its human resources and fostering the special capabilities of employees while providing a stable and comfortable work environment for all (► P. 35-38).
Promoting Environmentally Conscious Management

Established in 1993, the Canon Environmental Charter embodies the basic philosophy and fundamental policies of our environmental assurance activities. All of these activities are based on the EQCD concept and are in keeping with the kyosei philosophy. The charter was revised in 2001 to reflect the introduction of a new plan to maximize resource efficiency and thereby ensure that the Group can pursue both environmental and economic goals through technological development and the establishment of social mechanisms.

Our approach to the environment continues to evolve. In 2003, for example, we put our approach into practice by setting forth the overriding indicator Factor 2 (P. 14) as our Vision for 2010. Factor 2 sets the numerical goal of more than doubling resource efficiency of business activities throughout the life cycle by 2010 as compared with 2000. Mid-Term Environmental Goals (P. 16) with milestones to meet by 2005 have been created to incorporate the vision into our business activities in planned stages, and each product group operation and operational site is required to fulfill specific goals to help meet Group targets.

We are taking a multifaceted approach to meeting our environmental goals starting with the creation and application of innovative environmental technologies. In the areas of environmental consciousness of products and reducing the environmental burden at operational sites, we have instituted environmental assurance initiatives in each area which focus on the three themes of global warming prevention and energy conservation, resource conservation, and the elimination of hazardous substances (P. 15). These activities result not only in reduced environmental burden, but also differentiate our products as environmentally conscious, lower costs through energy- and resource-efficient production, reduce risk by curtailing the use of designated hazardous substances, and reinforce competitiveness while supporting sustainable growth. All of these improvements combine to raise Canon’s brand value.

The introduction of the Environmental Evaluation System (P. 45) in 2001 has enabled us to manage the results of each division. These results are incorporated into the Evaluation System on a Consolidated Basis, the foundation of Canon’s consolidated management system, allowing management to directly evaluate the actual results of the environmental assurance activities at each division.

From 2004, to create a more comprehensive structure for environmentally conscious management, the Canon Group embarked on a three-year plan to obtain ISO14001 consolidated certification covering the entire Group (P. 43). To this end, we revised our Environmental Charter and environmental assurance rules in August 2004, and in the summer of 2005, the Canon Group is planning to acquire consolidated certification, which includes our operational sites, subsidiaries and affiliates in Japan, and some of our marketing subsidiaries and affiliates in Europe, as a first step.

With this management system, Canon is striving to create a unified approach to the environment and economic performance.

Yusuke Emura
Managing Director and
Group Executive of
the Global Environment
Promotion Headquarters,
Canon Inc.

EQCD Concept

Environment (environmental assurance)
Companies are not qualified to manufacture goods if they are incapable of environmental assurance.

Quality
Companies are not qualified to market goods if they are incapable of producing quality goods.

Cost

Delivery
Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

Maximization of Resource Efficiency

“Maximization of resource efficiency” means achieving maximum efficiency in the use of resources—in other words, offering the highest quality standards for products and services, while minimizing resource consumption, and practicing reuse and recycling. The key objective is to add as much value as possible, using as few resources and as little energy as possible.
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.

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 life cycles 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) 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’s Environmental Management System

Canon’s Goals for Environmentally Conscious Management

- Differentiate products based on environmentally conscious design
- Reduce costs through energy- and resource-efficient production
- Alleviate risk by reducing the use of designated hazardous substances
- Raise brand value
Understanding Environmental Burden across the Entire Life Cycle

Canon continues to assess and analyze the environmental burden associated with the flow of its business and formulates effective measures to deal with the burden. In 2004 we drew closer to our Factor 2 target, the Vision for 2010, by improving the environmental efficiency of the Group to Factor 1.30.

The direct environmental burden from Canon’s operational site activities in 2004 was equivalent to 850,000 tons of CO₂, or 14% of the environmental burden from the entire life cycle. The indirect environmental burden from the remaining stages—the upstream activities related to the manufacture of raw materials and parts by suppliers and the downstream activities of logistics by transportation companies and the use of products by customers—generated 5.25 million tons of CO₂, or 86% of the burden of the entire life cycle.

\*1 Material balance
The amount of energy and resources used in all business activities along with the discharges of substances acting as a burden on the environment (including waste).

\*2 Environmental burden
Artificial impact on the natural environment caused by the activities of companies and individuals.

Expanding the Scope of Data
Canon continually seeks the most appropriate method for collecting and calculating data in order to obtain a comprehensive and accurate picture of the environmental burden of all business activities over the entire life cycle. In calculating the environmental burden data for 2004, the scope was revised and expanded from the Sustainability Report 2004. Specifically, the data additionally cover the following:

- **Raw materials/parts production stage**: Electronic parts, aluminum, SUS, packaging materials, and other items.
- **Product usage stage**: Cameras, video camcorders, large-format inkjet printers, semiconductor manufacturing equipment, broadcasting lenses, medical equipment, and other products.

### Basic Approach to Calculating Environmental Burden

Our calculations reflect the environmental burden associated with business activities at every stage of the life cycle: raw materials/parts production; operational site activities (development, production, sales); 3) Shipping of products to retail outlets (logistics); and 4) Use of products by customers. The material balance\*1 of the environmental burden\*2 associated with each of these stages is illustrated in the chart below.

### Canon Group Material Balance in 2004

#### INPUT

- Energy Resources (in terms of crude oil) — 1,182,000kL
- Steel/Aluminum — 301,000t
- Plastic — 266,000t
- Electronic Parts — 9,000t
- Glass — 4,000t
- Paper — 244,000t

#### Operational Site Activities (development, production, sales)

- CO₂ — 848,000t-CO₂
- SOx — 31t
- NOx — 68t
- Waste — 5,873,000t
- BOD — 5.3t
- COD — 5.9t
- All Nitrogen — 7.7t
- All Phosphates — 1.3t
- Discharges of Hazardous Substances — 584t
- Waste — 1,809t

#### Logistics

- CO₂ — 762,000t-CO₂
- SOx — 381t
- NOx — 1,820t

#### Product Usage

- CO₂ — 1,837,000t-CO₂

#### Recycling

- Shipping Fuel — 288,656kL
- Electricity — 1,341,270MWh
- Gas — 22,086km³
- Kerosene/Fuel Oil — 115,594GJ

### Status of Environmental Burden

The life cycle of Canon’s business activities comprises four major stages: 1) The manufacture of raw materials and parts by suppliers; 2) Canon Group’s operational site activities (development, production, sales); 3) Shipping of products to retail outlets (logistics); and 4) Use of products by customers. The material balance\*1 of the environmental burden\*2 associated with each of these stages is illustrated in the chart below.

The coefficients from the Ministry of the Environment for 2000 are used to calculate the burden of five greenhouse gases in terms of CO₂: both the energy-derived greenhouse gas CO₂ and the non-energy-derived greenhouse gases PFCs, HFCs, SF₆, and N₂O. The conversion of CO₂ is made using annual coefficients for each region (P. 62). Specifically, 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. (See “Operational Sites Covered in Report” on P. 85)

The coefficients from the Ministry of the Environment for 2000 are used to calculate the burden of product usage by customers, with the average amount of electricity consumed by products shipped in a given fiscal year converted into CO₂ based on the average years of use of those products.

Other CO₂ conversion coefficients are provided in JEMAI-LCA (LCA software from the Japan Environmental Management Association for Industry).

### Expanding the Scope of Data

Canon continually seeks the most appropriate method for collecting and calculating data in order to obtain a comprehensive and accurate picture of the environmental burden of all business activities over the entire life cycle. In calculating the environmental burden data for 2004, the scope was revised and expanded from the Sustainability Report 2004. Specifically, the data additionally cover the following:

- Raw materials/parts production stage: Electronic parts, aluminum, SUS, packaging materials, and other items.
- Product usage stage: Cameras, video camcorders, large-format inkjet printers, semiconductor manufacturing equipment, broadcasting lenses, medical equipment, and other products.

- Basic Approach to Calculating Environmental Burden
Our calculations reflect the environmental burden associated with business activities at every stage of the life cycle: raw materials/parts production; operational site activities (development, production, sales); logistics; and product usage by customers. With regard to CO₂ emissions from operational site activities, the calculations include emissions of five greenhouse gases in terms of CO₂: both the energy-derived greenhouse gas CO₂ and the non-energy-derived greenhouse gases PFCs, HFCs, SF₆, and N₂O. The conversion of CO₂ is made using annual coefficients for each region (P. 62). Specifically, 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. (See “Operational Sites Covered in Report” on P. 85)

The coefficients from the Ministry of the Environment for 2000 are used to calculate the burden of product usage by customers, with the average amount of electricity consumed by products shipped in a given fiscal year converted into CO₂ based on the average years of use of those products.

Other CO₂ conversion coefficients are provided in JEMAI-LCA (LCA software from the Japan Environmental Management Association for Industry).
Progress in Vision for 2010

The goal in our environmental Vision for 2010 is Factor 2, the overriding indicator by which we plan to at least double resource efficiency associated with the entire business activity life cycle by 2010, as compared with the baseline year of 2000.

In 2004, the environmental efficiency indicator for the Canon Group improved to 1.30, or “Factor 1.30” compared with 2000. Though Canon Group sales increased to 3.5 trillion yen in 2004 from 2.7 trillion yen in 2000, the Group’s environmental burden as measured by CO₂ emissions was reduced to 6.024 million tons in 2004 from 6.099 million tons in 2000. Most of this improvement was achieved through the sale of energy-efficient products with reduced environmental burden (CO₂ emissions) during use by customers. Although the environmental burden at the stages other than product use actually increased in 2004 compared with 2000 as a result of the increase in sales, we succeeded in restraining the increase in this burden to a growth rate below the rate of increase in net sales.

Vision for 2010  
Overriding Indicator: Factor 2  
Net sales*1  
Life cycle CO₂ emissions*2  
More than double compared with 2000

*1 Annual consolidated sales of the Canon Group.  
*2 The environmental burden from business activities at every stage of the life cycle—the flow of business activities from production of raw materials, to production and marketing by the Canon Group, use by the customer, and recycling/disposal after use—is converted into total direct and indirect CO₂ emissions.

Environmental Burden and Factor of Environmental Efficiency

<table>
<thead>
<tr>
<th>Environmental Burden (1,000t-CO₂)</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000</td>
<td>2.50</td>
</tr>
<tr>
<td>8,000</td>
<td>2.00</td>
</tr>
<tr>
<td>6,099</td>
<td>1.50</td>
</tr>
<tr>
<td>6,024</td>
<td>1.20</td>
</tr>
<tr>
<td>4,000</td>
<td>1.00</td>
</tr>
<tr>
<td>2,000</td>
<td>0.50</td>
</tr>
</tbody>
</table>

2000

Raw materials/Parts production: 2,565 (42.1%)  
Operational site activity: 605 (9.9%)  
Logistics: 684 (11.2%)  
Product usage: 2,245 (36.8%)  
Total: 6,099

2004

Raw materials/Parts production: 2,649 (44.0%)  
Operational site activity: 776 (12.9%)  
Logistics: 762 (12.6%)  
Product usage: 1,837 (30.5%)  
Total: 6,024

Collection of Environmental Burden Data (life cycle CO₂ emissions) for Calculating Factor 2 Indicator

The collection of environmental burden data for the calculation of the factor is based on the same approach taken for the material balance on the opposite page. However, since this goal was set in 2000, the current scope of the environmental burden covered by the factor is different from the latest material balance. In addition, to express different types of environmental burden as a single numerical unit, the basis of the calculations is energy-derived CO₂ emissions.

Though the baseline for calculations is 2000, in our efforts to refine the data collection, revisions may be made to past data, including that for the baseline year. Furthermore, the environmental burden data for the baseline year of 2000 include a rough estimate of the logistics burden outside Japan based on shipments, as precise data do not exist.
Progressing Towards the Goal of Factor 2

Having compiled the results of our environmental burden analysis for 2004, the initial year of the Mid-Term Environmental Goals and the Vision for 2010, Canon has launched a range of new measures to meet the ultimate goal of Factor 2.

Results of Activities in 2004

The year 2004 marked the start of our Mid-Term Environmental Goals and our drive to realize the Vision for 2010. For the year, the Canon Group achieved a Factor 1.30 compared with 2000 for the year as a whole (P. 14).

The Group progressed far in a number of its product goals. Our main products qualified for environmental labels (P. 50), while we received the ENERGY STAR® Program Partner of the Year—Product Manufacturer Award (see Topics below). Our main product lines were significantly improved in the course of the year through the introduction of more compact and lighter designs and higher energy efficiency during operation and standby (P. 19–22) (P. 50–52). We also advanced our efforts to eliminate hazardous substances from our products by completing an organizational structure to ensure full compliance with the EU’s RoHS directive (P. 20) (P. 52). Canon has successfully commercialized the imageRUNNER C6800iR 6800C color MD, the EOS-1D Mark II digital SLR camera, and other RoHS-compliant products even before the implementation of the directive. We aim to have all of our new products in compliance from 2005.

As for operational site goals, the total amount of our greenhouse gas emissions (converted to CO₂) in 2004 increased 4% compared with 2000 in terms of units of sales. Thanks to our introduction of highly efficient energy-saving technologies (P. 18) (P. 53), the results represent a 3% reduction compared with the level in 2000 assuming a constant coefficient for converting electricity into CO₂ between 2000 and 2004 in Japan. The active expansion of internal recycling, meanwhile, led to a 20% reduction in the total amount of waste generated by the Group in 2004. Of the 15 operational sites outside Japan covered by this report, nine were able to completely eliminate the generation of landfill waste (P. 54). Canon is also ahead of schedule in its efforts to eliminate hazardous chemicals from its operations: by the end of 2004, the Group had already met its 2005 goals for reducing the amount of discharge of hazardous chemicals and substances designated by Japan’s PRTR Law (P. 55).

Regarding the common Group goals, Canon held direct meetings with consumers and university students as part of environmental communication activities (P. 29). We also have initiated a three-year plan to attain ISO14001 consolidated certification for the Group as part of our effort to reinforce environmentally conscious management at the Group level (P. 43). Organizations around the world have applauded these efforts. Among other distinctions, Canon was selected to become a component of the international sustainability investment indices FTSE4-Good Global 100 Index and DJSI World in 2004 (P. 23).

Challenges for 2005

The Canon Group aims to meet its Mid-Term Environmental Goals for 2005 as milestones in its drive to realize the Vision for 2010, Factor 2. We will also establish New Mid-Term Environmental Goals for 2006–2008 representing the optimum rational management objectives for the entire Group. These new objectives will be designed to identify and harmonize Group tasks required for achieving Factor 2, in parallel with the Group efforts to obtain ISO consolidated certification.

Canon has been taking a proactive approach to compliance with the Kyoto Protocol by planning the introduction of a separate management system for each product group operation and operational site. The full-scale operation of this system will bolster our measures at operational sites to combat global warming.

Topics

Receiving the ENERGY STAR® Program* Partner of the Year—Product Manufacturer Award

Canon U.S.A., Inc. has been awarded the 2005 ENERGY STAR® Partner of the Year—Product Manufacturer Award from the U.S. Environmental Protection Agency and the U.S. Department of Energy.

The award recognizes Canon’s achievements as a market leader in developing innovative, energy-efficient technologies and incorporating these technologies into a broad range of new products. Canon was also recognized for its efforts in broadly promoting the importance of energy efficiency and encouraging public interest and awareness.

Since 2001, Canon U.S.A., Inc. as received the prestigious “Partner of the Year Award — Product Manufacturers” four times. The company has also been presented with five other awards since joining the program in 1993.

* ENERGY STAR® Program

The U.S. EPA introduced this program in 1992 to promote the development and marketing of energy-efficient products that support the prevention of global warming by reducing greenhouse gas emissions. Expanding internationally, the program also has been introduced in Japan, EU and other countries (P. 50) (P. 62).
### Vision for 2010

<table>
<thead>
<tr>
<th>Overriding Indicator</th>
<th>Target</th>
<th>Results for 2004</th>
<th>Related Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor 2</td>
<td>More than double the ratio of net sales to life cycle CO2 emissions, using 2000 as the baseline year</td>
<td>Achieve by 2010</td>
<td>Achieved Factor 1.30</td>
</tr>
</tbody>
</table>

### Mid-Term Environmental Goals and Results for 2004

<table>
<thead>
<tr>
<th>Item</th>
<th>Target</th>
<th>Results for 2004</th>
<th>Related Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting Standards for Environmentally Conscious Products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meets standards and acquire certification for all major eco-labels</td>
<td>2005</td>
<td>91.4% (3 of 58 products) met standards</td>
<td>P. 50</td>
</tr>
<tr>
<td>Meets standards and acquire certification for all major eco-labels</td>
<td>2005</td>
<td>Eco Mark (for copying machines, printers) 68.8% of products met standards (33 of 48 products). Eco-label certification obtained for business machines in various countries and territories (Taiwan, South Korea, Thailand, Hong Kong, Canada, United States)</td>
<td>P. 50</td>
</tr>
<tr>
<td>Global Warming Prevention and Energy Conservation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New products qualify for ENERGY STAR Program (No. 1 in percentage of products qualifying)</td>
<td>2005</td>
<td>91.4% (3 of 58 products) qualified</td>
<td>P. 50</td>
</tr>
<tr>
<td>Reduce energy consumption during operation and standby by 30% compared with 2000</td>
<td>2005</td>
<td>Goal met for main business machine products (new product engines)</td>
<td></td>
</tr>
<tr>
<td>Fully meet standards of the Energy Conservation Law in Japan (copying machines)</td>
<td>2005</td>
<td>Fully met standards for all categories of products (13 of 13 types of products)</td>
<td></td>
</tr>
<tr>
<td>Resource Conservation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Create recycling systems for Europe, Japan, Asia, and North America</td>
<td>2005</td>
<td>Systems being created in each region</td>
<td></td>
</tr>
<tr>
<td>Recover 90% or more (by mass) of collected products</td>
<td>2005</td>
<td>Copying machines, 97.1%; cartridges, 100%</td>
<td></td>
</tr>
<tr>
<td>Elimination of Hazardous Substances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bring all products into compliance with RoHS (Complete assurance system by end of 2004 to ensure new products compliance from 2005, in principle)</td>
<td>2004</td>
<td>Commenced the imageRUNNER CABIOR Av300 series color MFDs, the EOS-1D Mark IV digital SLR camera, and other products; Completed assurance system to ensure compliance for all new products from 2005</td>
<td></td>
</tr>
<tr>
<td>Use fewer types of plastics for parts and chassis; Use 100% non-halogenated plastics for product chassis</td>
<td>2005</td>
<td>Reduced the number of types of plastics used by 18%; Halogenated flame retardant plastics not used in 97.8% of chassis; Sub-committee launched</td>
<td>P. 20, 52</td>
</tr>
<tr>
<td>Use substitute materials for circuit boards (non-halogenated)</td>
<td>2005</td>
<td>Halogen-free paper phenolic used for all LBP products, 1 copying machine product, Mark II digital SLR camera, and other products; Completed assurance system to ensure compliance for all new products from 2005</td>
<td></td>
</tr>
<tr>
<td>Use substitute materials for PVB (polyvinyl chloride) in A-COC harnesses</td>
<td>2005</td>
<td>Quality assessment made on prototype electrical adapters and cables</td>
<td></td>
</tr>
<tr>
<td>Protecting the Environment during Product Usage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meet principal environmental standards for noise</td>
<td>2005</td>
<td>8A emission standard* met for sound and emissions for some LBP products</td>
<td>P. 50</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement LCA/LEC in design reviews for main products</td>
<td>2004</td>
<td>LCA evaluation system completed in October 2004</td>
<td>P. 49</td>
</tr>
</tbody>
</table>

### Operational Site Goals

<table>
<thead>
<tr>
<th>Item</th>
<th>Target</th>
<th>Results for 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Warming Prevention and Energy Conservation</td>
<td>Reduce CO2 emissions per unit of sales by 25% compared to 2000</td>
<td>2010</td>
</tr>
<tr>
<td>Resource Conservation</td>
<td>Increase internal recycling percentage by 40% compared to 2000</td>
<td>2005</td>
</tr>
<tr>
<td>Elimination of Hazardous Substances</td>
<td>Decrease hazardous substance discharges by 50% compared to 2000</td>
<td>2005</td>
</tr>
<tr>
<td>Logistics</td>
<td>Reduce CO2 emissions per unit of sales by 20% compared to 2000</td>
<td>2006</td>
</tr>
</tbody>
</table>

### Common Group Goals

<table>
<thead>
<tr>
<th>Item</th>
<th>Target</th>
<th>Related Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Training</td>
<td>Restructure the Group’s environmental education system (customized by job type and employee rank)</td>
<td>P. 47</td>
</tr>
<tr>
<td>Social Contributions</td>
<td>Implement new social contribution program</td>
<td>P. 31–45, 58</td>
</tr>
<tr>
<td>Communications</td>
<td>Establish interactive communication system</td>
<td>P. 29, 45</td>
</tr>
<tr>
<td>EMS</td>
<td>Gain ISO14001 consolidated certification</td>
<td>P. 43, 46</td>
</tr>
<tr>
<td>Environmental Businesses</td>
<td>Environmental accounting introduced at manufacturing subsidiaries and affiliates outside Japan</td>
<td>P. 48</td>
</tr>
</tbody>
</table>

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*BA: Blue Angel (environmental label developed in Germany)
Combating Global Warming in All Areas of Business

Canon’s countermeasures against global warming predate the enforcement of the Kyoto Protocol in various fields of business.

Global Warming and Enforcement of Kyoto Protocol

Earnest international efforts to combat global warming date back to the adoption of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992. The efforts came to fruition in 1997 at the Conference of the Parties III (COP3) with the framing of the Kyoto Protocol, the international treaty to mitigate climate change. This historic pact to reduce emissions of CO₂ and other greenhouse gases* came into force on February 16, 2005, three months after its ratification by Russia in November 2004. Japan’s international commitment under the treaty is to reduce CO₂ emissions by an average of 6% between 2008 and 2012 compared to the baseline year of 1990.

Canon’s Measures to Mitigate Global Warming

Canon understands the importance of mitigating global warming. In 1996, a year before COP3, we established an Energy-Efficient Operational Site Sub-Committee and began to aggressively reduce the amount of CO₂ emissions at operational sites. Four years later, in 2000, we set a target of reducing 2003 emissions of CO₂ per unit* of production to 15% below the 1999 level. The actual result was a 28.5% reduction in CO₂ emissions, an improvement nearly doubling our target.

The Kyoto Protocol targets CO₂, PFCs, HFCs, SF₆, CH₄, and N₂O as the six greenhouse gases to be reduced. In 1998, Canon established a Countermeasure Sub-Committee on PFCs and decided to find alternatives for and eliminate PFCs, HFCs, and SF₆—gases used mainly as cleaning agents, solvents, and aerosol propellants in our operations. By the end of 1999, we had nearly eliminated these gases.

Various broad agreements have been announced in Japan in parallel with the ratification of the Kyoto Protocol, including specific targets for the reduction of logistics-related CO₂ emissions. Canon established an Environmental Logistics Sub-Committee in July 2002, set numerical targets for CO₂ emissions reduction, and introduced initiatives to meet the targets.

**Topics**

Promoting Global Warming Countermeasures in Logistics Suitable for Each Region

Canon established an Environmental Logistics Working Group in May 2003 to further the work of the Environmental Logistics Sub-Committee by analyzing logistics at each stage of business activities, from procurement to sales of products, through a number of sub-working groups (P. 56). In this way, the working group is promoting measures to reduce logistics-related environmental burden on a global scale. Since 2003, Canon has been able to quantify the levels of CO₂ emissions generated from international shipping and logistics at its production and sales sites outside Japan (P. 64). With this capability, we have effectively completed our system for gathering data on Group logistics-related emissions. Canon is now using Group-wide data to set goals for each site and promote specific CO₂ emission-reduction policies appropriate for each region.

In Europe, for example, we are promoting a modal shift*, while in Asia we have set up milk runs for parts procurement (P. 56) and eliminated intermediary distribution by shipping products directly from the production sites to countries where the products will be used. In North America, we have shortened the total shipping distance by repositioning warehouses. For international shipping, we have improved the packaging of products and increased the loading efficiency of ocean containers.

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* Greenhouse gases
Gases that cause a warming of the Earth’s atmosphere. The Kyoto Protocol targets methane (CH₄), nitrous oxide (N₂O), CFC substitutes HFCs and PFCs, and SF₆ in addition to CO₂.

* Unit
An expression of environmental burden efficiency in terms of sales (per unit of sales) and production (per unit of production).

---

In Japan, Canon teamed up with a transport firm and Japan Freight Railways Company to develop and introduce a new railcar container that efficiently loads goods

In Europe, a modal shift from truck transport to rail and ship is underway

In China, milk run pick-up is being promoted for parts procurement
Status of Global Warming Countermeasures and Future Strategy

In May 2003 we created a Global Warming Prevention Strategy Working Group to promote the transition from site-specific environmental activities to Group-wide activities. The Group-wide target for operational sites for 2010 is to lower emissions of greenhouse gases per unit of sales by 25% (converted to CO2 emissions) compared with the 2000 level. The target for logistics alone is to cut emissions by 20% per unit of sales by 2006. The Group is striving to meet these goals primarily through more energy-efficiency initiatives.

In designing its new operational sites, Canon is creating model energy-efficient buildings. We have introduced highly efficient equipment and proactively refitted our facilities at existing Canon sites to streamline them physically. We also make constant efforts to introduce production reforms which eliminate waste on the process side.

In the semiconductor manufacturing process, new equipment has been installed to purge the small amount of remaining non-energy-derived greenhouse gases used to clean deposition systems and for dry etching.

Total Group emissions of greenhouse gases per unit of sales in 2004 declined by 14% from the 1990 level, although it rose by 4% in comparison with 2000. Assuming a constant coefficient for converting electricity into CO2 between 2000 and 2004 for operations in Japan, the results represent a 3% reduction compared with the level in 2000. The emissions at Group production sites in Japan have a direct impact on the obligations under the Kyoto Protocol. These emissions fell by 33% per unit of sales from the 1990 level in 2004, comfortably clearing the industry’s 25% reduction target set for 2010.

Canon is now studying the Kyoto Mechanisms, a set of methodologies proposed to help parties progress towards their emissions reduction targets. We will monitor the status of environmental regulations both inside and outside Japan to determine whether we can feasibly introduce the Kyoto Mechanisms.

*Kyoto Mechanisms:
Multilateral projects, emissions trading, and other international cooperative measures designed to help countries meet their emissions reduction goals.

- Total Amount of Greenhouse Gas Emissions by the Canon Group
(Data for the entire Canon Group)
- Total Amount of Greenhouse Gas Emissions by the Canon Group’s Main Production Sites in Japan
(Corresponding to the scope of the Kyoto Protocol (as of April 2005))

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*Main Canon Group sites: Please refer to “Operational Sites Covered in Report” (P. 65) for sites covered in 2004.
*Greenhouse gases = CO2 + PFCs + HFCs + SF6 + N2O
*Greenhouse gases = CO2 + PFCs + HFCs + SF6 + N2O
Environmentally Conscious Features in Every Product

Canon uses the LCA method to analyze the environmental impact of its products. A numerical understanding of the burden helps us design products with progressively higher energy and resource efficiency without the use of hazardous substances.

Environmentally Conscious Features of Inkjet Printers

While the environmental burden of personal-use products may be small on a per-unit basis, products like the inkjet printer are selling at a pace of more than 10 million units a year worldwide. Environmental measures in the engineering of these machines have a tremendous potential impact on society.

Canon’s inkjet printers are becoming more and more energy efficient. This has led to an especially large reduction in their environment burden at the usage stage. New Canon inkjet printers are lighter, more compact, and produced with a higher ratio of recyclable materials than earlier models. Starting with the PIXMA iP1500, Canon’s inkjet printer lineup is making steady progress in complying with the RoHS directive.

Elimination of Hazardous Substances

PIXMA iP1500

 PIXMA iP4000
inkjet printer

Main Environmental Features of PIXMA iP4000

Energy Efficiency

Reduced per-day power consumption

Improvements in the printer controller and the development of a low-power mode system have cut the per-day power consumption by 71% compared with previous models. Power consumption is minimized during standby and power-off.

Resource Efficiency

High functionality and small size

The paper feed system and other components have been redeveloped and scaled down to fit within the smaller printer dimensions. The printer offers such features as a dual paper path with built-in double-sided printing. Compared with previous automatic double-sided printing models, the cubic dimensions of the printer have been decreased by 52% and the weight has been decreased by 29%.

Color-independent ink cartridges

With our new color-independent ink cartridge system, users can replace only the color that has run out.

*Conditions

In a day, the power-off time is calculated at 16 hours. In the remaining 8 hours, the printing time consists of 15 pages of color output and 15 pages of monochrome output consecutively. All other time is calculated as standby.

Environmentally Conscious Features of Image Scanners

The environmental burden of conventional image scanners has always been large during use. Canon overcame this problem by developing the revolutionary LIDE (LED InDirect Exposure) image scanning carriage, a technology which incorporates a small, low-power-consuming LED in place of a fluorescent lamp. The scanners are also equipped with a smaller and simpler imaging system to improve resource efficiency. Beginning with the CanoScan 8400F, our image scanner series is making steady progress in becoming RoHS-compliant.

Elimination of Hazardous Substances

CanoScan 8400F

Main Environmental Features of CanoScan LiDE 500F

Energy Efficiency

Reduced per-day power consumption

Per-day power consumption has been reduced by 85% thanks to LIDE technology and a low-power-consumption drive system and firmware.

Resource Efficiency

Lighter, more compact

The cubic dimensions of the scanner are 68% smaller and the weight is 47% lighter than previous models thanks to a simplified and more compact scanning system.

*Conditions

The PC “ON” time (scanner in standby mode) is calculated at 8 hours a day; in that period, operation time is calculated at 10 minutes.
By virtue of their small size, Canon’s cameras make up a minor part of the environmental burden of Canon’s products. Nevertheless, Canon spares no effort to design them as environmentally friendly as possible. Given the small amount of resources used in the cameras and the even smaller power consumption during use, the raw materials stage of the entire life cycle makes up about 80% of the burden of the products. To improve the environmental consciousness of cameras, we are working towards smaller, lighter designs while eliminating resource loss in the production of camera lenses and other processes. As Canon cameras become more compact, their power consumption will also decline.

Canon is also making progress towards the goal of eliminating hazardous substances from its cameras. Lead-free lenses have been developed and incorporated into all of our models. We have also succeeded in reducing the amount of hazardous substances used in electrical parts. The EOS-1D Mark II digital SLR camera became the first of Canon’s digital cameras to comply with the RoHS directive (see Topics below). All of the other models are currently on track for compliance.

Nevertheless, Canon spares no effort to minimize the environmental burden at the raw materials and logistics stages.

### Reducing Usage of Designated Hazardous Substances through Early RoHS Compliance

Canon began to prepare for compliance with the RoHS directive in 2002. We were the first in the industry to commercialize RoHS-compliant products, bringing the imageRUNNER C6800/I/R 6800C series color MFDs and EOS-1D Mark II digital SLR camera to market by April 2004. Since then, we have also added the PIXMA iP1500 inkjet printer and others to our list of compliant products. Canon is working proactively, well ahead of the implementation of the RoHS directive in 2006. In principle, all of our new products will be compliant with RoHS*1 from 2005 onward, not only in the EU, but in all of our global markets.

### Environmental Features of Digital Cameras

<table>
<thead>
<tr>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoHS directive becomes EU law, February 13</td>
<td>RoHS directive must be transposed into law in EU member states by August 13</td>
<td>In principle, all new Canon products from 2005 will be RoHS compliant</td>
<td>All products put on the market in the EU after July 1, 2006 must be RoHS compliant</td>
</tr>
</tbody>
</table>

*1 RoHS directive

The Restriction of the use of certain Hazardous Substances in electrical and electronic equipment (RoHS) is an EU directive governing the use of hazardous substances in electrical and electronic equipment sold in the EU. The directive will restrict the use of the following six substances for products on the market from July 1, 2006: lead, mercury, cadmium, hexavalent chromium, PBB (polybrominated biphenyls), and PBDE (polybrominated diphenyl ethers).  

*2 Compliance with RoHS in principle

Not including products, parts and materials excluded by the RoHS directive. In areas where the directive is not defined, Canon has set and ensured compliance with our own internal standards based on the End-of-Life Vehicles directive and other existing standards relating to chemical substances.
According to our life cycle analysis of the digital MFD, representative of Canon’s business-use machines, nearly all of the burden is produced at the usage and raw materials stages, and the standby power consumption is particularly large.

We have independently developed and installed on-demand fixing technology*1 and IH fixing technology*2 to make our MFDs, copying machines, laser beam printers, and other business-use products more energy-efficient (P. 50). The application of on-demand fixing technology in the imageRUNNER 4570/IR 4570 (and comparable models) and the application of IH fixing technology in the imageRUNNER 6570/IR 6570 (and comparable models) place these machines at the top of their output speed categories in energy efficiency (as of April 2005) under measurement methods advocated in Japan’s Energy Conservation Law. The cumulative benefit of these technologies in the eight-year period between 1997 and 2004 was an approximately 4.67-million-ton reduction in CO2 emissions. Customers, meanwhile, reaped energy efficiency benefits by saving an estimated 147 billion yen from lower power consumption. In 2004, Canon was presented with the Minister of the Environment’s Award for Global Warming Prevention Measures along with the Energy Conservation Award*3. We have now been conferred the latter award for four straight years and seven times overall.

In our work to reduce environmental burden at the raw materials production stage, we continue to make progress in eliminating the use of hazardous chemical substances, developing recycling technologies, enhancing the recycling system, and using recycled materials.

The high-speed monochrome imageRUNNER 6570/IR 6570 MFD series for business-use adopts IH fixing technology. This dramatic solution has earned the series the top energy efficiency rating in its class of office machines (as of April 2005).

Environmentally Conscious Features of Office Machines

- **Resource Efficiency**
  - Lighter, more compact
  - The slimming of the scanner element to a mere 64 millimeters and downsizing of other parts have made this the slimmest of all models and about 20% lighter (our own comparison).

- **Benefits from Proprietary Energy-Efficient Technologies**
  - A ceramic heater localizes the heating to a specific area through a fixing film during printing.
  - An electromagnetic induction heater directly heats a thin fixing sleeve.

- **Elimination of Hazardous Substances**
  - RoHS-compliant through the introduction of alternative technologies

On-demand fixing technology and IH fixing technology URL: canon.com/environment/technology
Energy Conservation Awards (Japan Energy Conservation Center) URL: www.eccj.or.jp/index_e.html

*1 On-demand fixing technology
*2 IH (Induction Heating) fixing technology
*3 Energy Conservation Awards

Customer Benefits (benefit based on cumulative unit sales* as of 2004)

**Reduction of environmental burden**
- CO2 emissions reduced by 4.67 million tons

**Economic effect** (energy cost savings): 147 billion yen

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On-demand fixing technology and IH fixing technology URL: canon.com/environment/technology
Energy Conservation Awards (Japan Energy Conservation Center) URL: www.eccj.or.jp/index_e.html
Environmetnally Conscious Features of Toner Cartridges

In 1990, Canon introduced the industry’s first toner cartridge recycling program. Since then, we have built a global recycling network under which the amount of returned cartridges grows by the year, while attaining 100% recovery and zero landfill waste by reusing parts, recycling materials, and utilizing energy recovery (P. 52). We are also making steady progress in making our consumables RoHS-compliant by eliminating hazardous substances.

Conventional X-ray diagnostic devices use film and developing solution which must be treated as industrial waste. Canon pioneered the world’s first digital radiography imaging device in 1998 with the commercialization of the CXDI series digital radiography system. This system displays detailed diagnostic images directly on a high-definition display without the use of consumables that end up as waste. Each image recorded is displayed on the screen just three seconds after exposure. This improves overall energy efficiency and shortens the image-processing wait time.

Canon has recently developed a new generation of flat-screen SED displays in cooperation with Toshiba Corporation. SED Inc., the joint venture formed between the two companies, is now preparing for display production.

SEDs render high-brightness, high-definition images on par with the images rendered on conventional CRT (cathode-ray tube) displays. The flat-screen SEDs can be manufactured at sizes exceeding 40 inches and no more than a few centimeters in width. Besides saving space, SEDs use energy more efficiently than other flat-panel televisions and offer other environmental benefits.

Environmental Conscious Features of Digital Radiography Systems

Main Environmental Features of the CXDI-50G

- **Energy Efficiency**
  Consumes less than one-fourth of the power consumed by the 2000 model.

- **Resource Efficiency**
  Less than one-eighth the weight of the 2000 model.

- **Elimination of Hazardous Substances**
  Lead-free solder and other alternative technologies have been adopted. (The RoHS directive does not cover medical equipment.)

- **Comparison of Imaging Process**
  Conventional Film Method:
  - Prepare film cassette
  - X-ray exposure
  - Film cassette transfer
  - Film development (developing solution → waste liquid)
  - Film transfer
  - Confirm image

  CXDI Series:
  - X-ray exposure
  - Image displayed on operation panel
  - No need for film
  - No need for development
  - No waste liquids generated
  - Fast imaging

Prototype of Surface-conduction Electron-emitter Display (SED)
Enhancing the Governance Structure

Canon works to enhance its corporate value by continually improving its governance. Fully transparent management and stronger corporate oversight are essential to ensuring that the Group achieves its management goals. Various efforts are being undertaken to reinforce the governance system of the entire Group.

Three new committees were recently established to further bolster our governance structure: The Corporate Ethics and Compliance Committee and the Internal Control Committee in January 2004, and the Disclosure Committee in April 2005 (P. 25). All three are standing bodies directly overseen by the Executive Committee. Their establishment is another step in building a more comprehensive corporate governance structure based on a strong sense of mission, ethics, and accountability in the executive management of Canon.

Corporate Ethics and Compliance Committee

The Corporate Ethics and Compliance Committee formed in 2004 is a body of executives and representatives from each headquarters under the chairmanship of the President and CEO of Canon Inc. The committee members are tasked with forming the overarching ethics and compliance policy for the Canon Group and approving various individual policy measures. Meetings are convened quarterly to debate compliance-related issues facing the Group. In light of the nature of the committee as a body overseeing corporate compliance, the meetings are also attended by a corporate auditor as an observer.

The primary objectives of the Corporate Ethics and Compliance Committee are: 1) To instill a consciousness of compliance and ethics universally throughout the Group, and 2) To raise the transparency and soundness of business activities while fostering a corporate spirit which motivates employees to unfailingly consider compliance and ethics when making business decisions.

In May 2005, the committee approved an initiative to create Canon Compliance Cards and began distributing them to Group executives and employees (P. 28).

New Committees to Reinforce Governance Structure

Canon addressed the need for a more effective governance structure by newly forming a Corporate Ethics and Compliance Committee, Internal Control Committee, and Disclosure Committee.

Topics

High Marks in External Evaluations

Canon understands the importance of duly considering social responsibilities and management risks in the course of doing business. This stance ensures that we maintain our thorough commitment to the strengthening of our governance structure, the disclosure of information in a timely and appropriate manner, and other related initiatives. Canon has earned high ratings from external organizations inside and outside Japan because of this ongoing commitment.

Evaluation of Canon in Surveys and Ratings

<table>
<thead>
<tr>
<th>Surveys and Rankings</th>
<th>Evaluating Body</th>
<th>Evaluation of Canon</th>
</tr>
</thead>
<tbody>
<tr>
<td>World’s Most Respected Companies 2005</td>
<td>Financial Times (U.K.)</td>
<td>25th (5th among Japanese companies)</td>
</tr>
<tr>
<td>Global Most Admired Companies</td>
<td>Fortune (U.S.A.)</td>
<td>30th (5th in computer industry/4th among Japanese companies)</td>
</tr>
<tr>
<td>The Best Global Brands</td>
<td>Business Week (U.S.A.)</td>
<td>35th (4th among Japanese companies)</td>
</tr>
<tr>
<td>CSR Best 100 Company Ranking</td>
<td>Nikkei Business (Japan)</td>
<td>1st overall</td>
</tr>
<tr>
<td>Private Sector Multi Evaluation System (PRISM)</td>
<td>Nihon Keizai Shimbun (Japan)</td>
<td>1st</td>
</tr>
<tr>
<td>Information disclosure ranking</td>
<td>Security Analysts Association of Japan (Japan)</td>
<td>1st among electric and precision equipment sector</td>
</tr>
<tr>
<td>20th Corporate PR Award</td>
<td>Japan Institute for Social and Economic Affairs (Japan)</td>
<td>Corporate PR Grand Prize</td>
</tr>
<tr>
<td>Newsweek Global 500</td>
<td>Newsweek, Japanese Edition (Japan)</td>
<td>7th (1st among Japanese companies)</td>
</tr>
</tbody>
</table>

Evaluation of Canon in Sustainability Investment Indices (indices that include Canon)

<table>
<thead>
<tr>
<th>Sustainability Investment Indices</th>
<th>Management Body</th>
<th>Main Type of Evaluation</th>
<th>Evaluation of Canon</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE4-Good Global 100 Index</td>
<td>FTSE (U.K.)</td>
<td>Environmental, social, economic</td>
<td>Included</td>
</tr>
<tr>
<td>Dow Jones Sustainability Indexes World</td>
<td>Dow Jones (U.S.A.)</td>
<td>Environmental, social, economic</td>
<td>Included</td>
</tr>
<tr>
<td>Ethibel Sustainability Index Global</td>
<td>Ethibel (Belgium)</td>
<td>Environmental, social, economic</td>
<td>Included</td>
</tr>
<tr>
<td>Morningstar Socially Responsible Investment Index</td>
<td>Morningstar Japan K.K. (Japan)</td>
<td>Environmental, social, economic</td>
<td>Included</td>
</tr>
</tbody>
</table>
Internal Control Committee and Disclosure Committee

The Internal Control Committee was newly formed in 2004 as the primary internal control structure for the Group. All top executives of Canon Inc. and the top management of all Group companies serve on the committee under the chairmanship of the President and CEO of Canon Inc. The committee’s main task is to ensure the reliability of financial reporting in response to the internal control reporting requirements of the Sarbanes-Oxley Act* of 2002 and other regulations. It also conducts comprehensive reviews of the Group’s internal controls as a way to verify the true effectiveness and efficiency of the Group’s business operations and support compliance with all related laws, regulations, and internal rules.

In 2004, the committee focused its attention to the documentation for reporting on the control of business activities. In coming years the committee will strive to improve the documented internal control flow and support the formation of a more efficient business flow.

The Disclosure Committee was set up in 2005 to promote the dissemination of timely, accurate and comprehensive information to shareholders and the capital markets in accordance with the law and stock exchange rules. The Disclosure Committee is also chaired by the President and CEO. The creation of this committee is a major step in building a structure to properly disclose important information (P. 30).

New Initiatives at Global Legal Affairs Coordination Committee

Canon has established an information management structure centered around the Global Legal Affairs Coordination Committee, which is investigating major legal developments inside and outside Japan (P. 26).

The committee is now supporting the acquisition of Privacy Mark certification for Group companies in Japan and implementing new rules and a management structure for personal information protection in compliance with Japan’s Protection of Personal Information Law (fully enacted in April 2005) and other regulations. Group companies in Japan began acquiring the certification in 2003. About 30 subsidiaries and affiliates are now working towards certification.

In December 2004, the committee drew up the Trade Secret Management Guidelines and the Technology Outflow Prevention Guidelines to reinforce the protection of trade secrets and technology. Following these guidelines, the information management system for electronic documents is now further reinforced for secure management of Canon’s trade secrets, core technology, and important items.

On a regular basis, the committee analyzes legal trends in the countries in which the Group operates, determining ways to comply with laws and regulations in management and business operations, setting up working groups to cope with legal issues, and compiling guidelines and guidebooks to raise the level of awareness on the most important legal issues facing the Group. The committee also supports related divisions at Group companies in their steps to respond to legal issues.

- Work of the Global Legal Affairs Coordination Committee

Canon Rules for Management of Confidential Information

- Basic Rules on Confidential Information Management: Basic rules providing that all undisclosed information should be managed as confidential information.
- Rules for the Protection of Personal Information: Basic rules on the handling of client data and other personal information.
- Trade Secret Management Guidelines: Guidelines on systematic and specific operational procedures for the handling of trade secrets.
- Technology Outflow Prevention Guidelines: Guidelines on systematic and specific operational procedures to prevent the outflow of important technologies to countries with inadequate protection of intellectual property.

* Sarbanes-Oxley Act (U.S. Public Company Accounting Reform and Investor Protection Act of 2002)
A Governance Structure to Thoroughly Manage Information

The core of Canon’s governance structure consists of a Board of Directors, Board of Corporate Auditors and several key auditing divisions. A personal information protection policy and trade secret management system are two of many initiatives aimed at strengthening this structure.

Corporate Governance Structure

Canon’s basic governance structure encompasses a general meeting of shareholders, a board of directors, and a board of corporate auditors, as required under the Commercial Law of Japan. We also have established a number of organs and systems specific to Canon, including an Executive Committee which meets with full attendance of the executive members, special management committees dedicated to key issues, an internal auditing structure centered around a Corporate Audit Center, and an information disclosure system for management activities (see chart below).

Corporate Directors

Canon Inc.’s Board of Directors is made up of 25 directors, none of them outside directors. We aim for a rational and efficient decision-making process wherein important matters are decided by fully attended meetings of the Executive Committee and the Board of Directors, which convenes once a month.

The Executive Committee convenes as necessary to take up important policy matters tabled by the Management Strategy Committee. The Executive Committee makes specific planning decisions based on input from all of its members along with division personnel directly in charge of the matters under deliberation.

Moreover, various cross-company special management committees have been established to address important management themes. Each committee serves to accelerate and rationalize the decision-making process while supporting the product group operations and performing a checking function.

Corporate Auditors

The Board of Corporate Auditors of Canon Inc. is made up of four auditors, two of whom are external auditors with no personal associations, capital affiliations, business connections, or other types of interest with or in Canon Inc. In accordance with the Board of Corporate Auditors’ auditing policies and their assigned duties, the auditors attend board, management, and various committee meetings, receive business reports from the directors and others, carefully examine documents related to important decisions, and conduct strict audits of the company’s business and assets.

Divisions Responsible for Internal Audits

<table>
<thead>
<tr>
<th>Division</th>
<th>Area of responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Audit Center</td>
<td>Management functions, specific job functions, accounting, compliance (focusing on compliance with laws, internal regulations, social customs and morals), etc.</td>
</tr>
<tr>
<td>Quality Management Headquarters</td>
<td>Quality assurance</td>
</tr>
<tr>
<td>Global Environment Promotion</td>
<td>Environmentally conscious management and its results <em>(P. 44)</em></td>
</tr>
<tr>
<td>Headquarters</td>
<td></td>
</tr>
<tr>
<td>Information &amp; Communication Systems</td>
<td>Information security for IT and other information processing</td>
</tr>
<tr>
<td>Headquarters</td>
<td></td>
</tr>
<tr>
<td>General Affairs Headquarters</td>
<td>Physical security</td>
</tr>
<tr>
<td>Logistics Headquarters</td>
<td>Security assurance for export management</td>
</tr>
<tr>
<td>Global Procurement Headquarters</td>
<td>Compliance with procurement rules <em>(P. 41)</em></td>
</tr>
</tbody>
</table>

External Auditing

With regard to external audits, we established regulations related to the prior approval of policies and procedures for both auditing and non-auditing services to reinforce the independence of our accounting firms. Based on the regulations, the Board of Corporate Auditors must approve in advance the content and related amounts of contracts between the accounting firms and the company before they are entered into.

Internal Auditing

The Corporate Audit Center is responsible for Canon’s internal auditing. The center oversees the Group’s legal compliance, risk management, internal control system, and other areas, providing evaluations and recommending improvements. The various relevant administrative divisions also work closely with the Corporate Audit Center to inspect product quality, environmental issues, information security, personal information protection, Security Export Control management, and other areas.

* Canon Governance Structure

<table>
<thead>
<tr>
<th>General Meeting of Shareholders</th>
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</thead>
<tbody>
<tr>
<td>Canon Inc. Board of Directors</td>
</tr>
<tr>
<td>President and CEO</td>
</tr>
<tr>
<td>Executive Committee</td>
</tr>
<tr>
<td>Headquarters Administrative</td>
</tr>
<tr>
<td>Divisions</td>
</tr>
<tr>
<td>Corporate Audit Center /</td>
</tr>
<tr>
<td>Corporate Ethics and Compliance Administration Office</td>
</tr>
<tr>
<td>Legal Affairs Coordination</td>
</tr>
<tr>
<td>Division / Corporate</td>
</tr>
<tr>
<td>Communications Center</td>
</tr>
<tr>
<td>Corporate Planning Development</td>
</tr>
<tr>
<td>Headquarters / General Affairs</td>
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<tr>
<td>Headquarters</td>
</tr>
<tr>
<td>Human Resources Management</td>
</tr>
<tr>
<td>&amp; Organization Headquarters</td>
</tr>
<tr>
<td>Finance &amp; Accounting</td>
</tr>
<tr>
<td>Headquarters</td>
</tr>
<tr>
<td>Information &amp; Communication</td>
</tr>
<tr>
<td>Systems Headquarters</td>
</tr>
<tr>
<td>Logistics Headquarters</td>
</tr>
<tr>
<td>Global Procurement</td>
</tr>
<tr>
<td>Headquarters</td>
</tr>
<tr>
<td>Corporate Intellectual</td>
</tr>
<tr>
<td>Property &amp; Legal</td>
</tr>
<tr>
<td>Headquarters / Others</td>
</tr>
</tbody>
</table>

(as of April 1, 2005)

* 1 Management Strategy Committee
  Deliberates on capital investment, business expansion and other key issues by receiving reports from executive managers on the current status of their respective operations and discussing problems, solutions, and future direction.

* 2 New Business Development Committee
  Meets to approve or reject new business proposals and to monitor newly formed businesses over their first three years of operation to determine whether they should be continued.
Security

A comprehensive risk management system and a flexible crisis response system are needed to protect the Canon Group and its employees against a wide range of risks and maintain the public trust. We have reinforced our security to guard against foreseeable risks to both our information and physical properties. The Information & Communication Systems Headquarters manages security measures in IT and related information areas, while the General Affairs Headquarters oversees physical security. Internal rules, training programs, and prevention management systems are in place to ensure that security is well maintained.

Trade Secret Management and Prevention of Technology Outflow

In April 2002, Canon established a committee to create rules for the management of confidential information at manufacturing subsidiaries and affiliates outside Japan. The main function of the committee is to prevent the outflow of technology to countries with inadequate protection of intellectual property. Headquarters executives and the presidents of manufacturing subsidiaries and affiliates outside Japan serve on the committee regularly to discuss how to protect Canon’s technology.

Quickly responding to the policies of the Ministry of Economy, Trade, and Industry, we are now establishing a solid system of managing trade secrets and preventing the outflow of technology while keeping all employees informed of these activities. In July 2003, we formed a project team within the Global Legal Affairs Coordination Committee to tackle these issues under the supervision of the Executive Committee. In December 2004, the project team introduced the Trade Secret Management Guidelines and the Technology Outflow Prevention Guidelines. The information management system for electronic documents containing trade secrets is now further reinforced, and we are aiming to comprehensively manage the Canon Group’s trade secrets and core technology and important items following the same guidelines.

Protection of Personal Information

Canon regards the protection of personal information in an IT society as a primary corporate responsibility. We have taken a global view in instituting measures to protect personal information, basing our initiatives on the OECD Guidelines on the protection of personal information in 1980, the EU’s personal data protection directive of 1995, and the Protection of Personal Information Law in Japan, which came into full force in April 2005.

We have established Rules for the Protection of Personal Information and related regulations, a management system for personal information, physical and information security, and implemented education and auditing programs. We are also working on obtaining Privacy Mark certification. Canon Inc., Canon Sales Co., Inc., and Canon Electronics Inc. all acquired certification in 2003. About 30 subsidiaries and affiliates in Japan are now working to complete certification requirements.

Personal information protection is also an important theme at the meetings of Group company presidents outside of Japan, reflecting the efforts of the entire Canon Group in addressing this issue.

Compliance with Security Export Control Regulations

Japan is among a number of peace-seeking countries to introduce laws to restrict the export of goods and technology that could be used for the development and production of weaponry, in observance of international agreements.

Canon has instituted a thorough system for export security control built around the Canon Compliance Program for Security Export Control and the Canon Compliance Program for U.S. Reexport Control. Under this system, the entire management of each division assumes responsibility for observing export rules and procedures, with the Logistics Headquarters acting as the central oversight body. The foundation of export management is a screening of the customer and the trade, along with a restricted item inspection of the goods and technology.

Each division performs preliminary screenings and inspections, followed by final screenings and inspections by the Export Control Division. This double-check system ensures compliance with Security Export Control.

Security Export Control is an issue tackled in common by the Group as a whole. Internal rules at Group companies are made in consideration of their individual operations (sales, production, development), and the companies are supported in the implementation of those rules. This system supports the constant maintenance of Security Export Control management for the entire Group. As added activities to supplement these daily efforts, we also provide employees with training sessions, seminars, pamphlets, and undertake other awareness initiatives to help them respond to rapidly changing global circumstances and prevent management lapses.

● Security Export Control Management Flow

Canon implements a thorough screening, inspection and management process for ensuring Security Export Control. These procedures begin at the start of the export process, when we receive an inquiry from the customer, and continue through to the end of the process, when the products are shipped.
Positively Promoting Compliance Activities

Awareness of compliance is growing through new initiatives such as Compliance Week and the distribution of Canon Compliance Cards.

Canon Group Code of Conduct

Canon aspires to become a Truly Excellent Global Corporation by maintaining excellent relations with stakeholders and fulfilling its social responsibilities. To achieve this goal, every person in the Group must be aware of their role and conduct his or her business fairly, sincerely, and in full compliance with laws and regulations.

Our Code of Conduct introduced in 1992 was rewritten as the Canon Group Code of Conduct in 2001 to cover our global operations and reinforce the standards to which our executives and employees must adhere when performing their work. In 2004, Canon published and distributed a booklet of case studies on work conduct to help its workforce understand the fine points of the code and to encourage conduct guided by these sound principles.

The Group Code of Conduct is available in 11 different languages, including English, French, and Chinese in addition to Japanese.

Compliance Week

Canon Inc. holds a Compliance Week twice a year—once each fiscal half-year—to give all employees a chance to contemplate the meaning of compliance and corporate ethics and realize that compliance and ethics are individual missions.

During Compliance Week, employees take part in meetings at their workplace to consider compliance-related issues. The meetings are designed to encourage active participation: instead of passively listening to lectures, employees discuss the issues facing them in their work. This method sheds light on how compliance affects their work, enlightens employees on the specific meanings of laws and codes of conduct, and encourages employees to approach compliance as a daily issue in their individual routines.

In the Compliance Week programs of 2004, meeting participants discussed corporate scandals in the news and reviewed their own work conduct in light of the code. The Canon Group Code of Conduct was read cover to cover and detailed case studies were presented.

The opinions expressed at each workplace during Compliance Week are forwarded to the Corporate Ethics and Compliance Committee (P. 23) and used to improve the compliance promotion system.

Compliance Week was expanded to include Group companies in Japan in the second half of fiscal 2004.

Overview of the Canon Group Code of Conduct

<table>
<thead>
<tr>
<th>Management Stance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to Society</td>
</tr>
<tr>
<td>• Provision of excellent products</td>
</tr>
<tr>
<td>• Protection of consumers</td>
</tr>
<tr>
<td>• Preservation of the global environment</td>
</tr>
<tr>
<td>• Social and cultural contributions</td>
</tr>
<tr>
<td>• Communication</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Business Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Practice of fair competition</td>
</tr>
<tr>
<td>• Observation of corporate ethics</td>
</tr>
<tr>
<td>• Appropriate disclosure of information</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Code of Conduct for the Executives and Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compliance with Corporate Ethics and Laws</td>
</tr>
<tr>
<td>• Fairness and sincerity • Legal compliance in performance of duties</td>
</tr>
<tr>
<td>• Appropriate interpretation of applicable laws, regulations and company rules</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Management of Corporate Assets and Property</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strict management of assets and property</td>
</tr>
<tr>
<td>• Prohibition against improper use of company assets and property • Protection of the company’s intellectual property rights</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Management of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 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</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Conflicts of Interests/Separation of Personal and Company Matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Avoidance of conflicts of interests • Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits • Prohibition against acquisition of Pre-IPO shares</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>5. Maintenance and Improvement of Working Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Respect for the individual and prohibition against discrimination • Prohibition against sexual harassment • Prohibition against bringing weapons or drugs to the company workplace</td>
</tr>
</tbody>
</table>

Compliance Week poster

Canon Group Code of Conduct
Compliance Promotion System

Compliance leaders in each headquarters and product group operation implement policies and measures approved by the Corporate Ethics and Compliance Committee, working under the control of the Corporate Ethics and Compliance Administration Office.

Our compliance promotion system offers education programs covering specific laws and regulations related to export security assurance, the environment, product safety, and other important issues. The departments in charge of handling the issues covered perform these programs, and maintain and establish the compliance structure for the issues (P. 36).

At Group companies outside Japan, top management joins with the human resources and legal departments to promote compliance activities in accordance with local laws.

Compliance Education

In addition to Compliance Week, Canon Inc. is carrying out a range of other initiatives to instill a high sense of corporate ethics and compliance in its workforce.

Rank-Based Training

Compliance training is provided to newly appointed general managers and managers each January and July. Incoming managers are trained to approach their work with a strong awareness of key issues. New college recruits receive compliance education in April and classes are offered at the beginning of each month for new mid-career hires. Incoming employees learn about Canon’s strict approach to compliance and the importance of abiding by the law.

Training for newly hired employees

Information Via the Intranet

A newly created compliance website on our intranet raises awareness daily by providing constant access to information on internal rules and related information. The Compliance Newsletter is also published to bring important issues to the attention of employees.

Distributing Canon Compliance Cards

Canon’s “San-ji (Three ‘selfs’) Spirit” (self-motivation, self-management, and self-awareness) has been handed down faithfully since the founding of Canon (P. 35). We instill the concept among the executives and employees to support our development as a Truly Excellent Global Corporation, under the belief that all of our employees must exercise responsibility and self-discipline at all times and strive to maintain the highest standards of corporate ethics and legal compliance. To this end, the Corporate Ethics and Compliance Committee resolved to distribute to all Group employees Canon Compliance Cards containing a definition of the “San-ji” spirit on one side and a compliance test on the other.

Group executives and employees are requested to carry the wallet-sized card with them and refer to it frequently during the course of daily activities. This supports the execution of duties in the San-ji ideal and infuses an awareness of compliance and corporate ethics among employees.

Canon Inc. and Canon Sales Co., Inc. became the first Group companies to distribute Canon Compliance Cards to employees in May 2005. The cards are being distributed throughout subsidiaries and affiliates in Japan and will then be translated into local language and handed out to employees outside Japan.
Social Management

Promoting Communication with All Stakeholder Groups

Canon collaborates and maintains two-way communication with industrial, governmental, and academic groups both inside and outside Japan.

Cooperation with Society

Many of the executives and employees of Canon serve in key posts on the committees of industrial and governmental organizations. Canon Inc. President and CEO Fujio Mitarai, for example, serves as the vice chairman of Nippon Keidanren (Japan Business Federation). Group employees also participate in various industrial, governmental, and academic initiatives around the globe to help shape policies supporting the creation of a sustainable society (P. 60).

Canon is also proactive in joint research inside and outside Japan with companies, universities, and other organizations. The Group actively responds to requests for seminars through which we can impart the importance of environmental conservation, explain the usefulness of technological innovations, and provide other information to the public.

Participating in Revision of GRI Guidelines

The Canon Sustainability Report and other materials are published to ensure our accountability to Canon stakeholders by promoting constructive two-way communication with stakeholders and informing them of the ways in which our global business activities are helping to achieve sustainability*. In December 2003, Canon became a GRI** Organizational Stakeholder***, the first Japanese company to have such a position on the international NPO. In this role, the Canon Group is supporting GRI activities and assisting in drawing up the next revised Guidelines.

The GRI Guidelines have been considered primarily from European and American perspectives, and there have been areas that do not reflect the circumstances of Japanese industry. Through its participation, Canon is working to convey the measures taken by Japanese industry and to have the Guidelines represent the views of the global manufacturing industry.

*1 Sustainability

Sustainability is a way of thinking in which importance is placed on taking an integrated approach to corporate and various other activities by considering their economic, environmental, and social aspects, with the purpose of ensuring sustainable development of the global environment and society for future generations.

*2 GRI (Global Reporting Initiative)

A Netherlands-based NGO which announced the GRI Guidelines, a global standard for sustainability reports, in 2000. Since then, the organization has worked to revise and disseminate the guidelines globally.

*3 GRI Organizational Stakeholder (OS)

A new support membership system for the GRI. This is the basic structure of the GRI’s global governance.

Basic Stance on Information Disclosure

Companies must have the understanding of society in order to actively participate in it. Canon engages in public relations activities in markets around the world to ensure that society has an accurate understanding of our basic management policies, corporate activities, and products.

The timely and appropriate disclosure of information in the course of business activities is crucial to both the fulfillment of social responsibility and the execution of risk management. We make every effort to guarantee that the information we disclose is accurate and sincere, leaving no room for misunderstanding by the public. Canon also pays close attention to avoiding any types of advertisements or public expressions that could invite misunderstanding. A system of checks is in place to prevent the use of misleading advertisement and other types of inappropriate expressions that may cause confusion.

Topics

Stakeholders Meeting with University Students

In February 2005, Canon held a stakeholders meeting with Kansai University sophomores, juniors, and seniors attending seminars run by Professor Michiyasu Nakajima, Faculty of Commerce. This meeting followed our March 2004 consumer conference jointly organized with the Japan Institute for Social and Economic Affairs.

The seminar students began the meeting by presenting the results of their research project on the environmental activities and information disclosure of corporations. The students approached the project from the viewpoint of a corporate stakeholder group receiving information from Canon. The participants from Canon responded with their views on the research results from the corporate viewpoint.

The Canon participants continued with a presentation on why, in this day, companies must actively carry out environmental initiatives. Students heard about how Canon has sought to address this management issue with a range of activities amid global change to ecosystems and international circumstances. Professor Nakajima then joined in a lively free discussion to deepen mutual understanding.

The discussion afforded us a better understanding of the environmental consciousness of these future leaders of society. This type of communication provided valuable insights into issues which cannot be gained through the course of daily business. In particular, we realized the importance of communicating effectively on environmental issues to society as a whole.
Dialogue with Investors

In addition to the first section of the Tokyo Stock Exchange, Canon Inc. is listed on the New York, Frankfurt, Osaka, Nagoya, Fukuoka, and Sapporo exchanges. As of December 2004, Canon had some 890 million shares outstanding in the portfolios of approximately 49,000 investors.

Canon discloses information on its management, business strategy, and financial results to capital markets in an accurate, fair, and timely manner through conferences, disclosure material, and its website. The key objectives of these IR* activities are to gain the trust of the capital markets and raise corporate value. Canon has established Disclosure Guidelines to serve as standards for the procedures and means by which to disclose information. We spare no effort to meet our responsibility for the fair and prompt disclosure of information.

Canon has also established an internal Disclosure Committee to ensure that all important information is made available in a timely manner and conforms to the rules and requirements of stock exchanges and other authorities (P. 24). Feedback from capital markets is gathered for internal use as needed to provide a valuable outside perspective on our management and business operations.

Information for investors URL: canon.com/ir/

Investors Outside Japan

In 2004, the percentage of Canon Inc. shares owned by non-Japanese investors rose to more than half of all outstanding shares (51.7% as of December 31, 2004). This appears to reflect a wider positive evaluation of Canon’s focus on investor-conscious management. Canon has made strenuous efforts to maintain close communication with non-Japanese investors by creating an IR base in Europe and the United States, and holding quarterly conference calls for institutional investors outside Japan to discuss financial results. We also maintain an English-language IR website with effectively the same content published on our Japanese-language website to ensure that investors inside and outside Japan have access to the same information.

Individual Investors

Effective May 6, 2004, the share trading unit for Canon Inc. stock was lowered from 1,000 to 100 shares to encourage broader participation in the company by individual investors. The provision of information has also been bolstered with the addition of a special portal for individual investors on the IR website. Canon’s IR activities have focused more closely on the needs of individual investors since September 2004, when we held our first conference specifically for individual shareholders.

Credit Rating

Canon Inc. is rated by one Japanese and two U.S. credit rating agencies. The currently high ratings are a testament to our strong financial position. In December 2004, Moody’s Investors Service raised its long-term rating for Canon from Aa3 to Aa2, citing our stable finances and business operations, along with the strong outlook for future business growth (P. 59).

Basic Policy on Profit Distribution

Canon Inc. puts a high priority on distributing profits through cash dividends to investors. In keeping with this basic policy, and as a reflection of the improved financial performance, we raised our annual per share dividend in 2004 by 15 yen, from 50 yen to 65 yen. Canon will be maintaining a stable dividend payment policy of linking payout to consolidated financial performance insofar as possible while considering financial circumstances and the need for capital to fund future business expansion and generate higher profits.

*IR (investor relations)
Public relations activities for investors.

Main IR Activities

- Corporate strategy conference hosted by the President and CEO (annually, about 150 participants)
- Financial results conference for institutional investors and analysts (quarterly, about 180 participants)
- Financial results conference call for institutional investors outside Japan (quarterly)
- Individual meetings with institutional investors in Japan to discuss financial performance (quarterly)
- Business conference (biannually)
- Conference for private investors hosted by the President and CEO (annually, 200–300 participants)
- Small meetings of investors hosted by securities companies (as needed)
- Corporate strategy conferences for visiting major institutional investors from outside Japan (U.S.A., Europe)

Daily Activities

- Responding to interview requests from institutional investors and analysts (some 300 requests a year)
- Responding to phone inquiries
- Responding to survey requests regarding SRI (socially responsible investment)
Realizing Canon Quality Worldwide

Our unique policy on quality—Canon Quality—is founded on a comprehensive and precise set of quality rules. A Group-wide structure is in place to ensure the delivery of Canon Quality around the world.

Canon Quality

One of Canon’s corporate goals is to “create products without rival in quality and service, and which contribute to the improvement of societies around the world” (P. 6). We strive to realize this goal in two ways: 1) By employing the latest technologies to offer superior products of the highest quality and rapid service meeting the needs of customers; and 2) By ensuring that no harm will ever come to a consumer or his or her property due to the failure of a product or service. This is Canon’s basic management stance on quality.

Canon products and services must embody “trust,” “satisfaction,” and “evolution” if they are to genuinely please the customers who purchase them. “Trust” is a basic element of quality, a guarantee that the product is durable and safe. “Satisfaction” is achieved by making a product or service easy to use and understand, and providing careful and considerate support to customers. “Evolution” ensures that with the cooperation of our customers, we can keep the quality of products and services relevant in a constantly changing world.

The Canon Quality concept embodies the “trust,” “satisfaction,” and “evolution” that we seek to integrate into all of our products and services. Global quality assurance activities are practiced at every stage of the business process from planning, development and production, through to sales and service.

Global Quality Assurance System

A key aspect of Canon’s global corporate activities is to realize the standard of Canon Quality worldwide. Ensuring Canon Quality on a global scale requires that the Group employees align their thinking on quality and act as a single entity.

Canon is promoting a new system of rules on global quality as well as a system to put them into practice. We are also conducting various awareness campaigns around the world to instill a deeper understanding of Canon Quality at the local level and encourage Group companies to adopt these quality values as their own.

Response to Quality Risks

When companies considered “quality risks” in the past, they generally did so in terms of product safety. Companies nowadays recognize that problems related to service and faulty product functions also affect the trust of customers and have the potential to become even bigger issues.

Canon has established its own stringent rules to manage service and quality throughout the Group. This system will enable the Group to respond rapidly when problems do occur.

Instituting a Global Quality Policy

In July 2004 we established the Global Quality Policy founded on the quality assurance system long practiced by the Group. This is the common policy that all Group companies must follow on the basis of our unique quality assurance system.

Global Quality Assurance Activities

<table>
<thead>
<tr>
<th>Planning</th>
<th>Design</th>
<th>Prototypes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning products from the customer’s perspective</td>
<td>Ensuring functionality, performance, and reliability</td>
<td>Evaluating quality from various perspectives</td>
</tr>
<tr>
<td>Customer feedback</td>
<td>Responding to customers</td>
<td>Improving production and procurement quality</td>
</tr>
</tbody>
</table>

Refining the Global Quality Assurance System

Quality assurance activities are now being pursued across the globe in accordance with local needs and conditions. The Quality Management Headquarters of Canon Inc. dispatches personnel to key regions to consult with local staff on the progress of quality assurance initiatives.

Quality Awareness Education

Canon carries out an extensive range of quality-related education initiatives to heighten the understanding of Canon Quality and consciousness of quality issues among Group employees worldwide (P. 36). The initiatives range from training and events to award programs and the publication of pamphlets. The Group Executive in charge of the Quality Management Headquarters regularly visits operational sites in Japan and Group companies outside Japan to confer with employees on quality issues.
Canon’s Own Standards for Trust

The most basic element of quality is trust, the customer’s assuredness that his or her product is safe to use and will not fail. Canon has developed what we call “substantial safety,” a set of safety specifications exceeding the regulatory requirements prescribed in each country, based on market conditions and customer perspectives on product use. To ensure the substantial safety of our products, we have also adopted our own product safety technical standards for each line of products. We adhere to these standards at the design, evaluation, and manufacturing stages to ensure that we deliver products with “trust.”

Canon’s Substantial Safety Policy*

Substantial Safety
Canon’s independent safety standards

Safety Regulations
Compliance with Electrical Appliance and Material Safety Law, UL/CSA, IEC, GB, etc.

EMC regulation

Product Liability Laws in Each Country

*Substantial safety
Substantial safety is a standard higher than existing safety regulations, considering safety from the point of view of the customer based on market conditions.

Simulation Evaluation

One way in which we have secured design quality is through the introduction of computer simulation evaluation technology at the design stage. The precise and efficient methods for analytical evaluation built into this technology eliminate the need for expensive conventional testing equipment and prototypes. To evaluate the performance of a shock absorbent package, for instance, this system can simulate the impact of the package being dropped and assure its quality at the design stage without the use of an actual prototype.

Improving the Quality of Procured Parts

To ensure consistent quality and reliability in products, the quality of the parts used to make those products must be continually maintained and improved. Canon has adopted an SQM (Supplier Quality Management) system at all of its production sites worldwide that allows us to confidently use parts without having to inspect each of them upon delivery.

Achieving this requires a quality management structure to ensure that suppliers are continually maintaining and improving the quality of their parts. Under this structure, Canon is improving the quality of procured parts by clarifying the requirements for suppliers, evaluating the quality systems in place at supplier plants, and dispatching trained personnel to conduct SQM quality audits and suggest improvement for supplier quality systems (p. 41).

When selecting electronic parts for its products, Canon performs quality and reliability tests on each part along with production line audits based on a certification system. This procedure allows us to quickly identify parts that fail short of our quality standards. We are employing long-established analysis technologies to build a support system for troubleshooting quality problems in electronic parts.

Improving Design Quality with Differing Electrical Requirements in Mind

A stable supply of electrical power is a must for the stable use of electrical products. Yet power voltage conditions differ from country to country, and determining the conditions in each country has proved difficult. Power surges, voltage spikes, voltage drops, and similar mishaps have resulted in product breakdowns and malfunctions.

To anticipate and prevent these problems in copying machines, printers, and other office equipment, Canon teamed up with its marketing subsidiaries and affiliates around the world. In-depth surveys of power-related problems and conditions were conducted in 18 countries through customer visits to gather measurement data on abnormal power output from wall sockets.

Canon then developed wave simulation equipment capable of reproducing actual data from abnormal power conditions. The results of the wave simulation tests are being used to devise a comprehensive technology which addresses differing power supply environments and improves the safety and reliability of products used throughout the world.
Ensuring Usability

Technical advances do not always make products easier to use. Canon is constantly developing “usability technologies” and conducting operability and comfort evaluations to ensure that its products are as easy to use for senior citizens and the physically challenged as they are for the average consumer.

We enlist younger customers, senior citizens, people with physical challenges, and others to participate in monitoring tests for the evaluation of product features such as warning sounds, audio guides, and the indications used on operation panels. The feedback from these evaluations helps us define what sounds are easy to hear and what types of text are easy to read, and is compiled for technical guidance. It also helps us determine specifications such as the height, placement and layout of operation panels, and the overall ease of using the products. Canon Group employees involved in the planning, development, and evaluation of products take part in “barrier-free training” and other programs to help them understand product use from the customer’s perspective. The results of these usability initiatives are invested into making better products.

Improving User Interfaces

Canon is standardizing user interfaces throughout the company, adopting the customer viewpoint to make the interfaces easier to understand. Various guidelines have been formulated as we create easy-to-follow product user manuals, adopt common driver installation methods, and unify easy-to-understand product operation terminology.

Creating a uniform color quality using Canon’s proprietary design tool

Pursuing Sound and Image Pleasing to Customers

The digitalization of imaging equipment has made it possible to combine various types of input and output devices. Sometimes, however, the characteristics of each device can lead to variations in color reproduction. Canon is working to achieve a uniform quality of color output from all its digital imaging products through a Group-wide project called the “Canon Unified Color Scheme.”

Many factors influence whether an image will be perceived as beautiful. The subject rendered, its function, the environment around it, and even the beholder of the image affect the aesthetic appeal. To improve its capacity to create beauty, Canon is developing evaluation tools and technologies capable of “judging” beauty, comfort, and other subjective evaluations that have traditionally been difficult to measure and analyze. We have made advances in defining color in numerical terms and creating new color designs based primarily on our carefully developed technologies for image evaluation, measurement, and processing. Test panels have been set up in the main markets of Japan, the United States, and Europe to evaluate the colors and further our efforts to create images pleasing to customers.

The design of audio product operation guides, warnings, and other product sounds is another key area of development. Canon has succeeded in defining and integrating tones and sound patterns which are easy for all customers to understand, from younger users to senior citizens and the visually impaired. We also have established methods of measuring sound levels which are closest to the sounds heard by the human ear to determine what kinds of sounds are most comfortable and pleasing.
Service and Support

Our response when a product fails to operate properly is an important part of service. When a customer brings in a defective product to the QR Center at Canon Sales, repair staff immediately check it to determine the problem, inform the customer of the cost of repair, and perform the repair as quickly as possible on-site so that the customer can go home with a properly functioning product. The customers are received cordially and their products are repaired rapidly and skillfully at a reasonable cost.

Customer Support Using IT

Canon is dedicated to providing a high level of support to customers around the world. We achieve this goal in our consumer-product support services by implementing the WSSS (Web Self-Service System), an Internet-based support system operating 24 hours a day, 365 days a year. The service and support information available through the system includes FAQ, troubleshooting guides, product specifications, user manuals, and driver downloads. All necessary information is created or translated by Canon and made accessible through links on the websites of local marketing subsidiaries and affiliates.

Customers using WSSS increase by the month. As of December 2004, the system was operable on Canon websites in the United States, Canada, Latin America, Singapore, Australia, China, and Japan, attracting about 3 million hits a month. From 2005, we plan to expand the service to Europe.

Reflecting Customer Comments in Product Development

Canon establishes quality by placing itself in the customer’s position when developing products. We listen closely to the customer, gathering as much information as we can to improve quality. Call Centers have been established at marketing subsidiaries and affiliates in each country for this purpose. Responses to customer inquiries are appropriate and prompt. Canon goes to great lengths to provide detailed and sincere assistance to its customers.

Information from the Call Centers is compiled and analyzed through the Call Analysis Tracking System (CATS) to determine trends in the volume of inquiries and quality issues. Using CATS, we can form a global picture of the status of product quality from the customer’s perspective and effective information can be fed back efficiently to the divisions. Inquiries and opinions from customers are entered into this common database centrally managed to provide rapid access to information on product and service quality around the world. Accumulated data are shared among Group companies to provide feedback to the quality assurance, development, production and other divisions. The collected data ultimately lead to improved product quality, better product instruction manuals, and enhancements in the development of new products.

Canon also collects a great deal of information beyond what customers tell us directly through their inquiries. Customer satisfaction surveys, needs surveys, and other research tools are used to gather information from customers and gain a comprehensive understanding of their demands. These efforts have enabled Canon to appreciate and carefully respond to the needs of customers across borders and generations, as well as proactively disseminate information, as we work to establish closer trusting bonds with our customers and create quality products reflecting their precise needs.

Customer Call Center at Each Marketing Affiliate

Global call information can be analyzed immediately, enabling prompt and effective action.
Human Resources Development Based on the “Three Selfs”

Employee morale is high at Canon thanks to a fair employee-management relations system, practical training programs, and opportunities for meaningful communication between employees and management.

Basic Human Resources Policy
To realize our aim of becoming a truly excellent global corporation, Canon will require each and every employee to be a truly excellent person. The Guiding Principles, based on the kyosei philosophy, form the foundation of employee conduct. We foster a corporate spirit that encourages enterprising employees and stresses the principles of meritocracy to guarantee the fair evaluation of our employees’ work and human respect based on the drive to improve, take responsibility, and work towards the future with a sense of mission. This human resources policy has enabled Canon to grow and develop, opening new business frontiers, diversifying, and expanding globally.

Guiding Principles and “Three Selfs”
Canon’s Guiding Principles derive from the “Three Selfs” concept created by the corporate founders. The “Three Selfs” are known as the “Three Js” in Japanese: Ji-hatsu (self-motivation to do every job right), Ji-ichi (self-management), and Ji-kaku (self-awareness of one’s working environment and responsibilities). Group employees understand these forward-looking concepts and put them into practice daily in their work.

The Guiding Principles for Canon Employees was published as a pamphlet in 2003 to reaffirm our commitment to these principles and ensure that all employees understand them. Canon uses the pamphlet for formal training and internal communication. In 2004, at Canon Inc. alone, 122 employees applied for other positions within the company.

Employee-Management Relations
Canon currently comprises about 108,000 employees worldwide. Canon Inc. alone employs about 19,000 people, and Japanese personnel together account for about 45% of the worldwide workforce. With the recent growth in the share of manufacturing in the Asian region outside of Japan (P. 59), the number of employees in the “Other” region, including Asia, has increased in the last few years, as shown in the chart below.

Under these circumstances, the Canon Group has established a human resources system that respects the laws, working environments, and customs of each country in which the Group operates. Worker unions and similar organizations have also been established at Group companies. There are seven worker unions in Japan which comprise the Canon Group Workers’ Union Conference, while Group companies in EU member countries convene for the Canon European Consultative Committee meetings held on a pan-European basis.

Group companies manage their human resources in compliance with local laws and its own internal rules. There are no cases of child, forced, or compulsory labor at any Group company.

Employee-Management Relations at Canon Inc.
Canon Inc. adopts the union shop system. At the end of 2004, we employed 19,472 people, of whom 16,173 (83%) were members of the Canon Workers’ Union. Management representatives of Canon meet monthly with worker representatives at a Central Worker/Management Conference to exchange information and discuss views on issues facing us. Separate committees are formed at the conference to discuss the issues of wages, working hours, and safety and health. Recommended changes to working conditions and new policies are adopted based on discussions and agreement between workers and management.

Internal Recruitment
The Canon Group has an internal recruitment system to strengthen divisions and businesses in urgent need of personnel, to respond to the wishes and capabilities of our employees, and to invigorate our organization. In 2004, at Canon Inc. alone, 122 employees applied for other positions within the company.

Topics
Communication between Employees and the President

Canon employees have a number of opportunities for communication with President and CEO Fujio Mitarai, including direct meetings during his regular visits to operational sites. In addition, the chief executive shares information with Canon employees on a website on the company intranet. The website regularly posts the CEO’s reports on the progress of business units and various other topics delivered at monthly executive meetings, enabling the information to be shared with employees. Employees can also contact the CEO directly by e-mail.

President and CEO Fujio Mitarai talks with an employee of Otta Canon Inc. during a site visit.
Supporting Career Building and Skill Development

Canon offers a wide range of training and education opportunities, along with recognition and awards programs, to motivate employees and heighten individual skills. We make especially ardent efforts to nurture our management class and develop both strong individuals and a strong organization through programs such as rank-based management training for all managers appointed to new positions. Canon’s training runs a diverse range of topics and formats, from e-learning systems to programs using sign language. The Training Operation Support System (TOSS) makes it possible to search for desired courses on the intranet, allowing employees to take the initiative in choosing programs for themselves.

Each Group company has developed training programs to suit its individual needs. Canon Europe, for example, has established both a pan-European e-learning program and rank-based training courses.

International Training
Since 1980, employees of subsidiaries and affiliates outside Japan at manager-level and higher have been invited to participate in the 10-day Tokyo Seminar to familiarize themselves with Canon and to learn more about their roles as managers. The seminar has proved outstanding as a mechanism to foster mutual understanding among Group employees from different regions over the years. As of the 40th seminar held in 2004, some 819 employees had taken part in the event. Since 2001, the Group has also been developing a global management class through the Canon Corporate Executive Development Program (CCEDP).

We are also contributing internationally in human resource training. For example, Group companies accept overseas exchange students for training. In addition, upon the request of a Chinese governmental organization, Canon has been providing the same training we give our newly appointed senior managers in China.

Training Results at Canon Inc.
In 2003, Canon successfully completed the training of some 12,300 non-management personnel in the My Action Program (MAP). As a follow-up in 2004, we extended on-the-job training to all general managers and managers (about 2,200) at individual workplaces under the Active Leaders’ Program (ALP).

In 2004, the average amount of training provided to Canon Inc. employees was 23 hours per person.

Canon Education System

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<tr>
<th>Canon Education System</th>
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<tbody>
<tr>
<td>Management Skills Program</td>
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<tr>
<td>Quality Training</td>
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<tr>
<td>Manufacturing Training Program</td>
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<tr>
<td>Newly Promoted Managers Training Program</td>
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<tr>
<td>Reliability-Related Training</td>
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<tr>
<td>Canon Meister</td>
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<tr>
<td>Production Department Management Program</td>
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<tr>
<td>Quality Risk/Quality Safety-Related Training</td>
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<tr>
<td>Global Leader Program</td>
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<tr>
<td>Quality System-Related Training</td>
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<tr>
<td>Cross-Industrial Exchange Training Program</td>
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<tr>
<td>Language Training Program</td>
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<tr>
<td>Business Skills Training Program</td>
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<tr>
<td>Overseas Research Program</td>
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<tr>
<td>China Management Training Program</td>
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<tr>
<td>Business Skills Training Program</td>
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<tr>
<td>IT Literacy Training Program</td>
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</table>

Recognition and Awards Programs
Canon conducts a variety of recognition and award programs to honor Group employees for their achievements. The Canon President Award program bestows an Award of the Year in recognition of achievements in management and management innovation (P. 9), technology, production, sales and other areas, as well as an Award for Products to recognize hit products and key components that have made a significant contribution to the development of the company or a remarkable business contribution.

The Canon Meister, Expert (Multi Skilled Worker) and other awards recognize individuals supporting production, the Canon Production Innovation Awards are presented for achievements in production technology and production reform (P. 9), while the Quality Awards laud employees who have significantly contributed to enhancements in product quality. In 2004, Canon instituted a Member of the Canon Academy of Technology program to recognize its top engineers. Of the 10 employees certified as members in the first year of the program, two were additionally named Canon Fellows for their distinguished technological contributions to the company.
Ensuring the Safety and Well-Being of a Diverse Workforce

Canon promotes diversity in its workforce by supporting the careers of women and the physically challenged, rehiring retirees and other measures. We also protect our employees by making continual improvements in the areas of safety and health management.

Understanding and Promoting Diversity

Canon strives to maintain a safe and pleasant working environment for its diverse workforce. The Canon Group Code of Conduct (P. 27), for example, spells out such basic workplace rules as “respect for the individual and prohibition against discrimination” and “prohibition against sexual harassment.” Relations among employees, no matter their rank or duties, are based on a policy of mutual respect, wherein no employee is unfairly discriminated against due to such factors as race, religion, nationality, gender, or age.

Promoting Localization at Subsidiaries and Affiliates outside Japan

Canon is aggressively building local management structures at Group companies around the world. Since 2000, many of the presidents of marketing companies in the Canon Group have been local appointees, with Japanese personnel providing management assistance to the local presidents. In Europe, for example, around 80% of subsidiaries and affiliates are overseen by locally appointed presidents.

Supporting Women in the Workplace

Women at Canon are treated no differently than men in recruitment and employment, nor are they segmented into general office work or other functions. Canon recognizes the importance of fostering the careers of its female employees and is striving to create an environment that supports women who aspire to long-term careers.

Employment of the Physically Challenged

The Canon Group abides by the principle of “normalization” set forth by the United Nations in actively providing employment opportunities to physically challenged individuals. In June 2002, Canon Inc. met the legal requirement of employing a workforce comprising at least 1.8% physically challenged persons. Since then we have maintained workplace environments in which the physically challenged can thrive while keeping our employment rate above the legally mandated level without establishing a special subsidiary for such purposes. All Group companies, meanwhile, ensure an environment in which physically challenged employees can put their abilities to use in a mutually supportive workplace.

Employment-Related Data (Canon Inc.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of regular hire office employees (male)</th>
<th>Percentage of regular hire office employees (female)</th>
<th>People who have taken child-care leave</th>
<th>People who have taken nursing-care leave</th>
<th>Internal recruiting/non-management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>62.1%</td>
<td>37.9%</td>
<td>115</td>
<td>11</td>
<td>93</td>
</tr>
<tr>
<td>2001</td>
<td>56.6%</td>
<td>43.4%</td>
<td>138</td>
<td>25</td>
<td>107</td>
</tr>
<tr>
<td>2002</td>
<td>56.3%</td>
<td>43.5%</td>
<td>113</td>
<td>12</td>
<td>163</td>
</tr>
<tr>
<td>2003</td>
<td>55.1%</td>
<td>44.9%</td>
<td>117</td>
<td>18</td>
<td>132</td>
</tr>
<tr>
<td>2004</td>
<td>66.2%</td>
<td>33.8%</td>
<td>113</td>
<td>7</td>
<td>120</td>
</tr>
</tbody>
</table>

*The internal recruiting system for management positions was introduced in October 2001.

Roles of the Center

1. Raise employee awareness and improve morale
2. Provide career counseling
3. Provide post-retirement counseling
4. Respond to human relations issues between employees and their superiors, coworkers, and subordinates
5. Implement a mental health policy and respond to individual needs
6. Respond to various other employee issues

Re-Employment after Retirement

Back in 1977, Canon Inc. became one of the first Japanese companies to set its retirement age at 60. Then in 1982 we began a re-employment program to keep employees working within the company beyond retirement up until the age of 63. In 2000 we set up an open recruitment system for re-employment, and as of the end of 2004, we were tapping the rich experience and knowledge of 177 re-employed retirees. Of the 210 employees who reached mandatory retirement age in 2004, 76 were rehired under this program.

Compensation System

Canon Inc. is an equal opportunity employer with a fair and equitable compensation system for its employees. The basis of the system is work performance. Compensation ranges are established for each level of work depending on the difficulty and responsibilities of the position, and pay raises are awarded on the basis of merit without regard to the employee’s age. Canon Inc. also has a bonus system linked to both employee performance and the company’s business results. This type of compensation system is already in place at Canon U.S.A., Canon Europe, and other Group companies in Europe and the Americas. Introduction throughout operational sites in Asia is progressing.

Canon Inc. is conducting internal surveys to determine the effects of the merit-based compensation system on employee satisfaction and performance. The results are being used to grasp the effects of the system and make further improvements.

Re-employment rate (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirees</th>
<th>Re-employed retirees</th>
<th>Re-employment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>60</td>
<td>76</td>
<td>40</td>
</tr>
<tr>
<td>2001</td>
<td>70</td>
<td>67</td>
<td>46</td>
</tr>
<tr>
<td>2002</td>
<td>73</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>2003</td>
<td>86</td>
<td>49</td>
<td>60</td>
</tr>
<tr>
<td>2004</td>
<td>73</td>
<td>76</td>
<td>73</td>
</tr>
</tbody>
</table>
Safety and Health Management System

Canon inaugurated a safety and health management system in 2000. This was followed by the establishment of an internal auditing system in 2003 and ongoing plans for implementation of the system at production sites. Later, in 2004, Ueno Canon Materials Inc. and the Utsunomiya Optical Products Plant of Canon Inc. introduced an OSHMS*, following the lead of Fukushima Canon Inc. and Canon Inc.’s Utsunomiya, Toride and Ami Plants. We are actively submitting our safety operations to external review by the Japan Industrial Safety and Health Association (JISHA), an entity working in accordance with the OSHMS Guidelines of the International Labour Organization and the policies of Japan’s Ministry of Health, Labour and Welfare. In 2003, JISHA certified Fukushima Canon as an operational site with advanced safety policies.

Outside of Japan, in April 2000, Canon Hi-Tech (Thailand) Ltd. became the first Thai corporation to receive TIS18001*2 certification. Canon Engineering (Thailand) Ltd. plans to obtain the same certification by the end of 2005. Group companies worldwide continue to make progress in the area of safety and health.

Eliminating Major Workplace Accidents

Canon workplaces are being improved with an emphasis on the 5S*3 activities and in accordance with local circumstances. Workplace safety and health standards have been instituted for the cell production system at Group production sites in Japan (P. 10). To comprehensively ensure a better organized environment, we will also continue to maintain and improve safety and health management at operational sites by eliminating excess and waste in work processes. Fukushima Canon, a model of success under the policy, has remained accident-free over the course of more than 54 million hours of work time.

● Focus of No-Accident Campaign

- Analyses of accident causes and the prevention of similar accidents
- Safety inspections upon the introduction of equipment
- Workplace health management for chemical substances

Group companies are also promoting accident prevention and traffic safety in tandem with their polices on the elimination of accidents.

Health Maintenance and Promotion

The well-being of our employees is the well-being of our company. The health management of our employees both in body and in mind is an essential factor in maintaining a healthy and dynamic company as a whole. The Health Insurance Union, a union of employees from major Canon affiliates and subsidiaries in Japan, administers health exams, organizes health seminars, provides individual health consultations, and undertakes various other activities through a network of healthcare professionals around the country. In keeping with the passage of Health Japan 21, the Health Promotion Law, and other legal developments, all Japanese Group companies have adopted the same goals for quantitative health examinations and other issues to help prevent lifestyle-related illnesses. The annual examination rate of the Group’s workforce has reached nearly 100% over each of the last five years.

Other measures at Canon Inc. include seminars on the prevention of infectious diseases such as SARS (severe acute respiratory syndrome) and mental health examinations and special training prescribed under the guidelines of the Ministry of Health, Labour and Welfare.

Outside Japan, Canon Hi-Tech (Thailand) and Canon Engineering (Thailand) are among Group companies supporting the health management of its employees by possessing their own emergency cars to take employees to the hospital during emergencies and providing employees with health education.

● Mental Healthcare Initiatives (Canon Inc.)

- Self-care: Regular mental health checkups (MIs)
- Rank-based care: Mental Health Training (required training for new managers); Stress Management Training (for assistant managers)
- Care by on-site industrial health staff; Care by specialist doctors and counselors; Private consultation services
- Care by outside medical specialists

*1 OSHMS Occupational Safety and Health Management System

*2 TIS18001 Thailand’s labor health and safety management system

*3 The 5S’s stand for the Japanese words seiri (streamlining), seiton (organizing), seiketsu (hygiene), seiso (cleaning), and shitsuke (discipline).

Labor Accident Rate* (Canon Inc.)

<table>
<thead>
<tr>
<th>(% )</th>
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<th>Electric equipment manufacturing industry rate in Japan</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1.4</td>
<td>1.02</td>
<td>0.97</td>
<td>0.98</td>
</tr>
<tr>
<td>1.0</td>
<td>0.98</td>
<td>0.98</td>
<td>0.99</td>
</tr>
<tr>
<td>0.8</td>
<td>0.38</td>
<td>0.34</td>
<td>0.36</td>
</tr>
<tr>
<td>0.4</td>
<td>0.35</td>
<td>0.36</td>
<td>0.39</td>
</tr>
<tr>
<td>0.2</td>
<td>0.05</td>
<td>0.05</td>
<td>0.03</td>
</tr>
<tr>
<td>0.0</td>
<td>0.01</td>
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<td>0.02</td>
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<tr>
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</tr>
<tr>
<td>0.0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.04</td>
</tr>
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*Accidents requiring time off

Topics National Industrial Safety and Health Convention

The Japan Industrial Safety and Health Association (JISHA) organizes an annual National Industrial Safety and Health Convention. More than 10,000 participants from around Japan, mostly company representatives, attend the event each year to announce the results of their company activities and take part in symposiums in 14 different areas of industrial safety and health. Three Group companies in Japan were invited to announce the progress of the safety and health initiatives of the Canon Group in presentations at the 2004 convention in Osaka.

Can Group presentations:
- Shimomaruko Headquarters
  "From Zero Accidents to Zero Safety Hazards: Implementing OSHMS Throughout Canon" Nagahama Canon Inc.
  "Eliminating Traffic Accidents at Nagahama Canon" Ueno Canon Materials Inc.
  "Anti-Smoking Policies in the Workplace"

Social Management

Vision & Strategy Highlights 2004-2005

Performance Data/

C. Corporate Responsibility

E. Environmental Management

G. Group affiliation

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Encouraging Smiles as a Good Corporate Citizen

Canon supports a wide range of social and cultural activities to meet the needs of local communities. These activities help us fulfill our kyosei philosophy with the aim of enriching peoples’ lives.

Social Contribution Activities

Canon takes pride in fulfilling its responsibilities as a good corporate citizen by contributing to society outside the scope of its business activities. Our contributions focus on six areas: conservation of the environment; social welfare: local communities; education and science; art, culture and sports; and humanitarian aid and disaster relief. We actively provide funding and equipment, match the donations raised by our employees, and create partnerships with organizations for the support of these causes (⇒ P. 60).

Goals

- Provide ongoing support to people and organizations in need
- Carry out a range of support activities in cooperation with partner organizations offering diverse values and expertise
- Effectively apply Canon’s long-accumulated internal resources (employees, funds, facilities and technical know-how)

Main Areas of Canon’s Social and Cultural Support Activities

Conservation of the Environment

Canon Europe has been supporting the WWF in Europe since 1998, when it became the first corporate WWF Conservation Partner.

Through a partnership with WWF Hong Kong, Canon sponsors an annual charity walk in the Mai Po wetlands, a nature reserve in Hong Kong registered under the Ramsar Convention*. In 2004 we also teamed up with the WWF to organize an environmental education walk in Hoi Ha Wan, an event which drew 1,270 participants, including 97 Canon employees.

As part of the Clean Earth Campaign started in North America in 1990, we support important scientific research on the protection of wildlife in Yellowstone National Park in the United States. We also provide scholarships to doctoral students conducting scientific fieldwork in national parks in the United States, Central and South America.

Social Welfare

Canon has been working with the National Center for Missing and Exploited Children (NCMEC) in North America since 1997, raising social consciousness on the issue of child abductions. We provide digital cameras, printers, and other equipment to assist local authorities in quickly locating missing children. In recent activities under the Canon4kids program, Canon has created posters of missing children and posted them on the Internet and in other media outlets in appeals for information on their whereabouts.

Canon sponsored the 2005 Special Olympics World Winter Games in Japan, an event for athletes with intellectual disabilities. We provided support both financially and through the lending of equipment such as digital cameras and printers.

* Ramsar Convention
An agreement to protect and conserve wetlands providing a habitat for migratory birds and other wildlife

Students take a “virtual field trip” through Yellowstone National Park on the park’s website (New York, U.S.A.)

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PGA professional Briny Baird displays a picture of a missing child on his golf bag

Detailed information on these activities is available in the pamphlet Canon Social & Cultural Support Activities.

©WWF-Canon/Martin HARVEY
Supporting the digitalization of WWF photo library

©Canon
Handing over a beautiful Earth to future generations

Supporting the self-reliance and nurturing the talents of people with disabilities

Respecting exchanges among local residents

Supporting our children, the leaders of tomorrow

Supporting people in need

Fostering the development of fertile minds

Conservation of the Environment

Art, Culture and Sports

Supporting our children, the leaders of tomorrow

Local Communities

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- Provide ongoing support to people and organizations in need
- Carry out a range of support activities in cooperation with partner organizations offering diverse values and expertise
- Effectively apply Canon’s long-accumulated internal resources (employees, funds, facilities and technical know-how)
Local Communities

Canon organized a month-long fundraising campaign for local volunteer fire brigades in Australia to show its appreciation for the work they do.

A number of social contribution programs are underway in China. In 1998 we established the Beijing University Canon Scholarship Fund, and more recently we donated digital radiography diagnostic equipment to Beijing Hospital in the fight against severe acute respiratory syndrome (SARS). Canon also runs a special program to allow children with speaking challenges to become acquainted with high-tech digital products. The 21st Century Business Herald, a Chinese business weekly newspaper, selected Canon (China) Co., Ltd. as the recipient of its first Best Corporate Citizenship in China Award, an accolade established in 2004.

Art, Culture and Sports

Canon supports a number of arts projects, including the New Cosmos of Photography in Japan, intended to foster new photographers and encourage their ideas on new ways of photographic expression. We also sponsored the UNEP International Photographic Competition on the Environment 2004–2005, an event to raise awareness of environmental problems through photography.

Sports are another active field of community support for Canon. Canon Cup Junior Soccer in Japan, one of many Canon-sponsored sports programs, gives children the chance to make friends from other countries through sports.

Education and Science

Canon Dalian Business Machines, Inc. hosts an annual Japanese speech contest to help forge closer relations between China and Japan. In Europe, we established the Canon Foundation to support academic research by distributing scholarship funds and aiding academic exchanges between Japanese and European scholars and researchers.

Back in Japan, Canon teamed up with an NPO and educational and governmental organizations in May 2004 to inaugurate the Canon Junior Photographers program. Children participating in the program learn digital photography techniques, travel out on group shoots, and show their digital creations in exhibitions. The program is a wonderful opportunity for children to share their discoveries and excitement with their communities.

Humanitarian Aid and Disaster Relief

The Canon Group actively responds to natural disasters and crises with fundraising campaigns and other forms of support. In the aftermath of the Sumatra earthquake and Indian Ocean tsunami, Group companies in Japan quickly started a fundraising campaign, while our Group companies in other regions contributed relief funds to the International Red Cross. A year earlier, in 2004, we sent relief funds to earthquake victims in Iran and Niigata Prefecture, Japan.

As part of its sponsorship for UEFA EURO 2004, Canon Europe supported “Canon Fan Foto” on the website of the UEFA European Football Federation. Visitors to the website could choose a photo from among contest entries to send as an electronic card. For every e-card sent, Canon donated 1 euro to the Protect Children in War campaign organized by UEFA and the European Red Cross Societies.

Employee Volunteerism

Individual Canon employees participate in volunteer activities around the world. In North America, volunteers from the Canon Clean Earth Crew aid local communities with environmental protection. Canon Hongkong Co., Ltd., meanwhile, participated in the Mai Po Voluntary Work program in September 2004, helping to prune trees in the Mai Po nature reserve and remove redundant branches that harm the reserve’s ecosystem.
Building Strong Ties with Suppliers

From the very first stages of procurement, Canon builds close cooperative bonds with suppliers based on fair and transparent procurement policies.

Basic Stance on Procurement

Implementing the EQCD concept at Canon means delivering high-quality, appropriately priced products to customers around the world in a timely manner while minimizing environmental burden every step of the way (►P. 11). The cooperation of suppliers is essential to the successful implementation of this concept. Our Fundamental Procurement Policies and other internal regulations are conveyed to and understood by suppliers, and then carried out with their cooperation based on a strong working relationship.

1. In all of our procurement activities, Canon endeavors to contribute to society and observe the law while maintaining our focus on protecting the environment and natural resources.
2. In all of our procurement activities, Canon works together with our suppliers to realize our corporate philosophy of kyosei and work together for the common good.
3. Canon would open the door to all of suppliers in the world and do business with excellent and reliable suppliers in accordance with our corporate philosophy of kyosei.

Support for Suppliers

The procurement division coordinates internally with other divisions and visits suppliers to plan out collaborative measures to further the objectives of EQCD. Among various joint initiatives, Canon provides suppliers with on-site support and guidance on environmental evaluation, product quality improvement, and production reform activities to enhance the just-in-time supply system (►P. 32). In addition to formulating proposals based on VA (value analysis) and VE (value engineering) in collaboration with our suppliers, we invite them to our operational sites to explain our basic strategies, business plans, market trends, and procurement policies. This system enables us to closely work with our suppliers in the marketing of products that raise the level of customer satisfaction.

Fair and Transparent Selection of Suppliers

When selecting suppliers, Canon evaluates whether to purchase parts and materials based on a number of basic questions: Is the supplier working to conserve the global environment? Does the supplier have an adequate supply system? Can we have a financially stable relationship with the supplier?

The evaluation of potential suppliers also factors in such considerations as product quality, cost, delivery schedules, technical capabilities, and service capabilities. When making purchasing decisions, Canon forms supplier evaluation panels for each category of material to guarantee a fair and transparent selection of suppliers.

Beginning in 2005, all candidate suppliers of materials for use in Canon products must meet the Canon Green Procurement Standards (►P. 42) before they can do business with the Canon Group as a way to fully promote our green procurement efforts.

Canon procurement information URL: canon.com/procurement
* Green Procurement
Favoring the procurement of materials and products that have a low burden on the environment.

Topics

Canon Group Procurement Code of Conduct

Canon established the Canon Group Procurement Code of Conduct on October 1, 2004, to ensure fair and transparent business transactions with suppliers and compliance with laws and regulations on procurement. The new code falls under the wider Canon Group Code of Conduct (►P. 27) and requires employees of the procurement divisions to fully understand and abide by its stipulations.

The Procurement Code of Conduct is available in English, Chinese, Thai, and Vietnamese in addition to Japanese, distributed to employees of the procurement divisions, and posted online on the Group intranet. Group companies use the code to manage procurement compliance activities and conduct internal training programs (►P. 36).

Employees in procurement-related jobs at Group companies in Japan are given wallet-sized cards bearing the Procurement Code of Conduct and undergo compliance training, while a specialized department conducts internal audits to confirm compliance (►P. 25).

Excerpts from the Canon Group Procurement Code of Conduct

1. Basic Principles
2. Fair and Equitable Dealings
3. Sincerity and Honesty in Dealings with Suppliers
4. Compliance with Laws and In-house Rules
5. Appropriate Use of Confidential Information
6. Prohibition against Seeking, Accepting or Offering Improper Gifts or Other Benefits

Main Compliance Training Course in 2004

• Procurement ethics and manners WBT (e-learning)
• Subcontracting Law (basic and intermediate courses)
• Revenue Stamp Law
Establishing a Product Chemical Substance Assurance System

Canon has begun operating a Product Chemical Substance Assurance System as a foundation for the management and verification of the chemical substance content of our products. The system is responsive to the European Union’s RoHS directive (\textit{\textbf{P. 20}}) on hazardous substances, and anticipates stricter regulations likely to be introduced in the future. The key components of the system for managing chemical substances in parts and materials are 1) Environmental assessment of suppliers, 2) Chemical substance content survey of products, and 3) Analytical assessment and internal audits for risk avoidance. These three components combine to form a comprehensive system capable of fully responding to the various regulations on hazardous substances.

The engineers currently working on the Japan Green Procurement Survey Standardization Initiative\textsuperscript{*} use Canon’s Product Chemical Substance Assurance System as a reference in their work to formulate a global standard for the management of chemical substances in products (see below, Phase II of Measures Taken by Japan Green Procurement Survey Standardization Initiative). Canon intends to bolster the management of chemical substances in products through closer cooperation with suppliers and with the support of new global measures in the industry.

Environmental Assessment of Suppliers

to determine the chemical content of their parts and materials. We have created a rational method by which suppliers can accurately track and manage the chemical content of their parts and supplies at each level of manufacturing, beginning with raw materials. The data on chemical content in this process are compiled along the supply chain in a cumulative manner.

The chemical substances surveyed and the survey format used by Canon comply with the guidelines prescribed by the Japan Green Procurement Survey Standardization Initiative for the standardization of surveying methods in the electric and electronics industries.

Analytical Assessment and Internal Audits for Risk Avoidance

A single part is created through a long supply chain, beginning with the raw materials provider. Even if companies along this supply chain have established chemical substance management systems to manage the contents of their parts, there is always the possibility that accidents will occur and hazardous substances will be inadvertently added in one of the production processes. Canon has taken measures to avoid this risk by installing X-ray fluorescence analysis equipment at its main sites. The equipment is used to conduct regular analytical assessment of parts. Parts more prone to include hazardous substances are subject to regular assessment.

In the second half of 2005, environmental audits (\textit{\textbf{P. 44}}) will be conducted at all production sites to confirm the operational status of the Product Chemical Substance Assurance System and ensure that Canon is in full compliance with the RoHS directive.

\textsuperscript{*}Japan Green Procurement Survey Standardization Initiative (JGPSSI) Canon initiated the movement to establish the JGPSSI with other interested companies in 2001. As of April 1, 2005, 85 firms were participating members. JGPSSI URL: home.jeita.or.jp/eps/greenTOP-eg.html

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
\textbf{Phase} & \textbf{Purpose} & \textbf{Measure} \\
\hline
\textit{I} (implementation completed) & • Make it less burdensome for the product manufacturer to provide information on chemical substances & • Standardize the survey format and a core set of substances to include in the survey \\
 & • Facilitate faster survey responses & • Move towards consensus among U.S. and European electronic industry associations \\
\hline
\textit{II} (under deliberation) & • Raise the reliability of survey results & • Standardize the management system for the chemical substance content of products \\
\hline
\end{tabular}
\caption{Measures Taken by Japan Green Procurement Survey Standardization Initiative}
\end{table}

Canon Green Procurement Standards

- \textbf{Environmental Management System}
  - Environmental management related to business activities
  - Management of environmental impact substances contained in parts and materials

- \textbf{Performance}
  - Legal compliance
  - Environmental impact substances (in development, production, and sales)
  - Preventive measures against soil and groundwater pollution

- \textbf{Evaluation per supplier} \quad \textbf{Evaluation per part and material}

Supplier’s electroless nickel plating facility

Environmental analysis of parts (Canon (Suzhou) Inc.)
Conscious Management Environmentally Conscious Management System

Canon has instituted an independent set of environmental assurance rules as the basis for its environmental risk management and risk communication activities.

A Global Environmental Promotion System

Canon employs a multi-tiered environmental promotion management structure in which the Global Environment Promotion Headquarters is responsible for the overall direction of environmentally conscious management. The Environment Management and Engineering Center promotes environmental strategy and technological development, while the Environment New Business Center initiates the development of new environmental businesses, with both of the bodies positioned under the headquarters. Established under the Management Strategy Committee (P. 25), the Global Environment Expert Committee is tasked with planning individual strategies for important environmental issues across the Group.

Environmental divisions and officers are also set up at each product group operation, operational site, and major subsidiaries and affiliates to ensure the implementation of the Mid-Term Environmental Goals and environmental assurance rules and other Group targets and rules. This structure also supports the effective sharing of environmental information within the Group and the execution of speedier decision-making.

Regional Environmental Conferences

The Canon Group is holding environmental conferences on a regional basis to reinforce local environmentally conscious management in accordance with Group goals, rules, and policies. The 2004 conferences centered on major environmental issues such as ISO14001* consolidated certification and compliance with the WEEE (P. 51) and RoHS directives (P. 20).

Operation of Environmental Management System

In 1995, Canon became the first company in Japan to acquire BS7750 certification, the predecessor to the current ISO14001 standard. Since then, production and marketing sites in the Group have successfully introduced Environmental Management Systems (EMS) (P. 60). In 2004, we began to plan for ISO14001 consolidated certification of the entire Group as a way to optimize our environmentally conscious management. From 2005 through the end of 2007, we are aiming to complete a single ISO14001-compliant EMS covering about 140 Group companies and about 130,000 employees (including outside contract employees). As part of the preparation for consolidated certification, the environmental rules (for environmental assurance and related areas) for the entire Group were revised in 2004.

Rules for Environmental Assurance and Related Areas

*ISO14001
A standard for environmental management systems issued by the International Organization for Standardization.

Global Environment Promotion Organization

Global Environment Promotion Headquarters
Environment Management and Engineering Center
Environment New Business Center
Individual Product Group Operations
Environment Promotion Divisions
Individual Operational Sites
Environment Management Divisions

Global Environment Expert Committee
Management Strategy Committee

Rules on Standardization of Design for Environment
Rules on Parts/Material Procurement
Green Procurement Standards (Parts and Material)
Safety and Health Management Rules
Chemical Substance Management Procedure

Detailed Rules for Product Assessment

Canon Group Fundamental Rules for Environmental Assurance
Canon Group Product Environmental Assurance Rules

Safety and Health Management Rules
Chemical Substance Management Procedure

Canon Group Environ-mental Assurance Standards for Operational Sites

* Canon Group Environmental Audit Procedure

Canon Group Control Procedure for Environmental Assurance Standards for Operational Sites

Canon Group Environmental Audit Rules

These are the overarching guidelines that govern all our environmental assurance activities and harmonize our rules for products and site operations, and environmental audits.

These standards include our Product Assessment Guidelines and Environmentally Conscious Design Guidance. Taken collectively, they clearly identify the issues to consider in developing and designing Canon products. Our Hazardous Substances in Products standards ensure that our customers can use our products in an environmentally safe manner.

Canon has clearly spelled out the environmental standards to be implemented at all of its operational sites. All operational sites in all countries and regions are required to meet the local standards or Canon’s standards.

These rules clarify the principles behind internal environmental audits, basic items covered by the audit, and the tasks of the internal environmental auditors.

Regional environmental conference held in Amsterdam in November 2004 attended by representatives from main European manufacturing and marketing affiliates and subsidiaries. The conference was “carbon neutral,” meaning that the participants reduced CO2 emissions by the same amount the conference emitted. To compensate for the CO2 emitted by the round-trip travel of the 44 attendees of the conference site, 1,545 trees were planted.
Environmental Risk Management

Each operational site in the Canon Group has laid out a response plan for unforeseen events as an environmental management item. This system enables the sites to respond with comprehensive and appropriate measures in a prompt and effective manner. The environmental management system also includes detailed information on preventive management methods at each site, which encompasses an overview of soil surveys and environmental assessment, the creation of construction standards, the adoption of secure wastewater facilities designed to protect the environment, and a record of measurement data.

Since 1990, Canon has performed a prescribed environmental audit when establishing new operational sites. The assessment covers every stage from the site selection process through to the start of site operations, applying the same environmentally conscious management standards for sites both in and outside Japan. Outside of Japan, as each country has different regulatory levels and standards from Japan, we apply the stricter of Canon’s standards and the local standards. Canon commissions local consultants to complete the basic surveys, chooses the site based on the results, verifies that the results conform with all relevant standards, and begins construction.

Risk Communication

As a follow-up to our preventive measures and other risk management activities, we place great importance on "risk communication," the communication of those activities to stakeholders.

In 2004 we conducted an awareness campaign and employee briefings on risk communication. Then in August 2004, environmental personnel working at operational sites with higher levels of chemical substance discharge attended a specialized program for risk communication training. Training seminars on chemical substance risks and methods of risk communication, and role-playing activities among the environmental personnel were used to instill an understanding of the importance of risk communication.

Canon also maintains close communication with administrative and local government bodies on environmental safety management. In January 2005, the Center for Environmental Information Science recognized Canon’s efforts on chemical management and risk communication by presenting the company with its PRTR Excellent Prize Award at the 2004 PRTR Awards Ceremony and Symposium.

Monitoring and Measurements

Our independent environmental assurance standard seeks to reduce environmental risks based on strict compliance with all environmental laws and regulations worldwide. For air and water emissions, Canon’s standards have been set higher than the regulations. The environmental management results of our operational sites are available on our website (URL: canon.com/environment).

We perform analytical assessments of environmental burden using the latest environmental measurement technologies and by qualified environmental analysts. Through our Environmental Analysis Support System, we manage data and respond to irregular data levels related to wastewater, soil, air, odor, noise, vibration and other factors, as well as undertake measurement plans at all operational sites in Japan.

Environmental Auditing

Canon has established a specialized organizational structure to perform environmental auditing*1 at operational sites worldwide based on the Canon Group Environmental Audit Rules, an in-house set of regulations which comply with ISO19011 standards. Results of separate audits by operational sites and headquarters have led to direct improvements in the environmental system performance at each operational site. The headquarters’ auditing control division compiles and analyzes the auditing results for presentation during executive-level management reviews to ensure that they can be reflected in Canon’s auditing policy for the next fiscal year.

In 2004, the operational site audits focused on compliance with rules on consignment of waste processing to outside companies. Supported by headquarters’ auditing division (P. 25), auditors at each operational site confirmed the contents of the waste processing consignment contracts, the manifest*2, and the results of environmental measurements. While no serious breaches of laws and regulations were found, the audit did turn up minor infractions in the handling of contracts and manifests which we have been correcting one by one. Environmental training divisions have also been receiving the auditing results for use as a reference to train employees in the environmental divisions and those in charge of waste management departments at each operational site in the drawing up of contracts and related operations (P. 47). Reinforcing our system of legal compliance will become an increasingly important mission from the viewpoint of corporate social responsibility.

*1 Environmental auditing
An evaluation, based on an objective set of criteria, of whether or not an organization or operational site is in compliance with environmental standards defined by environmental laws and regulations, as well as the company’s policies and goals.

*2 Manifest
When a business generating industrial waste commissions a processing firm to process the waste, the manifest is issued as a management document executed to prevent the illegal disposal of waste and ensure that proper processing procedures are taken.
Conscious Management

Environmentally conscious management will improve. As our environmentally conscious management advances, we will be introducing new evaluation items and the effectiveness of our environmentally conscious management systems. The evaluations are performed by the Global Environment Promotion Headquarters (P. 43).

The environmental portion of the Evaluation System on a Consolidated Basis accounts for about 10% of the total points, and the results are announced twice a year. The introduction of this system has resulted in improved environmental activity results, profitability, and other benefits. As our environmentally conscious management advances, we will be introducing new evaluation items and the effectiveness of our environmentally conscious management will improve.

Environmental Evaluation System

The Evaluation System on a Consolidated Basis forms the foundation of Canon’s consolidated management system. From 2001, an Environmental Evaluation System has also been instituted to assess product group operations and major manufacturing and marketing subsidiaries and affiliates. The assessments of product group operations and manufacturing subsidiaries and affiliates emphasize environmental performance*. In the case of marketing subsidiaries and affiliates, the assessments focus on the effective maintenance of environmentally conscious management systems. The evaluations are performed by the Global Environment Promotion Headquarters (P. 43).

The environmental portion of the Evaluation System on a Consolidated Basis accounts for about 10% of the total points, and the results are announced twice a year. The introduction of this system has resulted in improved environmental activity results, profitability, and other benefits. As our environmentally conscious management advances, we will be introducing new evaluation items and the effectiveness of our environmentally conscious management will improve.

Production Environmental Information Management

The Canon Group introduced a Production Environmental Information System in January 2003 to unify environmental information at its production sites. The new system outmodes the old method of compiling information through e-mail and survey forms by migrating to a unified intranet database. Every operational site enters its environmental data according to specified categories. The system enables the Global Environment Promotion Headquarters to easily grasp the situation at Group sites around the world and acts as a database for performing environmental accounting*2 and calculating the environment performance index.

Environmental Conscious Management Tools

Factor 2 is the overriding indicator for environmentally conscious management used at Canon (P. 14). The various other indicators in use are shown below.

1 Environmental performance
The effect a company’s business operations have on the environment (environmental burden) and the results of related initiatives to reduce the burden.

2 Environmental accounting
Measuring and evaluating a company’s expenditures for environmental conservation and management activities as well as the benefit (environmental conservation and economic benefits) these activities produce.

* Environmental Conscious Management Tools Used by Canon

<table>
<thead>
<tr>
<th>Factor</th>
<th>Measurement</th>
<th>Certification System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>Environmental efficiency measurements</td>
<td>Environmental accounting (P. 46)</td>
</tr>
<tr>
<td>Product</td>
<td>Environmental performance</td>
<td>Product environmental information system (P. 49)</td>
</tr>
<tr>
<td>Operational Site</td>
<td>Environmental performance</td>
<td>Material flow cost accounting (P. 46)</td>
</tr>
</tbody>
</table>

*1: Environmental performance
*2: Environmental accounting
*3: LIME: Life-cycle Impact assessment Method based on Endpoint modeling (Japanese version)
*4: JEPX: Environmental Policy Priorities Index for Japan
*5: Eco-Leaf (Type III Eco-Label)

This type of Eco-Label promotes environmentally conscious products by showing quantitative environmental information calculated by the LCA method.

Topics

Canon (Schweiz) Implements Eco-Indicator 99

Canon (Schweiz) A.G. uses Eco-Indicator 99*, a measure of environmental efficiency, to comprehensively identify environmental burden generated by product maintenance, shipping, and other business operations, and evaluate its environmental activities.

According to this method, the environmental burden of the company’s operations has declined since 1995. Canon is presently proceeding with a plan to improve its environmental performance throughout Europe and progress towards mid-term environmental goals for the entire continent by employing Eco-Indicator 99 to measure its environmental performance.

Environmental Burden of Canon (Schweiz)

<table>
<thead>
<tr>
<th>Year</th>
<th>Service (product maintenance)</th>
<th>Office energy consumption</th>
<th>Paper usage</th>
<th>Waste recycling/disposal</th>
<th>Heating</th>
<th>Shipment of products to customers</th>
<th>Shipment of products to customers (Amsterdam or European production works)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>6,799</td>
<td>5,128</td>
<td>4,903</td>
<td>4,947</td>
<td>4,964</td>
<td>5,201</td>
<td>4,903</td>
</tr>
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<td>6,799</td>
<td>5,128</td>
<td>4,903</td>
<td>4,947</td>
<td>4,964</td>
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<td>6,799</td>
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<td>6,799</td>
<td>5,128</td>
<td>4,903</td>
<td>4,947</td>
<td>4,964</td>
<td>5,201</td>
<td>4,903</td>
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</tbody>
</table>

* Eco-Indicator 99

This is an environmental performance evaluation method based on an LCA developed between 1997 and 1999 by a team of environmental experts and LCA specialists from the Netherlands and Switzerland at the request of the Netherlands’ Ministry for Housing, Spatial Planning, and the Environment.
Environmental Accounting

Since introducing environmental accounting in 1983, Canon has continually expanded the scope and increased the accuracy of data collection, using the results to determine whether the company is getting the maximum return on its investment of management resources. In addition, Environmental Investment Standards help Canon to prioritize and optimize its investments in the environment as they are actually made.

In compiling data for 2004, we expanded the scope of coverage from our main subsidiaries and affiliates in Japan to include our main subsidiaries and affiliates outside Japan, as recommended under the February 2005 revision of Japan’s Ministry of the Environment’s Environmental Accounting Guidelines. According to the results of our environmental accounting in the year 2004, Canon (main subsidiaries and affiliates inside and outside Japan) invested 16.1 billion yen in environmental protection activities in the course of the year, including 2.7 billion yen in costs for improvement, and this investment yielded an effect of 3.0 billion yen (P. 61).

Material Flow Cost Accounting

Material flow cost accounting is an environmental management accounting tool used to identify loss generated in production processes. “Loss” collectively includes losses in waste materials (material loss), associated processing costs, cost of disposal of waste materials, and other costs. The sum of these losses represents the “negative product,” while the finished product is considered the “positive product.” The losses are analyzed separately to determine the specific processes in which they occur. Reduced losses translate into a lower environmental burden and cost savings.

From 2001, Canon began collaborating in research on material flow cost accounting with the Japan Environmental Management Association for Industry (JEMAI). Since then, material flow cost accounting and initiatives to reduce the “negative product” have been being promoted across the Group. At the same time, we are striving to apply the method upstream and downstream in our industrial relationships.

Material Flow Cost Accounting at Canon Chemicals

Material flow cost accounting is being introduced throughout the Canon Group. Canon Chemicals began implementing the system at all its workplaces from 2004 in tandem with workplace-oriented environmental assurance activities. This approach has provided an accurate profile of the materials and funds lost and the processes in which losses occur. Using the information gained, employees working in small groups reduced the levels of generated waste by remarkable margins.

In 2004, the resource efficiency improvement activities developed under the accounting system led to an 1,800-ton reduction in the amount of waste discharge (40% decline), and a savings of about 120 million yen in the amount of materials used (materials purchased) due to a large decrease in waste disposal costs and reductions in the loss. The resulting improvement in capacity utilization rate has also led to higher production, lower capital spending, and other derivative benefits.

Implementation of Canon Chemicals’ Resource Efficiency Improvement Activities

A: Follow-up through a lateral organization
B: Maximization of Resource Efficiency (Reducing loss)
C1: Analysis and understanding of conditions
C2: Reform progress report
P: Workplace goals and execution plan
D: Execution of plan Participation by all employees in small groups

Customer effects

Global environmental protection
Resource recycling
Upstream/Downstream
Pollution prevention/Management activities, etc.

<table>
<thead>
<tr>
<th>¥ billion</th>
<th>Environmental protection costs</th>
<th>Costs for improvement (included in the total)</th>
<th>Effects of costs for improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>16.1</td>
<td>2.7</td>
<td>3.0</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td></td>
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</table>

JEMAI URL: www.jemai.or.jp/english/index.cfm
Environmental Education and Environmental Business

Leveraging Know-How for Education and Expansion

Canon offers practical online environmental courses which make full use of the connectivity of the intranet. A well-educated workforce and leading Canon technologies form the basis for new businesses.

Environmental Education for Employees

Since 1989, Canon has promoted practical environmental education that teaches all employees the importance of environmental conservation and encourages them to integrate that thinking into their daily lives. The education is centered around two basic programs: awareness activities and structured education. Our awareness activities consist mainly of internal corporate publications and other media, while structured education focuses on self-enlightenment courses as well as specialist education. In 2004, we introduced new course offerings by creating an Environmental Education Fundamentals Course and having employees self-administer a Canon Ecology Person Diagnosis course, both of which are available to employees through the company’s intranet.

Self-Enlightenment Education

Employees receive self-enlightenment education at each stage of their careers. The goal is for employees to acquire a strong basic knowledge and understanding of Canon’s environmental initiatives, including our environmental assurance system and related activities, the basics of environmentally conscious management and its daily implementation, green procurement (P. 42), and other subjects.

Specialist Education

Specialist training is provided to employees tasked with promoting environmental assurance activities at each operational site and workplace. The training focuses on courses to develop environmental assurance staff and environmental auditors, product environmental seminars to promote environmentally conscious designs by the development and design staff, and green procurement activities.

Expanding the Environmental Education Fundamentals Course and Canon Ecology Person Diagnosis Worldwide

Under the Canon Group comprehensive EMS initiative (P. 43), Canon plans to disseminate the Environmental Education Fundamentals Course and Canon Ecology Person Diagnosis course throughout the entire Group over the intranet by the end of 2007. Having succeeded in introducing the Environmental Education Fundamentals Course at all Japanese Group companies in 2004, we plan to begin implementing the course at Group companies outside Japan in 2006. We are also promoting the Canon Ecology Person Diagnosis course both in Japan and internationally from 2005.

The Environmental Education Fundamentals Course spans a broad range of issues, from global environmental problems to Canon’s specific environmental assurance activities, with the aim of enabling the execution of environmental assurance activities with an improved understanding and awareness of important issues both inside and outside Canon.

The Canon Ecology Person Diagnosis promotes a self-awareness of environmental assurance activities by posing questions to participants about the law, ethics, and daily environmental activities. The results from the intranet-based program are analyzed to improve our environmental education programs and other offerings. We are also finding ways to expand the awareness program outside the Group. To cite one example, our company set up an Eco Kids corner at the Canon booth of the Eco-Products 2004 exhibition in Tokyo to allow children to assess their own environmental understanding (P. 58).

\[ \text{Employee Receiving Environmental Training (people)} \]

\begin{center}
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Year} & \textbf{Japan} & \textbf{Europe} & \textbf{Asia (excluding Japan)} \\
\hline
2000 & 40,000 & 36,727 & 36,727 \\
2001 & 36,000 & 32,000 & 28,000 \\
2002 & 32,000 & 26,000 & 22,000 \\
2003 & 24,000 & 16,000 & 12,000 \\
2004 & 20,000 & 10,000 & 4,000 \\
\end{tabular}
\end{center}

* Held at each operational site

\[ \text{Primary Training Programs and Results for 2004 (people)} \]

\begin{center}
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Program} & \textbf{Japan} & \textbf{Outside Japan} & \textbf{Total} \\
\hline
Awareness & & & \\
Training for newly hired and transferred employees & 825 & 17,231 & 18,056 \\
Training for general employees & 3,568 & 2,199 & 5,767 \\
Environmental Education Fundamentals Course (Web-based and Group seminars) & 11,763 & 0 & 11,763 \\
Environmental assurance staff training & 275 & 18 & 293 \\
Basic product environmental training & 20 & 20 & \\
Technical training on environmental technology and chemical safety & 7 & 0 & 7 \\
Product chemical substance assurance training for supplier evaluators & 158 & 152 & 310 \\
Environmental administration leader training & 36 & 0 & 36 \\
Total & 16,983 & 19,739 & 36,727 \\
\end{tabular}
\end{center}

*In Japan, training is performed mainly by headquarters divisions. Outside Japan, training is performed by special external organizations.
Expanding Environmental Business

Group companies in Japan have launched full-scale businesses providing products and services based on the environmental technologies and know-how developed by the Group over the years. The scope of these businesses ranges from environmental remediation, analyses, and assessment technologies to environmental solutions focusing on consulting and IT services.

Canon’s efforts to make our technologies and know-how available to all of our clients are aiding the reduction in the environmental burden imposed by industry and society. We also offer solutions intended to improve the quality of the client’s business, reduce costs and maximize the client’s overall value.

Environmentally Conscious Management Consulting

Canon’s consulting services support clients who wish to create their own EMS as a framework for environmentally conscious management and publish environmental reports as communication tools. Canon also helps clients introduce material flow cost accounting (P. 46), an environmental accounting tool for analyzing loss generated in production processes.

Environmentally Conscious Management IT Service

Canon’s consulting service in environmental IT management helps clients to build their own support systems for green procurement surveys using IT networks. This service taps Canon’s experience in shipping products in compliance with the RoHS directive (P. 20).

Japanese marketing subsidiary Canon Sales Co., Inc. offers these environmental systems and services as solutions to satisfy the individual needs of clients.

Developing a Business with Environmentally Conscious Technology

Soon after Japan’s Soil Contamination Countermeasures Law took effect in February 2003, the Ministry of the Environment certified Canon as a soil and groundwater testing organization. With this new credential, Canon launched an engineering business for the survey and evaluation of soil and groundwater and the execution of remediation plans for contaminated areas. We have also harnessed more than 15 years of experience in environmental analysis technology to embark on new ventures in ultra-micro analysis and evaluation of products to determine their environmental consciousness, including compliance with RoHS. Technologies to reduce the harmfulness of hazardous substances have led to the development of several new environmentally conscious equipment which we plan to market.

Sales of Environmentally Conscious Paper

With regard to supply products made mainly of forestry resources (paper products), Canon procures and sells a range of environmentally conscious paper products, including recycled paper, ECF chlorine-free white paper, and forestry certification paper, all of which are primarily for use in plain paper copiers (PPC). Procurement standards for paper have already been established for subsidiaries and affiliates in Japan, and the Group is now striving to introduce standards for paper procurement in Europe, Asia, the United States and other regions.
Minimizing the Environmental Burden Starting with Product Development

To minimize the environmental burden of its products, Canon conducts evaluations beginning at the initial development stage. The company is also rapidly improving the energy efficiency of its products.

Basic Stance on Environmental Consciousness of Products

The largest part of the environmental burden from Canon’s business activities, whether it be direct or indirect, comes from the production of raw materials and parts, and product usage (P. 14). We focus on these two stages of business in our efforts to lessen the environmental burden of our products.

The burden consists mainly of the relatively high power consumption of our copying machines and other products during use; our reliance on plastics, following steel and aluminum, which have established recycling systems; and our use of chemical substances that could harm the environment even when used in small amounts. In consideration of the burden, we have established three themes to guide the development of environmentally conscious products: developing and installing energy-efficient technology into products; designing light and compact products at the product development stage, establishing a plastics recycling system, and using recycled materials; and reducing the use of designated chemical substances.

From 2004, we laid out 19 different Mid-Term Environmental Goals divided among six themes (P. 16), all of which are targeted for achievement by the end of 2005. The six themes include meeting the standards for environmentally conscious products; protecting the environment during product use; management; and the three themes mentioned in the above paragraph. We have aligned our goals for meeting standards for environmentally conscious products and protecting the environment during product use to meet major industry regulations and standards. The management goals were created as product design targets to ensure the rest of the goals reach fruition.

Product Environmental Information System

Canon has created a product environmental information system as a support tool for the development of environmentally conscious products. Digital prototypes are evaluated from multiple perspectives by linking design information from the 3D computer-aided design (3D-CAD) system (P. 9) with the Digital Mock-up Review (DMR) system in the development stage. Evaluation of recyclability, environmental impact evaluations, product assessment*1, and other simulations are performed to find ideal methods for minimizing CO₂ emissions, verifying the use of green parts*2, and optimizing assembly and dis-assembly. Overall, this system enables a prototype-less design process and a shortening of the product development period. The implementation of this system has also advanced our efforts to create environmentally conscious designs in compliance with environmental regulations, including the WEEE (P. 51) and RoHS (P. 20) directives.

In 2004, we completed a LCA (Life Cycle Assessment) evaluation system. We currently promote environmental measurement and evaluation activities across all business operations.

<table>
<thead>
<tr>
<th>System Name</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Mock-up Review</td>
<td>A mock-up is a full-sized model of a new product at the development and design stages. A DMR is a 3D digital mock-up to verify assembly, disassembly, usability, safety, driving mechanisms, and other features and functions. (P. 9)</td>
</tr>
<tr>
<td>Supplier Environmental Evaluation Information System</td>
<td>This system manages the information on the environmental assurance activities of our suppliers.</td>
</tr>
<tr>
<td>Product Chemical Substance Management System</td>
<td>This system manages the results of Canon surveys on the chemical content of procured parts and materials, survey data on the content of six RoHS-restricted substances in parts and materials, analysis results, and whether parts and materials have been accepted or rejected for procurement, etc. The system makes it easier to choose green parts and materials at the development and design stages.</td>
</tr>
<tr>
<td>Product Environmental Specification Management System</td>
<td>All the information from the environmental review of the prototype and the environmental evaluation of the actual test product is used for the product assessment. A unified Product Environmental Specification Management System manages this product assessment information together with parts and materials environmental information, development product information and production management information from the operational site. This system is used both within and outside the Group as a database for product environmental information disclosure.</td>
</tr>
</tbody>
</table>

* Product assessment
The product’s burden on the environment is assessed at the development stage, and ways of lessening the burden are incorporated into the product design.

* Green parts
Parts that have a low burden on the environment.

Diagram:

- Product Environmental Specification Management System
- Supplier Environmental Evaluation Information System
- Production Management System
- DMR (Environmental system)
- Mass trial
- Production confirmation
- Product launch
- Initial Assessment (whether to develop products)
- Second Assessment (whether to commercialize product)
- Third Assessment (whether to confirm production)
- Concept design
- Design review
- Detailed design
- Function testing
- Assembly assessment
- Supplier Environmental Evaluation Information System
- 3D Design
- IT Eco-Declaration
- Type III Eco-Label
- Eco-Leaf
- Product Environmental Information Disclosure
- PMI
- Packaging materials information
- Parts materials data
- Data for acquiring these labels
- Various Eco-Labels
- PMI Eco-Declaration Various Eco-Labels
Status of Meeting Standards for Environmentally Conscious Products

Canon develops products with the aim of meeting the standards of the Law on Promoting Green Purchasing*1, the International ENERGY STAR® Program*2 (P. 15), Eco Mark*3, and various other standards. In 2004, 91.4% of our products (53 of 58 office machine products) met the standards of the Law on Promoting Green Purchasing and the same percentage qualified for the International ENERGY STAR® Program (P. 62). The standards for both the law and the program are based on specifications for monochrome copying machines, hence some of Canon’s color copying machine products have not yet met the standards. Overall, however, we rank among the top office machine manufacturers in meeting the standards of the law and qualification for the program. Our level of Eco Mark certification in 2004 was 68.8% (33 of 48 products meeting standards; only copying machines and printers). We are actively pursuing certification under various Eco-Label*4 standards in the countries in which we operate.

In the area of protecting the environment during product usage, some laser beam printer models have become the first in their product categories to clear Germany’s Blue Angel labeling standard for emissions of noise, VOC (volatile organic compounds) dusts, and ozone.

Global Warming Countermeasures and Energy Efficiency

When analyzing the total CO2 emissions of Canon as a whole, including the indirect burden, about 30% of the environmental burden comes during product use. This makes it a priority for Canon to develop products which consume less energy. The Mid-Term Environmental Goals to be achieved by 2005 include three specific targets under the category of Global Warming Prevention and Energy Conservation: (1) Have all products qualify for International ENERGY STAR® Program (No. 1 in percentage of products qualifying), (2) Reduce energy consumption during operation and standby by 30% compared with 2000, and (3) Fully meet the standards of Energy Conservation Law in Japan (copying machines). We have progressed in our efforts to provide more energy-efficient products by tackling the issue from the development stage. In 2004, the amount of energy consumed by Canon products during the product usage stage of the life cycle was 1.84 million tons in terms of CO2 emissions, representing an 18% decrease from emissions of 2.25 million tons in the baseline year of 2000.

Reducing Energy Consumption during Operation and Standby

Canon is developing energy-efficient technologies and designing them into its products in order to meet its goal of reducing energy consumption during operation and standby by more than 30% compared with 2000.

Two on-demand energy-efficient technologies—on-demand fixing and IH (Induction Heating) fixing—have been incorporated into our copying machines, laser beam printers, and MFDs, and we are now expanding the application of these technologies to high-speed and color machines (P. 21).

To reduce the power consumption of inkjet printers, which are mainly for personal-use, we have developed a low-power-mode control system with an enhanced integrated circuit to minimize device operations by driving only the control unit during standby and power-off. Canon has been installing this system in inkjet printers sold from 2003 (P. 19).

These and other measures enabled us to meet all our energy efficiency goals for new engines of main new products in 2004.

Fully Meeting Standards of Energy Conservation Law for Copying Machines


Proprietary Energy Efficiency Technologies Used in Canon’s Office Machines

On-Demand Fixing Technology (utilized since 1990)

A ceramic heater localizes the heating to a specific area through a fixing film during printing. Surplus energy consumption is avoided and energy efficiency realized.

IH Fixing Technology (utilized since 2002)

An electromagnetic induction heater generates an eddy current when a line of magnetic force passes through its metal coils, directly heating the fixing sleeve. Overall heat efficiency is therefore improved, and standby heating is unnecessary.

Environmentally conscious products URL: canon.com/environment/technology
For a Recycling-Oriented Society

The clean operation and resource efficiency of Canon’s products continue to improve through our recycling drive, in order to reduce the size and weight of products, and the elimination of hazardous substances.

Resource Conservation

As a global corporation dedicated to a recycling-oriented society, Canon manufactures products by Inverse Manufacturing (IM)*1. The IM methodology aims to create a high-level business activity life cycle system designed to improve resource recycling from both the development and design stages. One of Canon’s Mid-Term Environmental Goals is to reform its entire recycling system and introduce more environmental initiatives in line with the 3R*2 policy of Reduce, Reuse, and Recycle, the backbone of the IM system.

Steel, aluminum, and plastic make up a large portion of the raw materials used for the manufacture of Canon products. As the recycling route for plastic has yet to be firmly established, we continue to invest our energy and resources into the building of plastic recycling systems.

Forming a Recycling Structure in Every Region

The WEEE directive (Waste Electrical and Electronic Equipment directive) is scheduled for implementation in the EU from August 2005. EU nations are transposing the directive into law for local enforcement. Canon is responding to the directive by developing recycling schemes tailored to every EU country.

Back in Japan, the restructuring of our 3R sites is nearly complete. Once this is accomplished, the network in Japan will serve as a model for the entire Group. In Asia, we have begun to design a recycling system for the entire region and those for each respective country and region. In Oceania, Canon Australia Pty. Ltd. has started to outsource recycling processes and the disassembly of collected machines. In North America, meanwhile, Group companies are considering the introduction of a collection program for personal-use products.

Global Recycling Structure

Rate of Size and Weight Reduction for Main Office Machines (compared with models marketed in 2000)

Recycling Collected Products

Our goal is to recover 90% or more (by mass) of collected products by the end of 2005. In 2004 we surpassed our recycling targets, recovering 100% of ink and toner cartridges (including energy recovery) and 97.7% of collected copying machines, including machines processed by outside contractors. In 2005, we began participating in the Bellmark campaign in Japan through cartridge collections to complement our cartridge collection program (* P. 58).

Collections and Recovery Rate of Products

<table>
<thead>
<tr>
<th>Product</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2004 Recovery Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copiers (1,000)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Ink cartridges (t)</td>
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<tr>
<td>Ink cartridges (t)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
*Collections of ink cartridges are for Japan only.
Reused Parts and Recycled Plastics
Canon has been remanufacturing*1 copying machines on a global scale since 1992. In 1999 we began parts reuse activities. Canon’s Toner Cartridge Collection and Recycling Program started globally in 1990. The collected cartridges are separated by model to determine which parts are reusable, recyclable, or recoverable (P. 22). In 2002, Canon Ecology Industry Inc. in Japan introduced an automated toner cartridge recycling plant—the first of its kind in the industry.

We have developed special methods for recycling plastics from collected products. Paper supply cassettes from copying machines are collected (HIPS material), pre-processed in Japan for washing and removal of foreign substances, and shipped to a local plastic producer in Thailand for processing into m-PPE (modified polyphenylene ether resin). The recycled plastic yields the same quality and safety standards as virgin plastic. The material is used to manufacture the power supply casings in inkjet printers.

Through initiatives like these, nearly all Canon products incorporate reused resources (reused parts) or recycled resources (recycled plastics). In 2004, as much as 4,409 tons of reused and recycled plastic was incorporated into products.

*1 Remanufacturing
In remanufacturing, collected products are disassembled, reusable and worn parts are separated, parts are replaced, and the machines are cleaned to create final products that meet the same quality standards as new products.

Elimination of Hazardous Substances
In developing, designing, and producing products, we aim to eliminate the use of all hazardous chemicals with the potential to burden the environment after products are discarded. This goal applies not only to the six substances covered by EU’s RoHS directive (P. 20), but also halogenated flame retardants, substances which generate dioxins during incineration. Four specific targets for these substances are included among the New Mid-Term Environmental Goals (P. 16). In 2004, we also established an Eco Materials Technology Liaison Committee for the purpose of developing alternative technologies and materials. Three sub-committees on bioplastics, chassis*2 (plastic) materials and PWB (printed wiring boards) are overseeing this initiative.

Approach to RoHS
Canon has established a Group-wide Product Chemical Substance Assurance System (P. 42) which covers chemical substance management by suppliers, surveys on parts and materials to verify whether they contain substances that impact the environment, an internal database, and other management components. We have introduced measures to modify production processes and find alternatives to parts and materials which prove to be non-RoHS-compliant. In principle, all of our new products commercialized from 2005 will be RoHS-compliant (P. 20).

Unifying Chassis Materials and Reducing the Types of Plastics Used
The standardization of plastics and reduction of the use of exterior casing plastics incorporating halogenated flame retardants are important initiatives at Canon. In 2004, the Group managed to reduce the number of grades of plastic it procured by 18% compared with 2003. In addition, 97.8% of our plastic chassis materials were free of halogenated flame retardants.

Pursuing Halogen-Free Printed Circuits Boards
The plastics used in printed wiring boards conventionally contain halogenated flame retardants. In 2004, for its laser beam printer circuit boards, Canon fully switched over to the single-sided paper phenol circuit board, an environmentally friendly component free of halogenated flame retardants. This new circuit board was also adopted for one model of copying machine. Similarly, glass epoxy laminated circuit boards have been adopted as the main boards in five models of digital video camcorder.

*2 Chassis
The outer cover of a product or component
Reducing the Direct Environmental Burden at Operational Sites

Canon continues to reduce the environmental burden of its sites through organizational and infrastructural improvements such as the creation of a Global Warming Prevention Strategy Working Group and the installation of new wastewater treatment facilities.

Global Warming Countermeasures and Energy Conservation Activities

Canon has set targets for the reduction of greenhouse gas emissions (converted to CO₂) for its operational sites: reduce CO₂ emissions per unit of sales by 5% for 2005 and by 25% for 2010, in comparison with the 2000 level. We are aiming to meet these targets through initiatives at the Group level and at the manufacturing level among Japanese manufacturing subsidiaries and affiliates, which are directly affected by Japan’s response to the Kyoto Protocol. Specifically, Canon is seeking to reform its organizational structure, improve production processes, install highly efficient equipment, and construct energy-efficient facilities, among other initiatives (P. 17-18) (P. 62).

New Policies from Global Warming Prevention Strategy Working Group

The Global Warming Prevention Strategy Working Group has been established under the Global Environment Expert Committee (P. 43) to consider strategies to achieve the Mid-Term Environmental Goals and other countermeasures against global warming across the Group. We have traditionally managed energy conservation and global warming prevention activities at the operational site level, and the new structure reinforces the management at the product group operation level.

Specific targets for energy conservation include the reduction of the size of existing buildings and facilities by 5% (on a floor-area basis), and the improvement of the efficiency of buildings and facilities newly added through business expansion and structural reform by 30% in comparison with existing buildings and facilities.

Cogeneration Systems

A cogeneration system supplies both self-generated electricity and heat (steam, etc.) at the same time. The Canon Group has adopted different cogeneration systems meeting the specific energy requirements of its operational sites, such as highly efficient gas engine systems and gas turbine engines that reuse exhaust heat. Canon Inc.’s Shimomaruko Headquarters and Oita Canon Materials Inc. have already introduced cogeneration systems.

In 2004, Oita Canon Materials installed a second system, and in February 2005 the Iwama Site of Canon Chemicals Inc. introduced its first. The combined use of these systems at Canon facilities is realizing an annual energy conservation effect equivalent to a 21,000-ton reduction in CO₂ emissions compared to the previous methods, saving an amount of energy consumption equivalent to the average annual use by one operational site in Japan.

Conserving Energy with NAS Batteries

The Hiratsuka Development Center and Yako Development Center have introduced new electric power storage batteries (NAS batteries*) which reduce the amount of energy purchased by efficiently using power stored at night. The NAS batteries supplement the centers’ turbo refrigeration equipment.

NAS batteries store electric power at night, when less fossil fuel is used for power generation, and use the power during the day. This method contributes significantly to preventing global warming. Compared with the conventional combustion systems (diesel engine generators, etc.), the use of NAS systems cuts CO₂ emissions by about 15%, restrains energy usage and reduces electric power costs by more than 10%, among other beneficial effects.

* NAS batteries

The NAS battery comprises sodium (Na) at the negative electrode and sulfur (S) at the positive electrode, with beta alumina ceramics used as the electrolyte layer material.
Resource Conservation Activities

The end goal in resource conservation at operational sites is to use resources efficiently without waste. We have embarked on initiatives like prototype-less design (P. 9) and material flow cost accounting (P. 46) in a major shift from focusing exclusively on waste reduction to a broader range of activities directed to raising management efficiency across the Group.

Canon’s Mid-Term Environmental Goals target a 25% reduction of total waste generation below the 2000 level by 2005. Our policy of increasing the internal recycling rate by 40% over the same time frame furthers our progress towards this target (P. 62).

Reducing Total Waste Generation

In 1990, the Canon Group generated some 35,000 tons of landfill waste in Japan alone. By 2004 this figure was reduced to only 1,809 tons around the world. Our 3R policy (P. 51) and an uncompromising emphasis on waste reduction, separated collection, and recycling have been successful in bringing about the intended effects. By the end of 2003, the main operational sites in Japan were generating zero landfill waste1. Our next step is to achieve the same in operational sites outside of Japan. In addition, we have taken strict measures to reduce the total amount of waste generation2.

1 Zero landfill waste
All waste materials generated from operational sites are 100% recoverable. Zero landfill waste would not be achieved if even small amounts of landfill waste remained after intermediate processing. This definition excludes, however, waste materials for which Canon cannot independently determine a recycling route due to administrative guidance.

2 Total amount of waste generation
Total amount of landfill waste, recyclable waste, reusable commodities, and weight-reduced materials. Excludes amount of waste reused through internal recycling.

Raising the Internal Recycling Rate
Canon implements internal recycling as a way to recycle resources, mainly through repurchasing materials that have been recycled for reuse as raw materials or for other purposes. As part of this effort, we are working with contractors to build a model for recycling covering the system of material transfer and collection, materials and parts recycling, and other dimensions. Each site is sharing information on internal recycling over our intranet to encourage use of the system.

The rate of internal recycling in 2004 soared 556% over the level of 2000, while the total amount of waste generated from virgin materials decreased by 20% over the same period.

Example of Internal Recycling
( Canon Dalian Business Machines, Inc.)

Closed Wastewater Processing System Introduced
In April 2005, the Oita Plant of Oita Canon Inc. completed a closed wastewater processing system utilizing activated carbon absorption and ion exchange. The simplified recycling system separates lens production wastewater into washing wastewater and lens grinding wastewater, maintaining a high level of water quality that is expected to save the plant about 38 million yen a year when compared to the use of tap water.

A condenser processes the lens grinding wastewater into distilled water and condensed water. After undergoing biological treatment, the distilled water is processed through the closed discharge system along with the washing wastewater. Drying machines dry the condensed water into fine particles, which helps to lessen the amount of waste material.

Topics
Nine Operational Sites Outside Japan Realize Zero Landfill Waste

Canon achieved zero landfill waste generation at all 38 of its operational sites including manufacturing subsidiaries and affiliates in Japan by 2003. Over the course of the following year, we went further by eliminating landfill waste at nine of all 15 operational sites outside Japan in the Americas, Europe, China, Thailand, and other regions.

Our next step in resource conservation will be to introduce material flow cost accounting and thorough waste separation to generate commodities. These activities will be rolled out at sites around the world to support Canon’s efforts to eliminate landfill waste at all operational sites outside Japan.
Environmental Activities at Operational Sites (2)
Elimination of Hazardous Substances and Eco Logistics Activities

Considering the Environment in Production and Logistics

Canon’s operational sites are making progress in reducing the use of chemical substances. Recent logistical advances have included the introduction of new shipping methods to cut CO2 emissions and innovative packaging materials to conserve resources.

Elimination of Hazardous Substances

Canon’s basic policy on the elimination of hazardous substances is to use substitutes when substitutes are available, and when technical challenges or quality issues make this difficult, the discharge of hazardous substances into the environment should be reduced to the maximum extent. We have implemented measures to reduce use of these substances by classifying the approximately 2,000 hazardous substances we manage into three management ranks: A, Eliminate use; B, Reduce use; and C, Restrain discharge. We have succeeded in either eliminating or reducing the especially harmful types (Ranks A and B)—the ozone-depleting chlorofluorocarbons, the PFCs and HFCs responsible for global warming (P. 17), and the designated chlorinated organic solvents suspected of causing cancer (P. 63).

In 2004, to bolster our efforts to restrain discharges, we set out to reduce hazardous substance discharges in 2005 by 50% compared to the 2000 levels, and we have already cleared that target with a result of 53%. The goal of reducing discharges of PRTR Law* designated substances in 2005 by 60% compared to the 2000 levels was also surpassed with a result of a 75% reduction. Cross-operational site meetings are convened regularly to improve processes and review working methods, as well as to set policies aimed at raising environmental awareness among employees. These dedicated efforts remarkably improved Canon’s performance in eliminating hazardous substances.

With the help of dedicated evaluation software, we have also begun to scientifically evaluate the environmental risk around operational sites based on the known harmful effects and amounts of chemical substances discharged. We plan to carry out future chemical substance policies based on the results of these evaluations.

Effect on Atmosphere and Hydrosphere

Canon has developed accurate data, introduced new equipment, and taken other measures (P. 64) to reduce the environmental burden of NOx (nitrogen oxide) and SOx (sulfuric oxide), major causes of air pollution and acid rain; BOD (biochemical oxygen demand) and COD (chemical oxygen demand), indices of environmental burden on the hydrosphere; and phosphorous and nitrogen, which place a direct environmental burden on the hydrosphere.

PCB Waste Management

Canon conducts strict management of PCB (poly chlorinated biphenyl) in compliance with related laws. At Canon there are 105 condensers and transformers and approximately 1,400 fluorescent tube stabilization devices that are currently being stored as PCB waste. These will be processed as soon as a proper method is established.

* PRTR Law

The Pollutant Release and Transfer Register Law requires the recording and public disclosure of the amount of chemical substances released into the environment and transferred as waste.

Remediation Status of Soil and Groundwater at Contaminated Sites

Canon has been voluntarily surveying the quality of soil and groundwater for the conservation of the environment since the 1980s. If any item fails to meet environmental standards, we take quick action to find the source of the problem and the effects on the environment. The work to resolve environmental issues is performed in close collaboration with government bodies.

Amidst large-scale rebuilding and relocation activities in 2004, we took the opportunity to survey eight operational sites where buildings formerly made it difficult to analyze the soil. In analyses carried out in accordance with Japan’s Soil Contamination Countermeasures Law and our internal rules, substance levels exceeded the standards at two sites, Nisca Corporation’s Shikishima Plant and Canon Precision Inc.’s Tokyo office. We are now addressing the situation by taking appropriate measures in close cooperation with government bodies.

Further, the Canon Group has already eliminated the use of chlorinated organic compounds (P. 63).

Status at Operational Sites in Japan

Soil

<table>
<thead>
<tr>
<th>Site</th>
<th>Report to Government</th>
<th>Main Pollutants</th>
<th>Remediation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toride</td>
<td>1998</td>
<td>Trichloroethylene</td>
<td>Pumping, aeration, and charcoal absorption (in-situ soil flushing at groundwater table)</td>
</tr>
<tr>
<td>Kanuma</td>
<td>1990</td>
<td>Tetrachloroethylene</td>
<td>Pumping, aeration, and charcoal absorption</td>
</tr>
<tr>
<td>Iwai</td>
<td>2002</td>
<td>1,1-dichloroethylene</td>
<td>Pumping, aeration, and charcoal absorption</td>
</tr>
<tr>
<td>Canon Precision Inc., Tokyo office</td>
<td>2004</td>
<td>Cis-1, 2-dichloroethylene</td>
<td>Chemical feed (planned)</td>
</tr>
<tr>
<td>Shimomaruko</td>
<td>November 2003</td>
<td>Trichloroethylene</td>
<td>Soil excavation and substance elimination</td>
</tr>
<tr>
<td>Meguro</td>
<td>December 2003</td>
<td>Cis-1, 2-dichloroethylene</td>
<td>Soil excavation and substance elimination (planned)</td>
</tr>
<tr>
<td>Canon Precision Inc., Tokyo office</td>
<td>October 2004</td>
<td>Cis-1, 2-dichloroethylene</td>
<td>Soil excavation and substance elimination (planned)</td>
</tr>
</tbody>
</table>
Eco Logistics Activities

Canon has been operating its Environmental Logistics Sub-Committee since 2002 in order to meet the goal of reducing logistics-related CO₂ emissions per unit of sales by 20% by the end of 2006 compared with 2000. The Environmental Logistics Working Group, which succeeded the Environmental Logistics Sub-Committee in 2003, oversees separate sub-working groups handling the functions of parts procurement logistics, production site logistics, product artery logistics, customer sales logistics, and packaging. These sub-working groups have been working to achieve their CO₂ emissions goals through modal shifts, improvements in loading efficiency, and other measures (p. 17). In 2004, the total amount of logistics-related CO₂ emissions in Japan was about 33,000 tons, representing a 16% decline from 2000 per unit of sales.

We have begun to promote our logistics initiatives outside Japan as well. From 2003 we were able to determine the amount of CO₂ emissions generated in international shipping and shipping within regions outside Japan (production and sales sites) in the logistics process, allowing us to create an emissions data collection system for the entire Group. From 2004 we set the goal of reducing CO₂ emissions per unit of sales by 3-4% per year—the current pace of reduction in Japan—in every region outside Japan, and specific means to achieve this are now being promoted.

Though the total CO₂ emissions related to international shipping and shipping between regions outside Japan increased to about 760,000 tons in 2004, we expect to see clear reductions starting from the second half of fiscal 2004 as specific measures begin to take effect (p. 64).

Introducing Milk Runs for Parts Shipment

Canon organized a joint logistics program in Japan for parts procurement with suppliers in 1998.

Outside Japan, Canon Zhuhai, Inc. has adopted a milk run logistics system in which its trucks run a circuit among supplier plants to load up parts. These milk runs are now used to collect nearly all of the parts Canon Zhuhai procures from suppliers within a 150 km radius of its main plant, the exceptions being core parts imported from Japan and a small percentage of locally procured parts. Each day, 40 trucks make milk runs along 27 different routes in the area covering a total of 130 suppliers. The system directly reduces the logistics cost and parts inventories, as well as environmental burden.

More specifically, the milk run system has shortened the logistics distance traveled by 9,000 km per day compared to the distance required for separate supply runs for each supplier. The reduction in CO₂ emissions totals around 1,700 tons a year.

Environmentally Conscious Management

Survey of Transportation Companies

Canon began conducting surveys of the environmental consciousness of transportation companies in 2003 following the introduction of a green procurement system for suppliers (p. 42). Transportation companies with a high level of environmental consciousness are taking the initiative to obtain green management certification and other third-party recognition of their operations.

Environmental Features of Toner Cartridge Packaging

Canon is developing environmentally conscious packaging materials as part of its aim to reduce the environmental burden from product logistics. In 2003, we introduced a new packaging material for toner cartridges in which air is injected into the package to act as a shock absorber. By combining the conventional protective plastic bag and shock-absorbing material into a single package, the number of packaging parts was reduced from three to one. The use of air pressure has also minimized the size of the package while maintaining the same absorbent function. This improves the shipping efficiency, which in turn leads to high energy efficiency.

New packaging material for toner cartridges
Basic Concept behind Environmental Communication

Environmental conservation is not something that just one company can talk about on its own. A company and its stakeholders must pursue sustainability collaboratively based on a mutual understanding.

In communicating with stakeholders, a major underlying goal is to publicly disclose accurate information in order to provide a foundation for communications activities that go beyond what simply lies in the respective interests of the company and the stakeholders. Mutually constructive communication, and with it accountability, can be established by fulfilling the responsibility to disclose information to a diverse group of stakeholders. At Canon, we take advantage of various opportunities for communication and use various media to explain our environmental initiatives to stakeholders both inside and outside the company.

Environmental Public Relations

Environmental and Sustainability Reports
Canon began publishing an environmental report in 1994 under the title Ecology. Later, from 1999 to 2002, we published a yearly Environmental Report, and since 2003 we have been publishing the more comprehensive Sustainability Report to high praise from independent organizations. For the period between 2004 and May 2005, Canon was among the Best 100 in the international Global Reporters ranking of sustainability reports. In Japan, the Sustainability Report has been conferred the Outstanding Environmental Report Award at the Environment Communication Awards, an Excellence Award at the Sustainability Report Awards, and other honors.

Two-Way Communication with Stakeholders on the Environment
Canon encourages environmental communication with stakeholders through cartridge collections, exhibitions, and various other activities and events.

Environmental Advertising
Canon has been running environment-related advertisements in Japanese newspapers and magazines continuously since 1995 to inform as many people as possible about its environmental efforts. A Japanese magazine advertisement targeting the business community in 2004 provided a broad overview of our environmental initiatives. Other advertisements in general interest publications publicized the resource efficiency of Canon digital cameras. We also teamed up with the editors of SOTOKOTO magazine to publish SOTOKOTO Kids! An Eco Guidebook, which is designed to nurture an environmental mindset in children and their parents.

Since 2001, Canon (Schweiz) has been one of a number of Group companies to publish its own environmental report. The company was conferred an excellence award by the Swiss Association for Environmentally Conscious Management in 2001 and 2003. Canon Electronics Inc. and Canon (UK) Ltd. both published their first reports in 2004.

Website Information
Canon offers the latest environment-related information and sustainability reports on our website. Material Safety Data Sheets are also posted on the website to support the safe and proper use of our chemical products.

Environmental Exhibits at Worksites
Environmental exhibits are on display at the Shimomaruko Headquarters, Ami and Toride Plants, Fukushima Canon and Oita Canon Materials. Canon’s environmental conservation initiatives are introduced through exhibits of various environmental technologies and products, along with videos like Canon Ecology and other types of media.

Canon has also run advertisements in various forms internationally, including an advertisement explaining the overriding indication Factor 2 as the Vision for 2010 in a special feature on the environment in Forbes magazine.

Social contributions URL: canon.com/scsa
Environmental Expos
Canon has a strong presence at various environmental expositions around the world. Our exhibitions provide us with the opportunity to promote the importance of environmental conservation and inform the public of our measures to develop environmentally conscious technology and products.

Environmental Education for Youths
Canon believes that learning about the environment should be fun and interactive. We organize and support various environmental education events for children.

Environmental Education Events
The Shimomaruko Headquarters has teamed with Tokyo’s Ohta Ward and the Environmental Study Group, an NPO, to hold an annual Canon Eco-Festival. This annual event provides an interactive space for children to learn about the environment through games, crafts, and hands-on experience.

Canon U.S.A., meanwhile, supports the Canon Envirothon, North America’s largest high school environmental science competition.

Eco Kids Diagnosis
In the Canon booth at the Eco-Products 2004 in Tokyo, an Eco Kids corner offered youths a chance to test their understanding of the environment through a computer-based Eco Kids Diagnosis quiz.

Environment Lessons at Elementary, Middle Schools
Employees of Oita Canon Materials began an environmental education program directed at some 2,000 students at nine local elementary and middle schools. Environmental classes feature quizzes and experiments, along with field trips to Canon plants to get hands-on education.

Topics
Participating in Bellmark Campaign through Cartridge Collections (Japan)

Canon first began participating in the Bellmark Foundation’s Bellmark Campaign* in April 2005 through its effort to collect used cartridges for printers and other machines (P. 51). Our participation is intended to increase the number of cartridges collected for recycling and contribute to both environmental protection and environmental education for children by helping them to understand the importance of recycling.

* Bellmark Campaign
A campaign to promote educational activities and assist educational facilities inside and outside Japan. Begun in 1960, the campaign is supported by schools, households, and companies.
### Economic Performance


<table>
<thead>
<tr>
<th>Year (¥ million)</th>
<th>Office Imaging Products</th>
<th>Computer Peripherals</th>
<th>Business Information Products</th>
<th>Cameras</th>
<th>Optical and Other Products</th>
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<tbody>
<tr>
<td>2000</td>
<td>2,696,420</td>
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<tr>
<td>2001</td>
<td>2,907,573</td>
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<td>2002</td>
<td>2,940,128</td>
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<tr>
<td>2003</td>
<td>3,198,072</td>
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<tr>
<td>2004</td>
<td>3,467,853</td>
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#### Key Performance Indices

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<thead>
<tr>
<th>Year (¥ million)</th>
<th>EPS (basic)</th>
<th>Per Share Dividend</th>
<th>ROE (%)</th>
<th>ROA (%)</th>
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<tbody>
<tr>
<td>2000</td>
<td></td>
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<td>2003</td>
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<td>2004 (year)</td>
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#### Credit Rating

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<tr>
<th>Rating</th>
<th>Long-Term Credit Rating</th>
<th>Short-Term Credit Rating</th>
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<tbody>
<tr>
<td>Standard &amp; Poor's</td>
<td>AA</td>
<td>A-1+</td>
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<tr>
<td>Moody's</td>
<td>Aa2</td>
<td>—</td>
</tr>
<tr>
<td>Rating and Investment Information</td>
<td>AA+</td>
<td>—</td>
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</table>

#### Percent of Production Performed Outside Japan

<table>
<thead>
<tr>
<th>Year (%)</th>
<th>Production percentage outside Japan</th>
<th>Percent of production in Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td></td>
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<td>2001</td>
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<td></td>
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<tr>
<td>2004 (year)</td>
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#### Other Financial Data (consolidated)

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<th></th>
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<td>2000</td>
<td>2,696,420</td>
<td>87,197</td>
<td>115,154</td>
<td>2,844,756</td>
<td>295,630</td>
<td>1,036,178</td>
<td>1,203,248</td>
<td>207,674</td>
<td>218,616</td>
<td>23,663</td>
<td>6,660</td>
<td>732,551</td>
<td>4,000</td>
<td>3,502,508</td>
<td>3,361,718</td>
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<tr>
<td>2001</td>
<td>2,907,573</td>
<td>113,160</td>
<td>134,703</td>
<td>3,042,706</td>
<td>148,103</td>
<td>1,203,248</td>
<td>1,591,950</td>
<td>198,702</td>
<td>233,669</td>
<td>28,633</td>
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<td>6,470</td>
<td>3,391,739</td>
<td>3,791,739</td>
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<tr>
<td>2002</td>
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<td>127,084</td>
<td>134,703</td>
<td>3,042,706</td>
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<td>1,203,248</td>
<td>1,591,950</td>
<td>198,702</td>
<td>233,669</td>
<td>28,633</td>
<td>4,637</td>
<td>1,043,950</td>
<td>6,470</td>
<td>3,391,739</td>
<td>3,791,739</td>
</tr>
<tr>
<td>2003</td>
<td>3,198,072</td>
<td>143,088</td>
<td>162,653</td>
<td>3,242,706</td>
<td>194,243</td>
<td>1,203,248</td>
<td>1,591,950</td>
<td>210,038</td>
<td>253,669</td>
<td>31,833</td>
<td>5,937</td>
<td>1,043,950</td>
<td>6,470</td>
<td>3,391,739</td>
<td>3,791,739</td>
</tr>
<tr>
<td>2004 (year)</td>
<td>3,467,853</td>
<td>162,653</td>
<td>194,243</td>
<td>3,590,706</td>
<td>210,038</td>
<td>1,203,248</td>
<td>1,591,950</td>
<td>210,038</td>
<td>253,669</td>
<td>31,833</td>
<td>5,937</td>
<td>1,043,950</td>
<td>6,470</td>
<td>3,391,739</td>
<td>3,791,739</td>
</tr>
</tbody>
</table>
Social Performance/ISO14001 Certification

### 2004 Labor Accidents (worldwide)

<table>
<thead>
<tr>
<th></th>
<th>Accidents Requiring Time Off</th>
<th>Accidents Not Requiring Time Off</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>12</td>
<td>122</td>
<td>134</td>
</tr>
<tr>
<td>Americas</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Europe</td>
<td>25</td>
<td>10</td>
<td>35</td>
</tr>
<tr>
<td>Asia (excluding Japan)</td>
<td>36</td>
<td>126</td>
<td>162</td>
</tr>
<tr>
<td>Total</td>
<td>73</td>
<td>261</td>
<td>334</td>
</tr>
</tbody>
</table>

* Figures tabulated according to the following Japanese standards:
  *1 Cases in which a doctor orders a break from work to treat an injury, etc.
  *2 Cases in which a doctor does not order a break from work to treat an injury, etc.

### Primary Partners in Environmental Protection Activities

<table>
<thead>
<tr>
<th>Partners in Government, Business, and Academia</th>
<th>Commissions and Study Groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan’s Ministry of the Environment</td>
<td>Investigative Committee on the Application of Environmental Accounting, Committee on Revisions to Environmental Reporting Guidelines, Corporate Study Group on Emissions Trading of Greenhouse Gases</td>
</tr>
<tr>
<td>OGI (Global Reporting Initiative)</td>
<td>Organisational Stakeholder (US)</td>
</tr>
<tr>
<td>Japan’s Environmental Management Association for Industry</td>
<td>Environmental Management Organization, New Product Committee on ICA Method Application, Working Group 1 for Considering Methods to Decide Environmentally Conscious Capital Investment</td>
</tr>
<tr>
<td>Japan Electronics and Information Technology Industries Association</td>
<td>General Committee on Environment and Product Safety, IP Products Environmental Project Committee, International Energy Star Committee, Japan Green Procurement Survey Standardization Initiative, Printing Working Group</td>
</tr>
<tr>
<td>Japan Machinery Center for Trade and Investment</td>
<td>Committee on Trade and Environment</td>
</tr>
<tr>
<td>American National Standards Institute</td>
<td>ISO/CODIT/WG4 (Environmental Communications)</td>
</tr>
<tr>
<td>Camera and Video Equipment Industry Association</td>
<td>Environmental Work Subcommittee (Administrative Committee)</td>
</tr>
<tr>
<td>Japan Chemical Industry Association</td>
<td>Chemical Risk Research Committee</td>
</tr>
<tr>
<td>Battery Association of Japan</td>
<td>Secondary Battery Recycling Center Administrative Committee</td>
</tr>
<tr>
<td>The Nippon Kogyo Shimbun, Ltd.</td>
<td>Green Forum 21</td>
</tr>
<tr>
<td>United Nations University</td>
<td>Zero Emissions Forum</td>
</tr>
<tr>
<td>Institute of Industrial Science, University of Tokyo</td>
<td>SPEED</td>
</tr>
<tr>
<td>Sustainable Management Forum of Japan/GMF</td>
<td>Sustainability Management Forum Rating Committee</td>
</tr>
<tr>
<td>Nikkei Business Publications, Inc.</td>
<td>Steering Committee of the Nikkei BP Forum on Environmentally Conscious Management</td>
</tr>
<tr>
<td>The Society of Non-Traditional Technology</td>
<td>Eco-Material Guidelines Study Group</td>
</tr>
<tr>
<td>IE (International Electrotechnical Commission)</td>
<td>Japan representative on TC111 (Environmental Conscious Design for Electrical and Electronic Products and Systems)</td>
</tr>
</tbody>
</table>

### Support for Environmental Organizations and Programs

<table>
<thead>
<tr>
<th>Organization</th>
<th>Geographic Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harbor Branch Oceanographic Institution</td>
<td>America</td>
</tr>
<tr>
<td>Canon Envirothon (the largest high school environmental science competition in North America)</td>
<td>America, Canada</td>
</tr>
<tr>
<td>WWF</td>
<td>Europe, Middle East, Asia, etc. (over 100 countries in all)</td>
</tr>
<tr>
<td>Yellowstone Park Foundation</td>
<td>America</td>
</tr>
<tr>
<td>Public Broadcasting Service’s NATURE series</td>
<td>America</td>
</tr>
<tr>
<td>UNEP International Photography Competition on the Environment</td>
<td>All</td>
</tr>
<tr>
<td>National Geographic magazine advertisement series</td>
<td>All</td>
</tr>
</tbody>
</table>

### Canon Environmental Protection Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Geographic Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toner Cartridge Collection Program</td>
<td>All</td>
</tr>
<tr>
<td>Canon National Parks Science Scholars Program</td>
<td>Americas</td>
</tr>
</tbody>
</table>

### 2004 Social Contribution Expenditures (Canon Inc.)

- 4.7 billion (equivalent to 1.2% of ordinary profit)

### ISO14001 Certified Sites and Subsidiaries

<table>
<thead>
<tr>
<th>Site/Subsidiary*</th>
<th>Certification Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arni Plant</td>
<td>February 1995</td>
</tr>
<tr>
<td>Ueno Canon Materials Inc.</td>
<td>February 1995</td>
</tr>
<tr>
<td>Yomi Plant</td>
<td>May 1996</td>
</tr>
<tr>
<td>Fukushima Canon Inc.</td>
<td>September 1995</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td>Ishikawa/Kitawazu Plants</td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td>M i asato Plant</td>
</tr>
<tr>
<td>Canon Finitech Inc.</td>
<td>Headquarters, Ibaraki Plant</td>
</tr>
<tr>
<td>Nagahama Canon Inc.</td>
<td>December 1995</td>
</tr>
<tr>
<td>Datsunomiya Plant</td>
<td>January 1996</td>
</tr>
<tr>
<td>Oita Canon Inc.</td>
<td>January 1996</td>
</tr>
<tr>
<td>Canon Semiconductor Equipment Inc. (including Canon, Ecology Industry Inc.)</td>
<td>July 1996</td>
</tr>
<tr>
<td>Canon Chemicals Inc.</td>
<td>Headquarters, Yukiwa Site</td>
</tr>
<tr>
<td>Canon Finitech Inc.</td>
<td>Kofu Office</td>
</tr>
<tr>
<td>Canon Finitech Inc.</td>
<td>Fukui Office</td>
</tr>
<tr>
<td>Canon Components, Inc.</td>
<td>February 1997</td>
</tr>
<tr>
<td>Miyazaki Bashi Canon Co., Ltd.</td>
<td>March 1997</td>
</tr>
<tr>
<td>Canon Chemicals Inc.</td>
<td>Iwama Site</td>
</tr>
<tr>
<td>Utsunomiya Optical Products Plant</td>
<td>December 1997</td>
</tr>
<tr>
<td>Top Business Machines, Co., Ltd.</td>
<td>November 1997</td>
</tr>
<tr>
<td>Canon Chemicals Inc.</td>
<td>Ishige Site</td>
</tr>
<tr>
<td>Tamagawa Plant</td>
<td>November 1998</td>
</tr>
<tr>
<td>Hitachi Development Center</td>
<td>December 1998</td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td>Agaki Plant</td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td>Headquarters, Chichibu Plant</td>
</tr>
<tr>
<td>Nissha Corporation</td>
<td>September 1999</td>
</tr>
<tr>
<td>Canon Sales Co., Inc.</td>
<td>Headquarters, branch offices, sales offices (281 locations in all)</td>
</tr>
<tr>
<td>Ayase Office</td>
<td>June 2001</td>
</tr>
<tr>
<td>Canon Option, Inc.</td>
<td>May 2002</td>
</tr>
<tr>
<td>Canon, Inc.</td>
<td>December 1997</td>
</tr>
<tr>
<td>Canon, Inc.</td>
<td>December 1999</td>
</tr>
<tr>
<td>Canon Virginia, Inc.</td>
<td>December 1997</td>
</tr>
<tr>
<td>Canon Integrated Technology, Inc.</td>
<td>December 1999</td>
</tr>
<tr>
<td>Americas</td>
<td>December 1999</td>
</tr>
</tbody>
</table>

### Canon’s NATURE series

- Third-Party Opinion

- Vision & Strategy Highlights 2004–2005 Social Management Environmentally

- Performance Data/
Environmental Accounting

Environmental Accounting Results for 2004

- Reporting scope: Main subsidiaries and affiliates (expanded from 2004 by adding data for main subsidiaries and affiliates outside Japan to data for subsidiaries and affiliates in Japan).
- Calculations performed in accordance with the Environmental Accounting Guidelines (2005 edition) issued by Japan’s Ministry of the Environment.

<table>
<thead>
<tr>
<th>Environmental Protection Costs</th>
<th>Investment</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(1) Business Operations Costs</strong></td>
<td>4.11</td>
<td>7.64</td>
</tr>
<tr>
<td>Details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>① Pollution prevention</td>
<td>1.93</td>
<td>3.81</td>
</tr>
<tr>
<td>② A Global environmental protection</td>
<td>1.51</td>
<td>3.12</td>
</tr>
<tr>
<td>③ Resource recycling</td>
<td>0.67</td>
<td>2.51</td>
</tr>
<tr>
<td><strong>(2) Upstream/Downstream Costs</strong></td>
<td>0.62</td>
<td>2.14</td>
</tr>
<tr>
<td><strong>(3) Management Activities Costs</strong></td>
<td>0.09</td>
<td>4.20</td>
</tr>
<tr>
<td><strong>(4) R&amp;D Costs</strong></td>
<td>0.22</td>
<td>0.58</td>
</tr>
<tr>
<td><strong>(5) Social Activities Costs</strong></td>
<td>0.03</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>(6) Environmental Damage Costs</strong></td>
<td>0.09</td>
<td>1.33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4.56</td>
<td>16.05</td>
</tr>
</tbody>
</table>

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

Environmental Protection Effects

<table>
<thead>
<tr>
<th>Details of Effects</th>
<th>Environmental Protection Indices</th>
<th>Change Compared to Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effects related to resources used for business activities</td>
<td>Energy conservation savings (t-CO₂)</td>
<td>38,546</td>
</tr>
<tr>
<td></td>
<td>Water conserved (1,000 m³)</td>
<td>835</td>
</tr>
<tr>
<td></td>
<td>Resources used (steel sheets, plastic) (t)</td>
<td>72,724</td>
</tr>
<tr>
<td>Environmental burden and waste effects of business activities</td>
<td>Reduction in atmospheric emissions (t)</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Reduction in discharges into water (t)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Reduction in waste (t)</td>
<td>826</td>
</tr>
<tr>
<td>Effects related to Upstream/Downstream Costs</td>
<td>Goods/services effects calculated based on business activities</td>
<td>1,136,269</td>
</tr>
<tr>
<td></td>
<td>Recovery of used products (t)</td>
<td>33,292</td>
</tr>
<tr>
<td>Other Environmental Protection Effects</td>
<td>Shipping and other effects</td>
<td>70,647</td>
</tr>
</tbody>
</table>

3) Amount of atmospheric emissions of substances Canon treats as controlled substances (including PRTR substances)
4) Amounts of NOx and SOx emissions resulting from consumption of boiler fuel
5) Amount of air emissions of substances Canon treats as controlled substances
6) Amount of air emissions of substances that emit BOD, COD, nitrogen, and phosphorus
7) CO₂ equivalent for forecasted electric energy consumption for the number of business machines with on-demand energy-efficient technologies (on-demand fixing technology, IH fixing technology, Inkjet energy-saving technology) shipped in 2004
8) Amount of recovery of copying machines, cartridges, etc. (including third-party material recycling and energy recovery)

Economic Effects of Environmental Protection

<table>
<thead>
<tr>
<th>Details of Effects</th>
<th>Monetary Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Sales revenue from waste recycling</td>
</tr>
<tr>
<td>Cost Savings</td>
<td>Energy expense reduction from energy conservation</td>
</tr>
<tr>
<td></td>
<td>Expense reduction from green procurement</td>
</tr>
<tr>
<td></td>
<td>Waste handling expense reduction from resource conservation and recycling</td>
</tr>
<tr>
<td></td>
<td>Expense reduction from logistics streamlining</td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>

Economic Effects of Upstream/Downstream Costs

<table>
<thead>
<tr>
<th>Monetary Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Electric Energy Expense from Reduced Product Energy Consumption</td>
</tr>
<tr>
<td>Profits from Used Product Recycling</td>
</tr>
</tbody>
</table>

9) Calculated as the reduction in annual energy consumption of business machines with on-demand energy-efficient technologies (on-demand fixing technology, IH fixing technology) and inkjet energy-saving technology × ¥ 12/kWh (economic effect for the customer)
Environmental Performance Data

Meeting Standards for Environmentally Conscious Products

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Law Promoting Green Purchasing</th>
<th>Eco Mark</th>
<th>International ENERGY STAR Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copying/Machines/MFDs</td>
<td>17/22 (77.3%)</td>
<td>14/22 (63.6%)</td>
<td>17/22 (77.3%)</td>
</tr>
<tr>
<td>Facsimile Machines</td>
<td>7/7 (100%)</td>
<td>– (–)</td>
<td>7/7 (100%)</td>
</tr>
<tr>
<td>Laser Beam Printers</td>
<td>3/3 (100%)</td>
<td>3/3 (100%)</td>
<td>3/3 (100%)</td>
</tr>
<tr>
<td>Inkjet Printers</td>
<td>23/23 (100%)</td>
<td>16/23 (69.6%)</td>
<td>23/23 (100%)</td>
</tr>
<tr>
<td>Image Scanners</td>
<td>3/3 (100%)</td>
<td>– (–)</td>
<td>3/3 (100%)</td>
</tr>
<tr>
<td>Total</td>
<td>53/58 (91.4%)</td>
<td>33/48 (68.8%)</td>
<td>53/58 (91.4%)</td>
</tr>
</tbody>
</table>

*No Eco Mark standards for facsimile machines and image scanners have been established.

Types of Materials Used

<table>
<thead>
<tr>
<th>Types of Materials</th>
<th>2000</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>243,938</td>
<td>199,377</td>
<td>265,829</td>
</tr>
<tr>
<td>Non-Ferrous Metal</td>
<td>30,218</td>
<td>25,120</td>
<td>35,581</td>
</tr>
<tr>
<td>Plastics</td>
<td>242,684</td>
<td>235,148</td>
<td>266,076</td>
</tr>
<tr>
<td>Electronic Parts</td>
<td>7,130</td>
<td>9,286</td>
<td>8,971</td>
</tr>
<tr>
<td>Glass</td>
<td>4,822</td>
<td>4,653</td>
<td>4,373</td>
</tr>
<tr>
<td>Paper</td>
<td>288,534</td>
<td>278,173</td>
<td>243,653</td>
</tr>
<tr>
<td>Indirect Materials</td>
<td>6,878</td>
<td>9,221</td>
<td>10,672</td>
</tr>
</tbody>
</table>

*Calculated based on weight of raw materials used for each product multiplied by the total number of products shipped.

CO₂ Conversion Coefficients

The conversion of electricity and fuel into CO₂ is based on the following methods.

Japan

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>2000</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>61,275</td>
<td>65,222</td>
<td>67,337</td>
</tr>
<tr>
<td>Natural gas</td>
<td>64,953</td>
<td>61,275</td>
<td>53,868</td>
</tr>
<tr>
<td>Oil</td>
<td>3,678</td>
<td>3,977</td>
<td>4,130</td>
</tr>
<tr>
<td>Coal</td>
<td>2,431</td>
<td>2,873</td>
<td>3,024</td>
</tr>
</tbody>
</table>

Outside Japan

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>2000</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>53,868</td>
<td>57,699</td>
<td>61,275</td>
</tr>
<tr>
<td>Natural gas</td>
<td>56,337</td>
<td>52,877</td>
<td>55,388</td>
</tr>
<tr>
<td>Oil</td>
<td>2,894</td>
<td>2,431</td>
<td>2,431</td>
</tr>
<tr>
<td>Coal</td>
<td>1,362</td>
<td>1,564</td>
<td>1,564</td>
</tr>
</tbody>
</table>

2004 Consumption of Electricity, Gas, and Petroleum-Based Fuel by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Electricity</th>
<th>Gas</th>
<th>Petroleum</th>
<th>Other (steam, wide-area heating and air conditioning)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MWh</td>
<td>km³</td>
<td>KL</td>
<td>Mj</td>
</tr>
<tr>
<td>Japan</td>
<td>1,036,599</td>
<td>19,890</td>
<td>30,412</td>
<td>61,726,287</td>
</tr>
<tr>
<td>Americas</td>
<td>51,719</td>
<td>22</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Europe</td>
<td>12,142</td>
<td>395</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Total (excluding Japan)</td>
<td>1,341,270</td>
<td>22,086</td>
<td>30,877</td>
<td>115,594,287</td>
</tr>
</tbody>
</table>

Waste Reduction Results and Goals

<table>
<thead>
<tr>
<th>Year</th>
<th>Landfill Waste (t)</th>
<th>Waste Recycled (t)</th>
<th>Commodities (t)</th>
<th>Amount Reduced (t)</th>
<th>Total Waste Generation (t)</th>
<th>Internally Recycled Waste (t)</th>
<th>Internal Recycling Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>4,331</td>
<td>3,779</td>
<td>2,245</td>
<td>18,722</td>
<td>81,700</td>
<td>33/48 (68.8%)</td>
<td>2.3</td>
</tr>
<tr>
<td>2001</td>
<td>3,779</td>
<td>3,277</td>
<td>2,245</td>
<td>19,890</td>
<td>81,700</td>
<td>33/48 (68.8%)</td>
<td>2.3</td>
</tr>
<tr>
<td>2002</td>
<td>3,277</td>
<td>2,635</td>
<td>2,245</td>
<td>23,062</td>
<td>81,700</td>
<td>33/48 (68.8%)</td>
<td>2.3</td>
</tr>
<tr>
<td>2003</td>
<td>2,635</td>
<td>1,809</td>
<td>2,245</td>
<td>27,772</td>
<td>81,700</td>
<td>33/48 (68.8%)</td>
<td>2.3</td>
</tr>
<tr>
<td>2004</td>
<td>1,809</td>
<td>–</td>
<td>2,245</td>
<td>28,045</td>
<td>81,700</td>
<td>33/48 (68.8%)</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Use of Water Resources and Discharge of Wastewater

<table>
<thead>
<tr>
<th>Use of Water Resources</th>
<th>2004</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycled water</td>
<td>1.093 million m³</td>
<td>0.902 million m³</td>
<td>0.813 million m³</td>
</tr>
<tr>
<td>Evaporation</td>
<td>5.873 million m³</td>
<td>5.873 million m³</td>
<td>5.873 million m³</td>
</tr>
</tbody>
</table>
Substances Canon No Longer Uses

<table>
<thead>
<tr>
<th>Name of Substance Eliminated</th>
<th>Date Eliminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ozone-Depleting Substances</td>
<td></td>
</tr>
<tr>
<td>● CFCs (chlorofluorocarbons) 15 types</td>
<td>December 1992</td>
</tr>
<tr>
<td>● 1,1,1-Trichloroethane</td>
<td>October 1993</td>
</tr>
<tr>
<td>● HFCs (hydrofluorocarbons) 34 types</td>
<td>October 1995</td>
</tr>
<tr>
<td>Greenhouse Gases*1</td>
<td></td>
</tr>
<tr>
<td>● PFCs (perfluorocarbons)</td>
<td>December 1999</td>
</tr>
<tr>
<td>● HFCs (hydrofluorocarbons)</td>
<td></td>
</tr>
<tr>
<td>Soil Contaminants</td>
<td></td>
</tr>
<tr>
<td>● Trichloromethylene</td>
<td>December 1996</td>
</tr>
<tr>
<td>● Dichloromethane (for cleaning)</td>
<td>December 1997</td>
</tr>
<tr>
<td>● Dichloro methane (for thin film coating)*2</td>
<td>October 2003</td>
</tr>
</tbody>
</table>

*1 Excludes use in semiconductor production.
*2 Usage in Japan ceased as of December 2001.

Volume of Hazardous Substances Discharged

<table>
<thead>
<tr>
<th>Year</th>
<th>Hazardous Substances Discharged in Japan</th>
<th>Hazardous Substances Discharged outside Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>629</td>
<td>166</td>
</tr>
<tr>
<td>2001</td>
<td>460</td>
<td>91</td>
</tr>
<tr>
<td>2002</td>
<td>343</td>
<td>97</td>
</tr>
<tr>
<td>2003</td>
<td>338</td>
<td>91</td>
</tr>
<tr>
<td>2004</td>
<td>372</td>
<td>113</td>
</tr>
</tbody>
</table>

Performance Data/Third-Party Opinion

PRTR Output for 2004 (Japan and locations outside Japan)

<table>
<thead>
<tr>
<th>No.</th>
<th>Substance No.</th>
<th>Chemical Substance</th>
<th>Hazardous Substance Discharge Volume</th>
<th>Amounts of Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Water-soluble zinc compounds</td>
<td>Atmospheric Discharges 0.00</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>16</td>
<td>2-Amino ethanol</td>
<td>Discharges into Atmosphere 0.00</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>25</td>
<td>Antimony and its compounds</td>
<td>Discharges into Hydrosphere 0.00</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>30</td>
<td>Polycondensate of 4,4*-dihexylendiphenol and 1-chloro-1,3-epoxy-propane</td>
<td>Discharges into Soil 0.11</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>40</td>
<td>Ethylene benzene</td>
<td>Transfers into Sewage Systems 0.00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>43</td>
<td>Ethylene glycol</td>
<td>Transfers of Waste 0.00</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>44</td>
<td>Ethylene glycol monoethyl ether</td>
<td>Transfers of Recycled Materials 0.05</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>45</td>
<td>Ethylene glycol monomethyl ether</td>
<td>Discharged Outside Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>63</td>
<td>Xylenes</td>
<td>Discharged in Japan 0.24</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>68</td>
<td>Chrome and trivalent chrome compounds</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>93</td>
<td>Chlorobenzene</td>
<td>Discharged in Japan 41.63</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>95</td>
<td>Chloroform</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>96</td>
<td>Methyl chloride</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>101</td>
<td>Ethylene glycol monoethyl ether acetate</td>
<td>Discharged in Japan 0.25</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>113</td>
<td>1,3-dioxane</td>
<td>Discharged in Japan 0.30</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>139</td>
<td>o-Dichlorobenzene</td>
<td>Discharged in Japan 0.01</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>172</td>
<td>N,N-Dimethyformamide</td>
<td>Discharged in Japan 1.87</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>177</td>
<td>Styrene monomer</td>
<td>Discharged in Japan 2.63</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>181</td>
<td>Thiorea</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>201</td>
<td>Water-soluble copper salts</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>224</td>
<td>1,3,5-Trimitritybenzene</td>
<td>Discharged in Japan 4.52</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>227</td>
<td>Toluene</td>
<td>Discharged in Japan 42.81</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>230</td>
<td>Lead and lead compounds</td>
<td>Discharged in Japan 0.01</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>231</td>
<td>Nickel (metal)</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>232</td>
<td>Nickel compounds</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>260</td>
<td>Catechol</td>
<td>Discharged in Japan 0.02</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>266</td>
<td>Phenol</td>
<td>Discharged in Japan 0.21</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>283</td>
<td>Hydrogen fluoride and water-soluble hydrogen fluoride salts</td>
<td>Discharged in Japan 0.11</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>304</td>
<td>Boron and its compounds</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>308</td>
<td>Polyoxy ethylene octyl phenyl ether</td>
<td>Discharged in Japan 0.08</td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>311</td>
<td>Manganese and its compounds</td>
<td>Discharged in Japan 0.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>Discharged in Japan 97.25</td>
<td>1.79</td>
</tr>
</tbody>
</table>

*Of the 354 Class I Designated Chemical Substances, Canon used 41 substances in quantities of at least 0.1 ton a year. The PRTR discharge and quantity data above are for 31 Class I Designated Chemical Substances of which yearly usage was at least 1 ton and there were discharges or transfers. Substances recycled into non-valuable materials are counted under the column “Transfers of Recycled Materials.”
*There is no discharge into the soil and no landfill at operational sites.
*The figures in the above chart are rounded off to two decimal places.
Environmental Burden on the Hydrosphere

- BOD (biochemical oxygen demand)
  The amount of oxygen consumed when micro-organisms biodegrade organic matter in water.
- COD (chemical oxygen demand)
  The amount of oxygen consumed when oxidants oxidize organic matter in water.
- NOx (nitrogen oxide)
  A major cause of air pollution, acid rain, and photochemical smog. Generated when the nitrogen in fuels is oxidized, or when nitrogen in the atmosphere is oxidized during high temperature combustion.
- SOx (sulfuric oxide)
  A major cause of air pollution and acid rain, and generated with the burning of such fossil fuels as oil and coal.

Logistics Operations Results in 2004

<table>
<thead>
<tr>
<th>Product and Sales Logistics</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Shipping</td>
<td>8,472</td>
<td>8,749</td>
</tr>
<tr>
<td>Japan Production site logistics</td>
<td>6,484</td>
<td>6,233</td>
</tr>
<tr>
<td>Sales to customers</td>
<td>10,890</td>
<td>12,449</td>
</tr>
<tr>
<td>International Shipping</td>
<td>4,909</td>
<td>5,504</td>
</tr>
<tr>
<td>Subtotal</td>
<td>30,745</td>
<td>32,935</td>
</tr>
<tr>
<td>Outside Japan Production site logistics</td>
<td>10,898</td>
<td>14,585</td>
</tr>
<tr>
<td>Marketing subsidiaries/affiliates</td>
<td>28,544</td>
<td>32,489</td>
</tr>
<tr>
<td>Subtotal</td>
<td>39,442</td>
<td>47,074</td>
</tr>
<tr>
<td>Total</td>
<td>69,187</td>
<td>76,209</td>
</tr>
</tbody>
</table>

Use of Low-Emission Vehicles in 2004

- Canon Sales owns a total of 1,140 vehicles (including 67 three-wheeled scooters).
- Vehicles that reduce emissions by at least 50% under the 2005 standard according to the Ministry of Land, Infrastructure and Transport’s low-emission gas vehicle certification.

Use of Packaging Materials in Japan

- Represents the total amount of packaging materials used to package products, including cardboard boxes and other materials outside the scope of the Law for Promotion of Sorted Collection and Recycling of Containers and Packaging.

*With regard to NOx and SOx, since coefficients for calculating international shipments and other factors have not been firmly established, and therefore we have made calculations based on the coefficient for burning light oil.
Operational Sites Covered in the Environmental Section/Third-Party Opinion

Data on operational site activities were gathered from the following list of companies divided into the four regions of Japan, the Americas, Europe, and Asia (excluding Japan). Any data in the report limited by region are indicated as such. For marketing subsidiaries and affiliates outside Japan, the data cover only product recycling and ISO14001 certification data.

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canon Inc. (14 operational sites)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shiomomaru Headquarters</td>
<td>Tokyo</td>
<td>RAQ, corporate administration, other functions</td>
</tr>
<tr>
<td>Tamagawa Plant</td>
<td>Kanagawa</td>
<td>Development of inkjet printers, inkjet chemical products</td>
</tr>
<tr>
<td>Kasugi Office</td>
<td>Kanagawa</td>
<td>Development of software for office imaging products</td>
</tr>
<tr>
<td>Hirakusaka Development Center</td>
<td></td>
<td>Development of lenses, digital cameras, semiconductor products</td>
</tr>
<tr>
<td>Agüiles Office</td>
<td>Kanagawa</td>
<td>Development of digital cameras, semiconductor devices</td>
</tr>
<tr>
<td>Fuji Suhso Research Park</td>
<td>Shizuoka</td>
<td>R&amp;D in electrooptical technologies</td>
</tr>
<tr>
<td>Atagao Office</td>
<td>Kanagawa</td>
<td>Research in laser and advanced technologies for future businesses</td>
</tr>
<tr>
<td>Utsumoniyka Plant</td>
<td>Tochigi</td>
<td>Manufacturing of lenses, video cam-</td>
</tr>
<tr>
<td>Tonde Plant</td>
<td>Ibaraki</td>
<td>R&amp;D in electrooptical technologies, mass</td>
</tr>
<tr>
<td>Atsum Plant</td>
<td>Ibaraki</td>
<td>Manufacturing of optical imaging products and micro</td>
</tr>
<tr>
<td>Utsumoniyka Photonic Products Mall</td>
<td>Tochigi</td>
<td>Manufacturing, sales, and servicing of semi-</td>
</tr>
<tr>
<td>Optics R&amp;D Center</td>
<td>Tochigi</td>
<td>R&amp;D in optical technologies; development of</td>
</tr>
<tr>
<td>Kamisato Office</td>
<td>Saitama</td>
<td>Development of medical equipment devices</td>
</tr>
<tr>
<td>Hukaba Park Center</td>
<td>Ibaraki</td>
<td>Storage of parts and management of shipping</td>
</tr>
<tr>
<td>Marketing Subsidiaries and Affiliates in Japan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canon Sales Co., Inc.</td>
<td>Tokyo</td>
<td>Sales of Canon products in Japan and related business</td>
</tr>
<tr>
<td>Manufacturing Subsidiaries and Affiliates in Japan (16 companies, 24 operational sites)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headquaters, Chichibu Plant</td>
<td>Saitama</td>
<td>Magnetic components business (precision components), manufacturing equipment business, VCS business, quality assurance</td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misato Plant</td>
<td>Saitama</td>
<td>IMS and business components business</td>
</tr>
<tr>
<td>Canon Electronics Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Akagi Plant</td>
<td>Gunma</td>
<td>Laser printer manufacturers</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headquaters, Ibaraki Plant</td>
<td>Ibaraki</td>
<td>Development of page printers and digital MFD, development and manufacturing of paper handling devices, and manufacturing of card/labeled printers</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minakasa Office</td>
<td>Tokyo</td>
<td>Development and sales of intermediate printing</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kita Office</td>
<td>Yamanashi</td>
<td>Manufacturing of page printers, digital MFD, large-format print head supplies, and chemical products</td>
</tr>
<tr>
<td>Niska Corporation</td>
<td>Yamanashi</td>
<td>Development, manufacturing, and sale of office automation machines and optical measuring equipment</td>
</tr>
<tr>
<td>Top Business Machines Co., Ltd.</td>
<td>Shiga</td>
<td>Copying machine recycling, chemical products, consignment of copying machine peripherals</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headquaters, Kawaioka Plant</td>
<td>Aizu</td>
<td>Manufacturing and recycling of toner cartridges</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitake Plant</td>
<td>Aizu</td>
<td>Manufacturing of direct-drive magneto hydraulic and hydromechanical products</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harder Plant</td>
<td>Ibaraki</td>
<td>Manufacturing of toner cartridges</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iwama Plant</td>
<td>Ibaraki</td>
<td>Manufacturing of toner cartridge parts</td>
</tr>
<tr>
<td>Canon Precision Inc.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ishibe Plant</td>
<td>Ibaraki</td>
<td>Manufacturing of rubber parts for business machines</td>
</tr>
<tr>
<td>DTA Canon Inc.</td>
<td>USA</td>
<td>Lenses, digital cameras, digital video cameras, communication cameras</td>
</tr>
<tr>
<td>Miyakei Dojin Canon Co., Ltd.</td>
<td></td>
<td>Digital cameras, electronics packaging</td>
</tr>
<tr>
<td>Canon Components, Inc.</td>
<td></td>
<td>Image sensor units, printed circuit boards, inkjet cartridges, medical equipment</td>
</tr>
<tr>
<td>Magnastra Canon Inc.</td>
<td>Shiga</td>
<td></td>
</tr>
<tr>
<td>SMC Canon Materials Inc.</td>
<td>USA</td>
<td>Chemical products for copying machines and printers</td>
</tr>
<tr>
<td>Canon Semicond器 equipment inc.</td>
<td></td>
<td>Development and manufacturing of semiconductor equipment for manufacturing-related equipment, manufacturing of semiconductor products, and other Canon products</td>
</tr>
<tr>
<td>Canon Ecology Industry Inc.</td>
<td></td>
<td>Refurbishing and recycling of business machines, consumables, and other Canon products</td>
</tr>
<tr>
<td>Mito Canon Materials Inc.</td>
<td></td>
<td>Chemical products for copying machines and printers</td>
</tr>
<tr>
<td>Takasakiha Canon Inc.</td>
<td></td>
<td>Manufacturing of inkjet printer parts, head tests, ink tank analysis, development of Canon software</td>
</tr>
<tr>
<td>Canon Sustainability Report 200565</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Comments on Canon Sustainability Report 2004

Positive Feedback on Report

<table>
<thead>
<tr>
<th>Comments</th>
<th>Canon Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canon has begun to gather data on the environmental burden of</td>
<td>We strive to expand the scope of data and refine the methods of data collection annually in accordance with changes to business conditions (P. 13) (P. 56).</td>
</tr>
<tr>
<td>International logistics (shipping between regions and within regions</td>
<td></td>
</tr>
<tr>
<td>outside Japan) and take measures to reduce the associated environmental</td>
<td></td>
</tr>
<tr>
<td>burden, as part of its efforts to determine and lessen the burden of all</td>
<td></td>
</tr>
<tr>
<td>its business activities.</td>
<td></td>
</tr>
<tr>
<td>Canon has made progress on promoting initiatives for the entire</td>
<td>We intend on strengthening our ties with industry, government, and academia (P. 23, 41–42) (P. 60).</td>
</tr>
<tr>
<td>industry, such as the use of a common green procurement survey.</td>
<td></td>
</tr>
<tr>
<td>Canon is clearly committed to having its business activities reflect</td>
<td>We continue to enhance the transparency and objectivity of our initiatives and the Sustainability Report itself (P. 29–30) (P. 86–68).</td>
</tr>
<tr>
<td>the requests of its stakeholders, as is evident from the two-way</td>
<td></td>
</tr>
<tr>
<td>communication the company holds with stakeholders. This stance is also</td>
<td></td>
</tr>
<tr>
<td>reflected in the company’s response to the third-party opinions.</td>
<td></td>
</tr>
</tbody>
</table>

Improvements in the Sustainability Report 2005 based on Feedback from Stakeholders

<table>
<thead>
<tr>
<th>Requests and Comments</th>
<th>Canon Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td></td>
</tr>
<tr>
<td>An explanation of the current progress in achieving Factor 2 should be</td>
<td>Progress toward Factor 2 is explained together with the environmental burden results (P. 14).</td>
</tr>
<tr>
<td>provided.</td>
<td></td>
</tr>
<tr>
<td>The report should have a detailed explanation of measures regarding</td>
<td>Canon’s initiatives are described in the “Highlights 2004–2005: Global Warming Countermeasures at Canon” section (P. 17–18), and in the section on energy conservation at operational sites (P. 53).</td>
</tr>
<tr>
<td>global warming</td>
<td></td>
</tr>
<tr>
<td>mitigation and the Kyoto Protocol.</td>
<td></td>
</tr>
<tr>
<td>A pamphlet should be created to enlighten the general public about</td>
<td>The previously published digest edition of the Sustainability Report has been transformed into an easy-to-read environmental pamphlet, ECO Life.</td>
</tr>
<tr>
<td>environmental</td>
<td></td>
</tr>
<tr>
<td>conservation activities by explaining the importance of the</td>
<td></td>
</tr>
<tr>
<td>environment and</td>
<td></td>
</tr>
<tr>
<td>providing examples in a way that makes it easy to understand Canon’s</td>
<td></td>
</tr>
<tr>
<td>initiatives.</td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td></td>
</tr>
<tr>
<td>The social management</td>
<td>The social management section was greatly expanded with a focus on governance, compliance, and other key topics (P. 23–24) (P. 25–42).</td>
</tr>
<tr>
<td>information should be</td>
<td></td>
</tr>
<tr>
<td>more comprehensive.</td>
<td></td>
</tr>
<tr>
<td>An explanation of the</td>
<td>New sections were added on “Contributions to Society through Products and Services” (P. 7–8) and “Providing Superior Products and Services” (P. 33–34).</td>
</tr>
<tr>
<td>social contributions of</td>
<td></td>
</tr>
<tr>
<td>products should</td>
<td></td>
</tr>
<tr>
<td>be provided.</td>
<td></td>
</tr>
<tr>
<td>The report should include</td>
<td></td>
</tr>
<tr>
<td>an explanation of various aspects of supply chain management, not just</td>
<td></td>
</tr>
<tr>
<td>the environmental aspect.</td>
<td></td>
</tr>
<tr>
<td>Editorial</td>
<td></td>
</tr>
<tr>
<td>There is no separation in the report between environmental management</td>
<td>The social management and environmentally conscious management sections have been clearly separated, and the initiatives and results are explained together (P. 2).</td>
</tr>
<tr>
<td>and social management. Moreover, it’s hard to get an overall</td>
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<td>are in separate sections.</td>
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Publication of Sustainability Report and Number of Downloads

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(The digest edition of the Sustainability Report is published in Japanese, English, and Chinese)

*Conditions for counting access
1. Multiple access by same IP address within a 30-minute interval is counted as one session.
2. Access to multiple files in the same directory is counted as one session.

Inquiries Regarding the Environment

In 2004, Canon received 740 inquiries regarding the environment via e-mail, postcard survey, and other means (excluding requests for copies of the Sustainability Report). The general contents of the inquiry and types of stakeholders making inquiries are shown in the graphs.

Types of Stakeholders Making Inquiries

- Environmental Experts: 13%
- Users: 76%
- Other: 11%

Contents of Inquiries

- Products: 21%
- Recycling: 45%
- Sustainable Management: 21%
- Other: 13%
- Environmental Conservation: 13%
Third-Party Opinion and Canon’s Response

About the Third-Party Opinion

For the third-party opinions* of the Sustainability Report 2005, Canon has invited the same representatives of two stakeholder groups who commented on last year’s report. These stakeholders have been asked to provide their opinions on how well this report, with an improved triple-bottom-line approach, meets their expectations—for information the report provides, the quality of performance it conveys, and its usefulness for meaningful engagement.

Our response follows, outlining how we have received stakeholders’ comments, and how we intend to respond to them in the future.

The purpose of the third-party opinion and our response is to furnish you, the reader, with information to help you judge how well Canon has met expectations through this report, and what you can expect from Canon in the future.

Further information on the third-party opinion process and how our approach has evolved is available on the Canon website at URL://www.canon.com/environment/report.

*The comments are the personal views of the authors and do not imply any endorsement from their organizations.

Third-Party Opinion from the Wuppertal Institute for Climate, Environment, and Energy

In its 2005 Sustainability report, Canon shows how it implements its sustainability goals throughout the Canon Group. Management and information systems are thoughtfully combined with awareness raising and practical measures to change the actual behavior of employees on all levels. "Factor 2" provides for a clear, comprehensible goal, although the scope could be extended to other impacts (e.g. waste).

We further welcome the attention given to product design decisions and implications on sustainability impacts during use and end-of-life phases. The issue of energy consumption during the use phase has successfully been addressed. Innovative technological and organizational solutions have increased recycling rates. The report shows how Canon links environmental improvements to its business strategy, e.g. by taking consumer savings on energy into account as a cost argument. This makes Canon’s efforts look credible and a potential source of long-term improvement and competitive advantage.

But challenges remain.

Considering usage, consumer behavior and societal developments can offset the savings realised by technical measures. Sustainable Consumption as an issue should thus be taken up, e.g. by moving from product to service thinking.

Fundamental tasks persist also along the supply chain. The efforts regarding hazardous substances and the establishment of the Canon Group Procurement Code of Conduct represent first steps into the right direction. However, Canon do not have effective mechanisms for integrating social aspects into its supply chain management. To develop strategies for integrating sustainability aspects will offer an opportunity to significantly improve the sustainability performance of Canon.

By engaging with its suppliers on environmental and social issues, Canon could move from a procurement to a partnership perspective. This can initiate continuous improvements through learning and cultural change, in-house as well as in Canon’s suppliers. For going beyond the first tier of suppliers, we further recommend Canon to initiate or join industry-wide sustainable supply chain management efforts.

Social issues dealt with mainly relate to customers and employees. A more systematic treatment of social issues could further improve the triple bottom line performance of Canon. This holds true especially for the contribution to societal goals and agendas as for example the UN Millennium Development Goals, but also for business charters like the OECD Guidelines for Multinational Enterprises or the UN Global Compact.

Canon has addressed a wide variety of issues successfully in the past. We believe the challenges laid out above in fact represent great opportunities for Canon to realise kōsei by continuously developing its existing efforts.
Third-Party Opinion from ASrIA

Canon’s 2005 Sustainability Report is a valuable publication, providing much detailed, but readable data on its operations. New sections on corporate governance and on management and performance are important additions towards creating a more truly triple-bottom line report.

The section of the report dealing with environmental issues is comprehensive with some useful benchmarking of progress of the last few years against Canon’s targets. The section on social issues provides a useful overview. The GRI related index also provides a quick reference to Canon’s comments on each key issue. The sections on customer health, safety, servicing and support are well developed. However, there still seems to be plenty of scope for Canon to deepen the quality and interest of its reporting on other social related issues. For instance, can Canon provide some examples of real issues raised between management and staff at the regular union meetings, such as suggestions from the shop-floor that have led to practical initiatives? Or examples of communications from staff to the President? Canon seems to be putting in place a valuable staff compensation system. Does Canon have any further comments on related issues such as staff turn-over, training and productivity? Can Canon provide some examples of particular initiatives taken to facilitate disabled workers, or more detail on such as maternity leave including whether the same standards are applied in overseas operations as in Japan? At present Canon applies its comprehensive green procurement standards on its primary suppliers. This could be widened to include social performance aspects. Taking account of these wider issues in the supply chain is an important part of overall risk management.

Canon notes in its introduction that the purpose of the Report is to “fully inform stakeholders” and it also identifies its primary stakeholder groups as investors and shareholders, employees, suppliers, industry, government and academia. The value of a Report is more than the content, however comprehensive. What is even more valuable is how it is used, enabling Canon to gain maximum value from the effort put into its production. It would be interesting if Canon was able to gather and present more information on the circulation of the Report to all stakeholder groups and how it uses the report, internally and externally. More could also be done to create strong links between the key themes raised in the Report and the website.

Overall, I wish to congratulate Canon on its continued efforts to improve its transparency and accountability.

Canon’s Response

We have received valuable opinions of the Canon Sustainability Report 2005 from two stakeholder groups. We intend to seriously consider the comments of these groups as we continue to improve our triple-bottom-line approach to corporate activities and the content of the report itself. We submit the following as Canon’s response to the opinions expressed by the stakeholder groups.

Through rationally managed global business operations, Canon aspires to contribute to the sustainable development of the global environment and society, and secure sound and sustainable growth and profit for the Canon Group. On the environment front, our goal is to align the Group’s environmental assurance activities with its economic activities. Our environmental assurance activities, targeting the reduction of environmental burden at every stage of the lifecycle across the company’s business activities, include not only the activities undertaken by our operational sites, but the entire upstream and downstream burden on the environment, including manufacturing activities of suppliers and usage by consumers (P. 13).

Our vision for 2010 is the full achievement of Factor 2, an overriding indicator calling for, at minimum, a doubling of environmental efficiency associated with the lifecycle across Canon’s business activities compared with levels in 2000. This report offers the first full explanation of our progress on attaining this goal (P. 14). The setting of Factor 2 reflects the need to express various burdens as a single quantitative unit. In this case, our basis for calculation is emissions of CO₂, a greenhouse gas directly responsible for global warming. We are also taking measures to eliminate or reduce the environmental burden of chemical substances which cannot be converted into CO₂ emissions, setting goals focused on each of these substances through the development of environmentally conscious products and the implementation of environmental assurance activities at operational sites. One achievement in this regard has been the completion of an assurance system by the end of 2004 to ensure that, as a general rule, all of our new products from 2005 will comply with the European Union’s RoHS directive, which restricts the use of designated chemical substances and will be implemented in 2006 (P. 42). With the movement towards the establishment of a global industry standard in mind, Canon developed a chemical substance management system linking every level of the supply chain.

On the social front, our focus is to carry out initiatives based on rational management. Our main initiatives since 2004 include the enhancement of our corporate governance and compliance structures, the creation of management strategy advisory committees headed by the president and CEO, the distribution of compliance cards to employees, and the creation of the Canon Group Procurement Code of Conduct (P. 23-24, 28, 41). Furthermore, we have expanded the scope of disclosure on the social consciousness of our product development and our initiatives regarding customers and employees (P. 7-8) (P. 31-36).

Recommendations from the third-party opinions we received for the Sustainability Report 2004 and other stakeholder opinions are reflected in our newly implemented measures and in the content of this report (P. 66). Canon looks forward to addressing the issues raised by stakeholders in the future, through third-party opinions and other means, as we examine the triple-bottom-line performance in its entirety, and promote business activities based on rational management. Our efforts in these directions will be disclosed in future Sustainability Reports and on our website.

ASrIA (Association for Sustainable & Responsible Investment in Asia)

URL: www.asria.org

David St. Maur Shell Director

Canon Sustainability Report 2005
GRI Guideline Implementation

1. Vision and Strategy

1.1 Statement of the organization’s vision and strategy  P. 5–14
1.2 Statement from the CEO  P. 3–4

2. Report Profile

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2.1 Name of reporting organization  P. 2
2.2 Major products and/or services  P. 7–8
2.3 Operational structure of the organization  P. 5–6, 13, 25, 43, 65
2.4 Description of major divisions, subsidiaries, etc.  P. 65
2.5 Countries in which the organization’s operations are located  P. 65
2.6 Nature of ownership (legal form)  P. 2, 65
2.7 Nature of markets served  P. 5–8
2.8 Scale of the reporting organization  P. 5–6, 59
2.9 List of stakeholders, key attributes of each, and relationship to the reporting organization  P. 5–6, 29–30, 60 (primary partners in environmental protection activities)

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2.10 Contact for the report P. 1, Back cover
2.11 Reporting period  P. 1
2.12 Date of most recent previous report  P. 66
2.13 Boundaries of report  P. 1, 65
2.14 Significant changes that have occurred since the previous report  P. 65
2.15 Basis for reporting situations that can significantly affect comparability from period to period and/or between reporting organizations  P. 65
2.16 Explanation of any re-measurements of information provided in earlier reports  No significant changes

Report Profile

2.17 GRI guideline compliance Used as reference
2.18 Criteria/definitions used in any accounting for costs and benefits: In particular, P. 13–14, 45 (environmentally conscious management tools), P. 46, 59, 61, AR (accounting standards, etc.)
2.19 Significant changes from previous years in the measurement methods. No significant changes
2.20 Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability of AR (accounting standards, etc.)
2.21 Policy and current practice with regard to providing independent assurance P. 1, 67, Canon website (URL: canon.com/environment)
2.22 Means by which report users can obtain additional information, URLs, etc. provided for applicable pages

3. Governance Structure and Management Systems

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3.2 Percentage of the board of directors that are independent, non-executive directors  P. 25
3.3 Process for choosing board members Omitted (reference: P. 25)
3.4 Board-level processes for overseeing the organization  P. 23–26, 43
3.5 Linkage between executive compensation and achievement of the organization’s goals Omitted (reference: P. 23–25, 45)
3.6 Organizational structure and key management individuals P. 23–26, 43, FB (4–5)
3.7 Mission and values statements (codes of conduct or principles, performance policies, etc.) P. 5–6, 11–12, 27, 35
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3.10–12 Approaches to stakeholder consultation; Type of information generated by stakeholder consultations; Use of information resulting from stakeholder engagements P. 5–6, 29–30, 44, 60 (primary partners in environmental protection activities), P. 66

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3.14–15 Charters, sets of principles which the organization subscribes to endorse P. 29, 60 (primary partners in environmental protection activities)

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3.18 Major changes during the reporting period regarding the location of operations or operations themselves P. 65
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*The above GRI Guideline Implementation listing identifies the areas of the Sustainability Report pertaining to the GRI Guidelines international reporting standard. Readers may use the listing as an index to search for areas of interest. In this listing, “AR” stands for Canon Annual Report 2004 and “FB” stands for Canon Fact Book 2005/2006.

Related URLs
Canon Annual Report URL: www.canon.com/ir/annual/index.html
Canon Fact Book URL: www.canon.com/about/library/canon_factbook.pdf
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Thank you for taking the time to read the Canon Sustainability Report 2005. This report has introduced the major initiatives we are taking in all three areas of sustainability (economic, social, and environmental) in order to contribute to the realization of a sustainable society.

Now, we would like our readers to provide us with their opinions about the content of this report and Canon’s activities using the survey form below. The opinions we receive through this survey will be incorporated into the sustainable management activities we carry out, and will assist us in improving the Sustainability Report in the future.

We appreciate your sending the completed survey to us by fax at the number above.

Environment Management and Engineering Center/Global Environment Promotion Headquarters
Canon Inc. (E-mail: eco@web.canon.co.jp)

**Tell Us Your Opinions**

**FAX: +81-3-3758-8225**

---

**In what capacity did you read this report?**

- [ ] Customer
- [ ] Stockholder/investor
- [ ] Stockholder/investor
- [ ] Government/regulatory authority
- [ ] Residential neighbor of a Canon operational site/plant
- [ ] Environmental personnel of a company or other organization
- [ ] Employee of a research/educational institution
- [ ] Canon employee or a member of an employee’s family
- [ ] Other ( )

**How did you come to know about this report?**

- [ ] Canon’s website
- [ ] Newspaper, magazine ( )
- [ ] Seminar, exhibition ( )
- [ ] Canon sales personnel
- [ ] Other ( )

**Please evaluate the contents of this report.**

- [ ] Very detailed
- [ ] Detailed
- [ ] Not so detailed
- [ ] Not detailed at all

**Which sections of the report did you find most interesting? (Feel free to choose more than one section.)**

- [ ] Message from the President
- [ ] Relationship between Business Activities and Society
- [ ] Contributions to Society through Products and Services
- [ ] Concept behind the Excellent Global Corporation Plan
- [ ] Vision for Environmentally Conscious Management
- [ ] Environmental Burden and Factor 2
- [ ] Mid-Term Environmental Strategy and Environmentally Conscious Management in 2004
- [ ] Global Warming Countermeasures at Canon
- [ ] Environmental Consciousness of Products
- [ ] Enhancing Corporate Governance and Compliance
- [ ] Corporate Governance
- [ ] Compliance
- [ ] Cooperation with Society and Communication with Stakeholders
- [ ] Quality Assurance of Products and Services
- [ ] Providing Superior Products and Services
- [ ] Communication among Employees and Human Resources Development
- [ ] Employee Safety and Well-Being
- [ ] Social Contributions
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- [ ] Environmental Information Management and Evaluation System
- [ ] Environmental Education
- [ ] Environmental Business
- [ ] Environmental Consciousness of Products
- [ ] Environmental Activities at Operational Sites
- [ ] Environmental Communication
- [ ] Third-Party Opinion
- [ ] Other ( )

**If you have any specific comments about the contents of this report, please let us know what they are.**

(Including a comparison with the 2004 report.)

---

**How would you evaluate Canon’s sustainable management activities (economic, social, environmental)?**

- [ ] Excellent
- [ ] Good
- [ ] Not very good
- [ ] Poor

Please comment on your reason for the above evaluation, or any other remarks, impressions, or suggestions about the report.

---

Thank you for your cooperation.

(From the viewpoint of personal information protection, we do not request any personal information from the respondents to this survey.)
Cover Photo
UNEP International Photographic Competition on the Environment 2004–2005
Title: Water, Life (Winning Entry in the Youth Category)
Photographer: Matthieu Marquenet (France)
Photo taken in Bolivia

Canon Sustainability Report 2005, published August 2005
(next scheduled publication: August 2006)