Canon
Sustainability
Report
2012

Canon

Canon Sustainability Report 2012

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Editorial Policy

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

To meet our duty of accountability to stakeholders, Canon publishes the *Canon Sustainability Report* every year, offering a comprehensive description of our efforts to achieve a sustainable society.

This year we are issuing two versions of our sustainability report: a PDF edition and an HTML edition. The PDF edition focuses on items of particular reporting significance in two categories, namely items of importance to Canon and items of importance to stakeholders. The HTML edition contains all of the information in the PDF edition, and expands upon that information with more systematic and comprehensive coverage.

Beginning with this year's report, we are changing to a horizontal format in the PDF edition and adding navigation functions (see below) to make it easier for readers to view it online.

Report Media

Materiality to Canon — High

A

B

Materiality to stakeholders — High

PDF edition
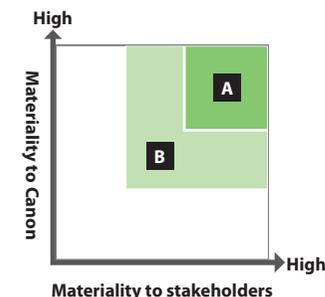
HTML edition

A Items of priority interest to almost all stakeholders
B Items of priority interest to stakeholders in each stakeholder category

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

Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2011 (January 1 to December 31, 2011). The scope of Canon's environmental activities is not limited to development, production and sales operations at operational sites, but covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product usage by customers. Supplemental information on important targets, indicators, and initiatives prior to 2010 and beyond 2012 is referenced in this report. Information that is specific to a region or organization is indicated. In this publication, "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.

**This PDF has been set up to provide the functions described below.**

Category tab function

Clicking on this tab takes the reader to the first page of the respective category.

Editorial Policy | *Kyosei*: Canon's Corporate Philosophy | Message from Top Management | Canon Group Overview

The letters on the tab for the page the reader is on are darker and enclosed with a red line.

Navigation button functions

Return to table of contents

Print

Search for keywords

Previous page

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1
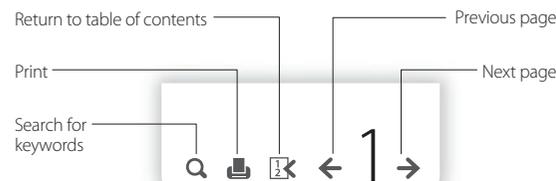
Note: With the exception of page numbers, the navigation buttons will not be included when printing.

Disclaimer

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

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Kyosei: **Canon's Corporate Philosophy**

Working with our stakeholders for sustainability

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

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

While society today is prospering as a result of various changes, including economic globalization and the networking of information, mankind is also facing serious problems, such as those involving the environment and resources, which transcend national and regional boundaries.

In this time, Canon is pursuing the realization of a sustainable global society based upon our philosophy of *kyosei* to contribute to global prosperity and the well-being of mankind.

Canon's Stakeholders

Corporate Philosophy

Kyosei

Living and working together for the common good

- Local and Global Communities
- Employees
- Other Companies
- Suppliers
- National and Local Governments
- Shareholders and Investors
- Universities and Research Institutes
- Customers
- NGOs/NPOs

Global Environment

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Message from Top Management

Maintaining our path to growth while contributing to the realization of a better society as a good corporate citizen

Overcoming Obstacles and Taking up New Challenges for Continued Growth

Canon is seizing the initiative in 2012 and taking up new challenges. We are now one year into Phase IV of our Excellent Global Corporation Plan, for which we have adopted the slogan "Aiming for the Summit: Speed & Sound Growth."

This first year proved to be a real test for us in the face of two unprecedented disasters—the Great East Japan Earthquake and the major floods in Thailand. Nonetheless, we have lost neither our competitive strength nor our growth momentum. Harsh conditions also provide opportunities for great progress, and we will exercise our spirit of challenge and flexible responsiveness to the ever-changing environment to again advance on the path toward growth.

Accelerating Our Growth Strategy by Strengthening and Expanding Core Businesses and Developing New Businesses

By 2015, the final year of Phase IV of our Excellent Global Corporation Plan, Canon aims to achieve net sales of ¥5 trillion and join the ranks of the world's top 100 companies in terms of all major management indicators.

One example of how we have strengthened our current core businesses on the way to achieving this goal is the launch in November 2011 of the Cinema EOS System, which has enjoyed wide acceptance by the film industry, including Hollywood. We are also strengthening our solutions business through cloud-based document services. Another example is our entry into the retail photo segment through the introduction of commercial photo printers. Our goal is to achieve the overwhelming No. 1 position in all of our core businesses by continuing to take on the challenges of new business domains.

We are also boosting our efforts in the medical and industrial equipment fields to establish new pillars of support for the Company. In the medical field, for example, we are engaged in joint research with Kyoto University targeting the application of imaging technology in new medical equipment. We also plan to finalize and commercialize DNA diagnostic equipment based on our R&D activities in the United States. Canon aims to achieve sustainable growth while contributing to the resolution of issues confronted by society through technological innovation.

Furthermore, we are strengthening the R&D and production systems that support our business efforts. In the area of R&D, we are establishing new innovation centers in Europe and the United States toward the establishment of our Three Regional Headquarters

Fujio Mitarai
Chairman & CEO
Canon Inc.

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management system, which will contribute to the creation of new businesses capitalizing on the unique technological expertise in Japan, the United States and Europe. As for our operational structure, we are heeding the lessons learned from the earthquake and floods of 2011 as we push forward in establishing a globally optimized production system to realize the optimal distribution of our production sites worldwide. In addition, we are strengthening our sales force as we focus on developing markets in emerging countries.

Strengthening our CSR Activities to Become a Corporation Worthy of Admiration and Respect Worldwide

A company's operations are supported by the development of society as a whole, so proceeding with our growth strategy and expanding our business requires consideration to our impact on the global environment and community.

It is therefore important for us to respond to the demands and expectations of all our stakeholders, and to seek to grow by offering superior products while at the same time fulfilling our roles and responsibilities as a member of society.

To reaffirm our position in this regard, in January 2012 we established the Canon Group CSR Activity Policy, which outlines Canon's commitment to CSR activities on the global and community levels by leveraging our advanced technological strengths, global business deployment and diverse, specialized workforce.

Under the new policy, the Canon Group will continue to develop a variety of CSR initiatives based on our CSR policies, including humanitarian support for disaster victims as well as cultural support for the arts, science and sports. As an environmental leader, Canon will continue to balance contributions to enriching people's lifestyles with concern for the global environment through efforts to reduce CO_2 emissions across the entire product lifecyle, maximize resource efficiency and steadily eliminate toxic substances while continuing to offer our customers highly functional, easy-to-use products. In addition, we will strengthen our internal control system and maintain structures to ensure full compliance while persisting in our quality improvement efforts so that we can continue to engage in sound, fair business practices as a member of the international community.

Canon aims to be worthy of admiration and respect worldwide as a truly excellent global company by employing our strengths to contribute to the realization of a better society as a good corporate citizen.

Contributing to the Realization of a Sustainable Society by Developing Global Human Resources Capable of Responding to Change

With a foundation based on respect for humanity, Canon's corporate culture promotes self-transformation and responsiveness to changes in the business environment through an enterprising spirit and the *San-ji* (Three Selfs) Spirit—self-motivation, self-management and self-awareness—guiding principles that have been passed down from the Company's founding. Maintaining and cultivating this corporate culture, we focus on developing global human resources capable of taking an active role on the global stage.

We will continue working to develop human resources who maintain compliance as a fundamental principle, who think about environmental conservation and other social issues, and who seek to achieve sustainable development for both the Company and the community.

We look forward to your continued understanding and support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

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Canon Group Overview

Pursuing diversification and globalization

Businesses and Products

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

In 2011, in addition to entering the retail photo sector with the launch of a commercial photo printer, we announced the release of the Cinema EOS System, marking our full-scale entry into the video production market. These are but two examples of our ongoing efforts to take on new fields of business.

2011 Sales Ratio per Segment

Industry and Others Business Unit
$5,396 million
11.8%

Consumer Business Unit
$16,821 million
36.9%

Office Business Unit
$24,589 million
53.9%

Total
$45,608 million

Notes: Sales ratios do not total 100% due to sales between segments of 2.6% (-$1,198 million).
Figures for sales are as of December 31, 2011.
U.S. dollar amounts are translated from yen at the rate of JPY78=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2011, solely for the convenience of the reader.

Imaging System Business Unit

- Digital single lens reflex (SLR) cameras
- Digital compact cameras
- Digital cinema cameras
- Digital camcorders
- Compact photo printers
- Interchangeable lenses
- Image scanners
- Inkjet printers
- Multifunction inkjet printers
- Large-format inkjet printers
- Commercial photo printers
- Broadcast equipment
- Multimedia projectors
- Network cameras

Digital SLR cameras

Multifunction inkjet printers

Office Business Unit

- Office network multifunction devices (MFDs)
- Digital production printing systems
- Laser printers
- Laser multifunction devices
- Toner, photosensitive drums, toner cartridges
- Cloud-based document services
- Solutions software

Laser printers

Office network MFDs

Industry and Others Business Unit

- Semiconductor lithography equipment
- LCD lithography equipment
- Digital radiography systems
- Ophthalmic equipment
- Components and other parts

Digital radiography systems

Semiconductor lithography equipment

Notes: The "Consumer Business Unit" has been renamed the "Imaging System Business Unit" as of July 1, 2012.
Products handled by business units are as of July 1, 2012.

Company Overview

Company name: Canon Inc.

Established: August 10, 1937

Headquarters: 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan

Chairman & CEO: Fujio Mitarai

Common stock: ¥174,762 million

Group companies: 277 consolidated subsidiaries
11 equity method affiliates

Note: Figures for common stock and Group companies are as of December 31, 2011.

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Canon Group Overview

Markets and Locations

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

In 2011, we began sales of products jointly developed with Océ N.V. of the Netherlands, and moved forward with DNA diagnostics research and development in the United States, strengthening our R&D structure in the United States and Europe.

2011 Sales Distribution Ratio by Region

Asia & Oceania excluding Japan
22.2%

Japan
19.5%

Total
$45,608
million

Europe
31.3%
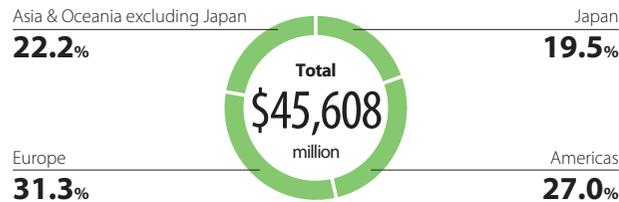
Americas
27.0%

2011 Employee Distribution Ratio by Region

Asia & Oceania excluding Japan
43.4%

Japan
35.5%

Total
198,307

Europe
11.4%

Americas
9.7%

Notes: Figures for sales and employees are as of December 31, 2011.
U.S. dollar amounts are translated from yen at the rate of JPY78=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2011, solely for the convenience of the reader.

Europe

Sales **$14,270** million
Employees **22,739**

Asia & Oceania

Sales **$19,005** million
Employees **156,363**

Americas

Sales **$12,333** million
Employees **19,205**

Canon Europe Ltd.

Canon Inc.

Canon Marketing Japan Inc.

Canon U.S.A., Inc.

Canon (China) Co., Ltd.

Canon Australia Pty. Ltd.

Major operational sites
■ Research & Development
▲ Manufacturing
● Sales & Marketing

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Medium- to Long-Term Management Plan

We continue to move forward with our Excellent Global Corporation Plan as we strive to be a corporation worthy of admiration and respect the world over.

Canon launched the Excellent Global Corporation Plan, our medium- to long-term management plan, in 1996. Based on our corporate philosophy of *kyosei,* the plan spurs us to continue our technological contributions to society with the aim of becoming a corporation that is admired and respected the world over. In 2011 we embarked on Phase IV of the Excellent Global Corporation Plan, under the slogan "Aiming for the Summit: Speed & Sound Growth." We are taking up new challenges so that by 2015, the final year of this plan, we will have achieved our goal of inclusion among the ranks of the world's top 100 companies in terms of all major management indicators.

The world's economic geography and industrial structure are changing drastically, and Canon is making changes accordingly so as to stay ahead of the times, while keeping to our "sound growth" principles.

Excellent Global Corporation Plan

1996–2000 Phase I

This phase called for a transformation of the management mindset to "total optimization," and a focus on profit. We engaged in a variety of business innovations.

2001–2005 Phase II

Aiming to become No. 1 in all core business areas, Canon actively focused on strengthening product competitiveness by moving forward with product digitalization.

2006–2010 Phase III

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

2011–2015 Phase IV

We are pursuing six key strategies (see page 8) to achieve our management goals for 2015; namely, net sales of ¥5 trillion or more, an operating profit ratio of 20% or more, a net income ratio of 10% or more, and a shareholders' equity ratio of 75% or more. In 2011, in addition to expanding our business by launching a variety of new products, we focused on expanding sales in emerging and resource-rich countries, such as China, India and Russia.

We will continue striving to achieve our management goals through such efforts as acquiring new technologies through M&A and developing human resources capable of performing on the global stage.

Net Sales (¥ billion)

2007	2008	2009	2010	2011
4,481.3	4,094.2	3,209.2	3,706.9	**3,557.4**

Net Income (¥ billion)

2007	2008	2009	2010	2011
488.3	309.1	131.6	246.6	**248.6**

Total Assets & Shareholders' Equity (¥ billion)

■ Total assets ■ Shareholders' equity

	2007	2008	2009	2010	2011
Total assets	4,512.6	3,969.9	3,847.6	3,983.8	**3,930.7**
Shareholders' equity	2,922.3	2,659.8	2,688.1	2,645.8	**2,551.1**

Employees

2007	2008	2009	2010	2011
131,352	166,980	168,879	197,386	**198,307**
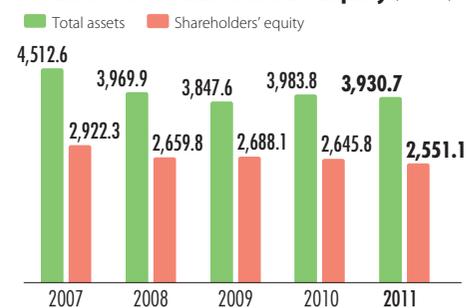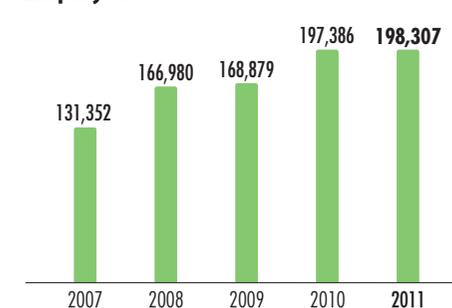
Note: Data is based on consolidated calculations.

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Medium- to Long-Term Management Plan

Key Strategies in Phase IV, 2011–2015

Digital SLR cameras

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

We will launch competitive products through innovation and increase profits in our solutions and services businesses, as well as expand related and peripheral businesses, such as network cameras and retail photography.

R&D at Océ N.V. in the Netherlands

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

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

"Man-machine cell" at Nagasaki Canon

Establish a world-leading globally optimized production system

Construct a globally optimized production system for optimal production site placement by comprehensively assessing such risk factors as logistics, procurement and labor, and proceed with in-house manufacturing and production automation.

Canon Image Square retail store in India

Comprehensively reinforce global sales capabilities

Continue developing new markets in emerging and resource-rich economies in global growth centers such as Asia, South America and Africa, and strengthen solutions business in developed markets.

Bio-based plastic molding process

Build the foundations of an environmentally advanced corporation

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

Seminar targeting managers of overseas group companies

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

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

Global Rankings in 2011

FORTUNE
FORTUNE Global 500*
- Revenues: **204th** in the world (2010: 216th)
- Profits: **171st** in the world (2010: 202nd)

July 25, 2011, issue. Evaluation of five performance measures for fiscal 2010, including revenues, profits, and assets.

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

Financial Times
FT Global 500
- Market capitalization: **122nd** in the world (2010: 93rd) (8th in the Technology Hardware & Equipment Sector)

June 25/26, 2011, issue. Market capitalization ranking on March 31, 2011 (the number of outstanding shares multiplied by share price).

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Canon's CSR Approach

As a good corporate citizen, we respond to the expectations of our stakeholders following the Canon Group CSR Activity Policy.

The spirit of contributing to society through our business has taken root in Canon's corporate culture, and we conducted various CSR activities accordingly. As the diversification and globalization of our business progresses, people's expectations of and attention to Canon also increase, and the social responsibilities that we must meet continue to grow. It is against the backdrop of this evolving social environment that we inaugurated the Canon Group CSR Activity Policy in January 2012, stemming from our understanding of the importance of a consolidated Group approach possessing clearly delineated action categories.

A company cannot endure and develop without the development of society as a whole. Canon therefore seeks to be a good corporate citizen, contributing to the realization of a better society while pursuing growth through sound and fair business practices. We employ our resources, namely technology and human resources, and develop our business to that purpose, seeking to offer contributions that take the needs of the global community as well as local communities into consideration.

Henceforth, the CSR Division will be the focus of our efforts in this regard, with our CSR Activity Policy shared across the entire Canon Group. Canon will meet the expectations of our stakeholders through the major efforts described in the CSR Activity Policy.

Canon Group CSR Promotion Structure

Canon Inc.
- Top Management
- Executive Committee
- Executive Vice President (in charge of CSR)
- Public Affairs Headquarters CSR Division
- CSR-Related Sections — Environment, procurement, human resources, accounting, legal, PR, etc.
- Each Headquarters/Products Operations
- Japanese Group companies
- Overseas Group companies
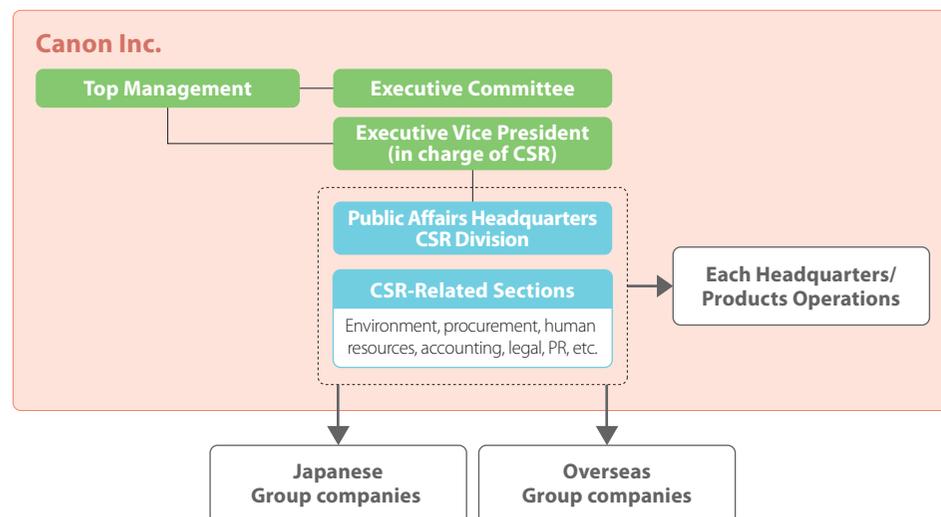
Canon Group CSR Activity Policy

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

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

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

Key Activities

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

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Canon's CSR Approach

The content of the 2012 report was decided based on the concerns and expectations of stakeholders.

Canon annually conducts a stakeholder survey, taking the concerns and expectations expressed into consideration in determining the reporting categories of our sustainability report.

Survey Summary

Method:
Questionnaire

Target:
Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia
Respondents: 86

Survey period:
December 2011–January 2012

Survey Topic 1
Materiality Theme Selection

Respondents choose the themes of greatest concern to them from a list of themes considered important by Canon based on recent social conditions and the Canon Group CSR Activity Policy. The top six themes are reported on as materiality themes.

Survey Topic 2
Understanding Concerns Regarding the Core Subjects of ISO 26000

Questions were posed concerning the seven core subjects of ISO 26000, a set of international standards for social responsibility, and stakeholders selected the subjects of highest concern to them.

Materiality Themes | Reporting based on priority themes for Canon as well as stakeholders

1 **Contributing to Enriched Lifestyles through Imaging Technology**
▶P11

2 **Creating Imaging Technologies that Will Contribute to Future Society**
▶P14

3 **Reducing Environmental Impact throughout the Entire Product Lifecycle**
▶P17

4 **Social and Cultural Support as a Good Corporate Citizen**
▶P20

5 **Hiring, Developing and Promoting Diverse Human Resources**
▶P23

6 **Strengthening Corporate Governance and Compliance**
▶P25

Reporting in Accordance with the Core Subjects of ISO 26000
Reporting on subjects of highest concern to stakeholders

Global Environment
▶P27

Respecting Human Rights
▶P29

Establishing a Proper Workplace Environment
▶P30

Fair Operating Practices
▶P31

Customer Care
▶P32

Regional and Community Contributions
▶P33

Organizational Governance
▶P34

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Materiality Theme 1

Contributing to Enriched Lifestyles through Imaging Technology

Basic Approach and Policies

In recent years, data transfer speeds have increased dramatically along with the spread of the Internet such that data can be transmitted across the world in the blink of an eye. "Imaging," a term for photography and video that has become commonly used throughout the world, is therefore becoming increasingly important. Canon believes that advanced imaging enlivens communications and is instrumental in bringing about a better society. Our goal is to contribute to achieving enriched lifestyles by offering a total lineup of imaging input and output devices for a broad range of applications, from daily living and business to medicine, media and the arts.

Stakeholder Opinions

- User needs are shifting from "quantity" to "quality." Please strive for comprehensive quality, including image clarity and operability. (Japan/consumer)

- I would like Canon to use imaginative technology to create revolutionary products that will bring enjoyment to people. (Asia/consumer)

- Please continue to focus on R&D so as to improve lifestyles through the latest in imaging technologies. (Asia/person affiliated with a governmental institution)

Left: Digital SLR cameras enabling simple, intuitive photography / Upper right: Printing favorite family photos on an inkjet printer / Lower right: A laser printer that inspires full confidence in office printing

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Theme 1

Contributing to Enriched Lifestyles through Imaging Technology

Developing Imaging Culture

Canon enters the video production field with the Cinema EOS System

The Evolution of SLR Video Recording, Bringing New Expression to Cinematography

Video technology was born at the end of the 19th century, and it has been evolving rapidly through digitalization since the end of the 20th century. Revolutionary developments in imaging expression, such as computer graphics and 3D, have far exceeded what had been imagined possible.

Canon's EOS 5D Mark II, a full HD video-capable digital single lens reflex (SLR) camera, was launched in 2008. The camera's large sensor delivered a *bokeh* (blurring) effect that was previously very expensive to achieve in digital

The Cinema EOS System product lineup, including more than 70 interchangeable lenses

video. The camera's compact size and affordable price tag, combined with its stunning image quality, made it a hit among videographers.

Having received such an enthusiastic response from the video world, Canon announced the launch of the Cinema EOS System in November 2011. This digital cinematography system, comprised of the EF lens series with an added array of new EF Cinema lenses, a digital cinema camera, and a digital SLR camera, is optimized to capture video.

Cinema EOS System Meets the Needs of the Video Industry

In developing the Cinema EOS System , Canon effectively used feedback and suggestions from industry insiders, including Hollywood professionals, to improve the video functions and usability of the EOS 5D Mark II.

As a result, Canon delivered a digital cinema camera that offers a "fusion of film and digital cinema" built around the development of a super 35mm CMOS sensor that matches the single-frame size of movie film. The new camera also provides maneuverability, durability and expandability in a small, lightweight body. Canon sought to provide functions that would satisfy professionals on the front lines of the film and video industry by developing the EF Cinema Lenses to provide exceptional imaging quality and support 4K* resolution.

*4K resolution is 4,096 x 2,160 pixels, four times that of full HD resolution.

Expanding the Horizons of Video Production and Further Developing the Imaging Culture

Canon expects the Cinema EOS System to play a role in expanding the horizons of video production.

Along with achieving reductions in size and weight, the system is being offered at a modest price point. Designed to enable operation by a single individual, the camera can be used by a broad range of customers. These not only include large studios creating movies, television programs and commercials, but also independent and documentary filmmakers. Canon has also established the Canon Hollywood Professional Technology &

Support Center in the heart of the U.S. cinema and television production industry. In addition to providing equipment support for the industry, the support center encourages direct communication with users, through events such as educational programs where industry professionals serve as instructors. The support center aims to encourage creators explore new modes of video expression by utilizing the Cinema EOS System's and its cutting-edge features and functions.

Canon considers contributing to the development of imaging culture an important mission, and it will continue to expand the camera and lens lineup as it pursues new possibilities in the world of imaging.

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Theme 1
Contributing to Enriched Lifestyles through Imaging Technology

Enhanced Productivity through Advanced Document Management

Global development of cloud document services

A major issue today is how to efficiently control and use documents in the modern business environment, in which the volume of data handled is growing and becoming more diverse. Cloud services, which enable businesses to establish the latest in secure document management environments without a major investment in facilities, are therefore gaining serious attention.

To offer the benefits of cloud services to a greater number of customers, Canon constructed a proprietary cloud-service platform called Canon Business Imaging Online. We launched this cloud document service in August 2011.

For example, this service permits employees to scan documents on a multifunction device (MFD) and store them on the cloud so they can be shared with or viewed by other employees. Also, by connecting smartphones with MFDs, documents can be safely printed or viewed anywhere and at any time.

This kind of service enables diverse communications and increases productivity. In future, Canon plans to develop cloud services that correspond to particular regional business characteristics.

Achieving advanced document management centering on MFDs by using cloud services

For Prompt, Accurate Diagnoses that Minimize Patient Impact

Development of compact, wireless digital radiography systems

Digitalization has been accelerating in recent years, even in the medical field. Digital radiography (DR) not only offers faster image confirmation than film radiography, but is also expected to broadly increase diagnostic efficiency by, for example, making possible the sharing of image data among doctors and hospitals.

Canon has developed a portable wireless DR system to facilitate wider use of digital radiography. We developed this wireless, compact, lightweight system in response to requests from medical personnel, such as having the ability to operate the unit with one hand or removing the cord, which makes the unit hard to operate as well as unhygienic. The wireless feature of the system greatly improves portability and operability; the device can be operated separately from the radiography stand, making it easy to X-ray hands, feet and elbows. This also makes it possible to X-ray difficult-to-move patients in their rooms as well as in operating rooms, thus reducing patient impact.

This system also offers higher sensitivity and resolution, reducing patient X-ray exposure. This is a benefit in the treatment of patients with low immunity, such as newborns.

The speed of the digital system, plus the maneuverability provided by its small size and portability, have gained Canon DR systems high marks for use in disaster areas where rescuers are in a race against time.

Canon will continue to contribute to faster, more accurate medical diagnoses by developing new devices that broaden the range of radiography applications.

Wireless, portable DR

Canon DR used for treatment of newborns at Universitäts Kinderspital beider Basel, Switzerland

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Materiality Theme 2

Creating Imaging Technologies that Will Contribute to Future Society

Basic Approach and Policies

Canon believes that visualization technologies for creating photographs, images and video will play a huge role in the development of future society. This of course includes the optical and precision technologies that we have been developing since our founding, but Canon is also focusing on technological innovation driven by the design and development of leading-edge devices and image processing.

We are making a particular effort to accelerate the development of practical applications for technologies that can contribute to a better future, such as medical imaging technologies for early detection of disease and reducing patient impact, and intelligent robotic sensory technologies for equipment that can be used for elder care or life support.

Stakeholder Opinions

- I hope Canon will develop products that address social concerns, such as in the fields of medicine and nursing care. (Japan/investor–analyst)
- I hope Canon will develop new technologies that improve quality of life in such fields as nursing, safety, and communications. (North America/NGO)
- I would like Canon to put its imaging technologies to use in the environmental and energy sectors. (Asia/supplier)
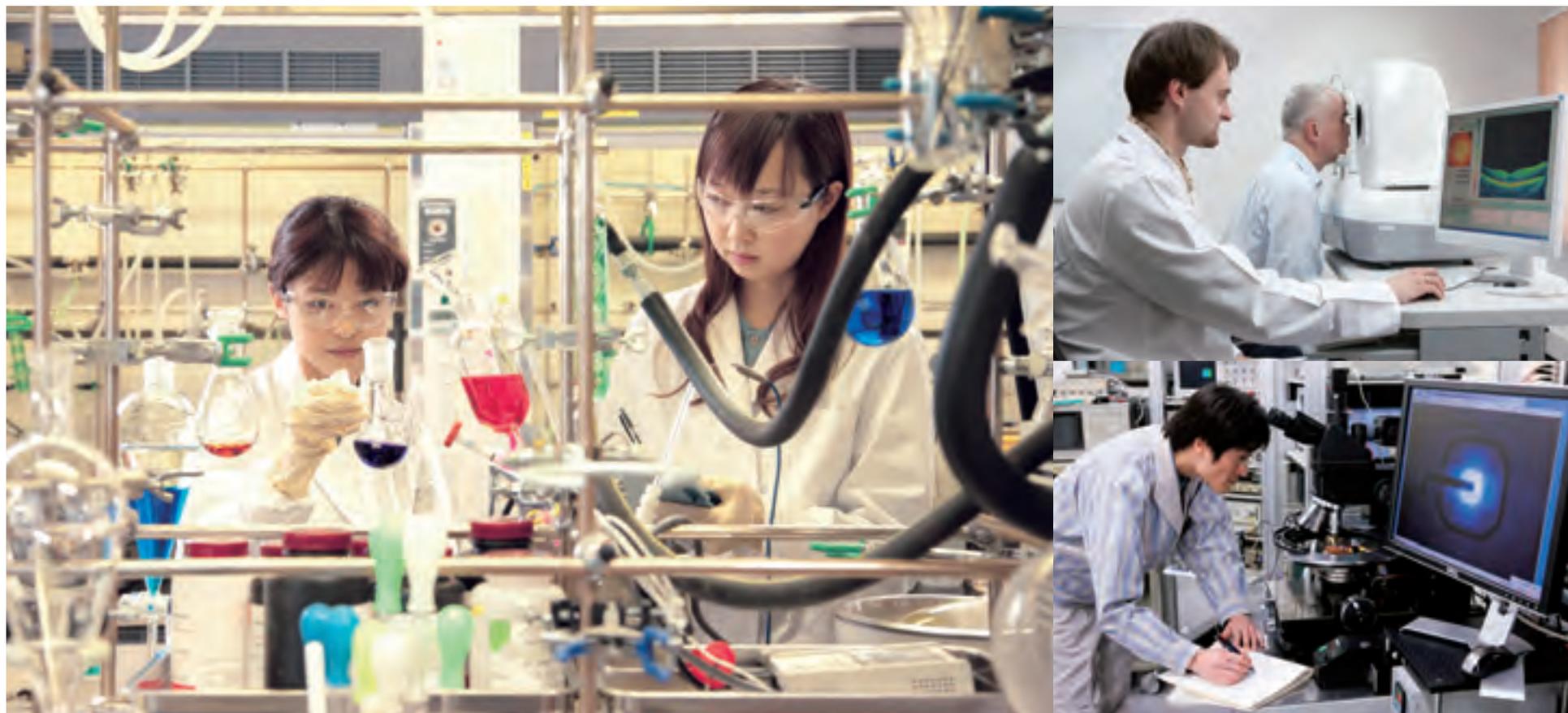
Left: R&D of next-generation printing materials / Upper right: Optical coherence tomography at OPTOPOL Technology S.A. of Poland / Lower right: R&D of blue surface emitting laser (SEL)

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Theme 2
Creating Imaging Technologies that Will Contribute to Future Society

For Optimal, Individualized Medical Treatment

DNA diagnostic system research and development in the United States

Eyes of the World Focused on DNA Diagnostics

Medicine has made startling advances in recent years. One such advance, DNA diagnostics, which entails the use of DNA analysis to view an individual's "biological blueprint," is gaining attention the world over. Widespread use of DNA diagnostics offers great hope for the possibility of early detection of disease and congenital health issues, as well as individualized selection of medicine based on effectiveness and lack of side effects.

Canon is making progress in the research and development of DNA diagnostics. Our goal is to create a compact, low-priced desktop DNA diagnostic system.

Accelerating and Simplifying Complex DNA Diagnostics

The process for Canon's DNA diagnostic system involves first injecting DNA and reagent into a special cartridge to cause a response. After rapid amplification takes place by applying heat through the use of an inkjet printer heater technology, the DNA mutations are quickly and accurately detected through the use of

Canon's proprietary CMOS sensors. Our system also makes previously difficult and complex testing faster and simpler, because it allows automatic and continuous examination of changes in multiple regions within the DNA.

As a result, Canon's diagnostic system is capable of completing complex testing procedures in one hour, which when performed using existing equipment would take several hours to more than a day to produce results.

By broadly improving diagnostic speed and testing efficiency, and markedly reducing both the cost of testing and the unit itself, Canon will greatly contribute to more widespread use of DNA diagnostics.

Initiating setup and analysis of a cartridge, which plays an important role in testing

Working with Research Facilities in the United States, the World Leader in DNA Diagnostics

Due to the United States' position as a leader in this field, research and development for Canon's DNA diagnostic system is handled by Canon U.S. Life Sciences, which is located in the state of Maryland.

We installed a prototype DNA diagnostic

R&D of DNA diagnostic system at Canon U.S. Life Sciences

system at the University of Utah in November 2010 for practical trials. During 2012, we increased the installation locations and began conducting functional evaluations and joint application development with the goal of near-term commercialization.

Also, in July 2011 we launched a joint research program with the University of Maryland. The main research theme is the development of automated systems for detecting the pathogens that cause infection. This joint research is aimed not only at installing such systems at university hospitals and specialized testing facilities, but also at a broad range of medical institutions, such as

regional hospitals and clinics.

Canon will continue to produce results in the DNA diagnostic field through collaboration with universities in the United States, where the world's leading DNA research is conducted.

Launching a joint research program with the University of Maryland

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Theme 2
Creating Imaging Technologies that Will Contribute to Future Society

For a Society with Easy Access to Advanced Medicine

Developing new diagnostic technologies through our industry/academia partnerships

Medical treatment centers need high-level image-diagnostic equipment that allows physicians to obtain images from within a patient's body without causing harm. Due to the fact that the latest equipment tends to be both very large and expensive, it is currently inaccessible anywhere but at large hospitals.

Our goal is to help create a society in which the latest in medical treatment is accessible at nearby medical centers through the imaging technology we have developed over many years to create medical devices that are compact, inexpensive, and minimize patient impact.

We launched the Kyoto University/Canon Joint Research Project (CK Project) in 2006, joining with Kyoto University to pursue advanced technology development and clinical research in the latest fields of medical imaging diagnostics. We have continued to work to strengthen the CK Project, for example by setting up the clinical research base at the Clinical Research Center for Medical Equipment Development in Kyoto University Hospital in 2012.

The CK Project focuses on application-oriented research in such fields as optical coherence tomography, ultrasound imaging, and medical image diagnosis systems. Research that has currently reached the clinical stage includes photoacoustic mammography, which allows testing for breast cancer without radiation exposure through the use of a low-cost, compact device, and adaptive optics scanning laser ophthalmoscopy (AO-SLO), which provides high-resolution imaging to detect signs of lifestyle disease appearing in the retina.

Canon Inc. is also engaged in clinical research with U.S. universities as we pursue the goal of commercializing such technologies, AO-SLO in particular.

Improving Astronomical Observation Technology

Ultra-high-sensitivity CMOS sensor installed in astronomical telescope

Canon's CMOS sensor technology, which up to now had mostly been used in digital cameras, has achieved landmark success in the field of astronomical observation.

In January 2011, an ultra-high-sensitivity CMOS sensor, with the world's largest[1] surface area for a CMOS sensor, was installed in the Schmidt telescope at the University of Tokyo's Kiso Observatory, Institute of Astronomy, School of Science, enabling the video recording of faint meteors with an equivalent apparent magnitude of 10.[2] Detecting a faint meteor with an apparent magnitude greater than 7 has proven difficult using conventional observation technologies, and this success has proven the high level of CMOS sensor technology. Analysis of data from these observations is expected to lead to better understanding of the influence that meteors may have exerted on the development of life on Earth.

Canon is making real contributions in academic and industrial fields, such as astronomy, space and aeronautics, through digital imaging innovation.

[1] As of September 12, 2011. Based on a Canon study.
[2] Apparent magnitude is a measure of brightness. The brighter the object appears, the lower its magnitude.

Ultra-high-sensitivity CMOS sensor

Joint clinical research on AO-SLO
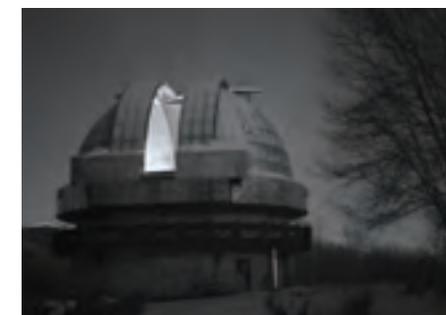
The Kiso Observatory observation dome

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Materiality Theme 3

Reducing Environmental Impact throughout the Entire Product Lifecycle

Basic Approach and Policies

The Canon Group Environmental Charter exhorts us to maximize resource efficiency, which means gaining greater value from fewer resources. Based on this concept, Canon's "Action for Green" environmental vision aims to deliver highly functional products while at the same time minimizing environmental impact in order to propel environmentally conscious management. We know that to achieve this goal requires reducing environmental impact at every stage of the product lifecycle, from materials procurement, production and distribution through use and the product recycling leading to re-use. We have therefore established action plans (see page 27) covering every stage of the product lifecycle for detailed control of the progress of our efforts.

ACTION for GREEN

Stakeholder Opinions

- It is necessary to consider all aspects of the product lifecycle, from materials supply through reuse and end-of-life disposal of products and packaging. While this covers a broad range, it is something companies must take into account. (USA/investor–analyst)

- There is room for improvement in the pricing and design of green products. I hope Canon will try to make such products attractive and desirable to consumers. (Japan/NPO)

- Please take up the issues of fuel use, CO_2 emissions, air pollution and other matters associated with product distribution. (Asia/person affiliated with an R&D institution)
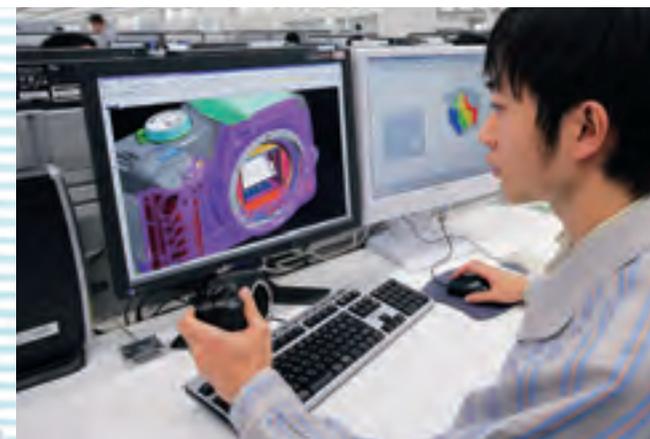
Left: The Ecology Information Plug-in for MFDs enables users to check power consumption during use / Upper right: Using 3D-CAD in product development helps conserve resources and energy, and eliminate hazardous substances / Lower right: Toner cartridge recycling at Canon Bretagne S.A.S. (France)

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Theme 3
Reducing Environmental Impact throughout the Entire Product Lifecycle

Balancing High Functionality with Reduced Environmental Impact

Developing environmentally conscious products and making environmental impact "visible"

Developing and Expanding Our Environmental Frontrunner Product Lineup to Minimize Environmental Impact

Canon has long undertaken product development with due consideration of the environment in the three key areas of energy conservation, resource conservation and elimination of hazardous substances.

In 2008 we established an environmental vision to further advance those goals, and each of Canon's products operations, Group companies and partner companies joined in promoting the Environmental Frontrunner Project for the development of environmentally conscious products. The project focused on product development that takes the environment into full consideration at every stage of the product lifecycle, from materials procurement through manufacturing, sales and logistics, use and disposal/recycling.

Representative of the resulting line of Environmental Frontrunner Products is the imageRUNNER ADVANCE series of office network multifunction devices (MFDs)

launched in 2009. Following this, we continued to expand the series lineup, and also increased the number of Environmental Frontrunner Products by extending the fundamental environmentally conscious technologies employed in the imageRUNNER ADVANCE series to the Satera series of laser printers (Japan only) and our imagePRESS series of digital production printing systems.

Development of the Ecology Information Plug-In Making Environmental Impact During Product Use "Visible"

Reducing environmental impact throughout the entire product lifecycle requires impact reduction during product use as well as during manufacturing. There has been rising demand

in Japan for power conservation since the Great East Japan Earthquake, and the challenge of achieving maximum product energy efficiency is now faced by society as a whole.

Customer awareness and behavior when using products are vital to reducing environmental impact during product use. Customers must be able to confirm for themselves the environmental impact that occurs during product use and the benefits of reducing that impact. Canon has therefore established the GREEN NAVI Website, which makes it possible to confirm the CO_2 emissions of Canon products as well as the benefit, in terms of CO_2 emissions reduction, of switching to new products with high energy-conservation performance.

In addition, in 2011 we began offering the Ecology Information Plug-in, which makes environmental impact during product use "visible." Developed as a new function of our imageWARE Enterprise Management Console management utility software for office-use MFDs and laser printers, it calculates power consumption and CO_2 emissions during use, making these "visible" in graph or table form. Device-map view, target-setting view, and view set by user are also possible. These functions make it possible to see when power is being wasted during use, so customers can contribute to reducing environmental impact in the workplace.

Evolution of Canon's Environmental Action

Increased Product Functionality

Canon

Reduced Environmental Impact

2009
Development of Environmental Frontrunner Products

imageRUNNER ADVANCE C5051

2010
Expansion / Bigger Lineup of Environmental Frontrunner Products

imageRUNNER ADVANCE

Satera   imagePRESS

2011
Suggestions to Customers for Reducing Environmental Impact

Ecology Information Plug-in

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Theme 3
Reducing Environmental Impact throughout the Entire Product Lifecycle

Enabling Optimized Use of Inkjet MFPs with ECO Settings

PIXMA series inkjet printers are equipped with a new "ECO settings" function, which allows users to select the optimal use setting for reducing environmental impact. This new function enables environmentally conscious use through such features as automatic two-sided printing and auto-power off, which can easily be set by selecting the icons on the LCD display of the PIXMA printer. These settings save paper and limit power use during sleep mode, thereby contributing to resource and energy conservation.
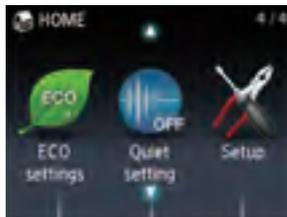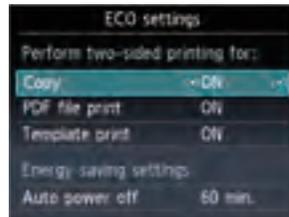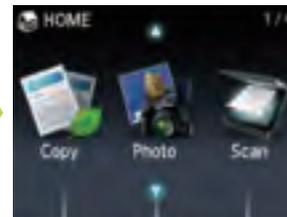
To provide this function to even more customers, four models released in 2011 were equipped with the ECO settings.

Working with Customers to Reduce Environmental Impact throughout Society

Canon believes that offering the Ecology Information Plug-in and ECO settings will contribute to reduced environmental impact during the use of Canon MFDs and inkjet printers and lead to greater environmental awareness on the part of each one of our customers.

Canon actively seeks to offer new products and use suggestions that will lead to environmental impact reduction. It is our hope that by working with our customers we can together reduce power consumption and CO_2 emissions throughout society.

PIXMA MG6200 series inkjet printer

Reducing CO_2 Emissions from Operations

Promoting energy conservation, including electric power-saving measures, at all operational sites

Canon recognized the seriousness of the global warming problem early on, and has promoted the development of technologies to prevent global warming as well as energy-conservation activity in our operations across the Group.

Of particular note in 2011 were the countermeasures we took concerning the electric power supply issues caused by the Great East Japan Earthquake. One such measure was our prompt establishment of a electric power monitoring system, which allowed us to visualize real-time electric power use volume and the status of electricity-saving measures at each operational site. We also launched the Canon Group Energy Management Committee with the goal of optimizing our overall energy-conservation activity by sharing information and promoting awareness, as well as fostering a unified approach shared by all Group companies in Japan in developing our organizational activity. We will continue employing this approach effectively to continuously reduce the amount of energy we use.

Other measures to promote energy conservation involved promoting efficiency in operating manufacturing facilities. We sought to reduce CO_2 emissions at manufacturing sites through such measures as adjusting production line air conditioning, optimizing clean room air conditioning control programming and improving compressor operation efficiency.

How to Use ECO Settings

When you touch the ECO icon on the home screen, the ECO settings screen appears

Select Auto Two-sided Printing and Energy Saving on the ECO settings screen

Automatic two-sided printing of copies, PDFs, and standardized forms can be easily set

Real-Time Electric Power Use Data at Sites in Japan, as Displayed in the Electric Power Monitoring System

Site A

Site B

Site C

Electric power use data compilation

Electric power monitoring system

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Materiality Theme 4

Social and Cultural Support as a Good Corporate Citizen

Basic Approach and Policies

Canon's business is founded on the cooperation of people and communities in each country and region where we operate. In line with the Canon Group CSR Activity Policy, Canon seeks to plant roots in local communities as a good corporate citizen while striving to be a company that is admired and respected the world over. Utilizing Canon technology and human resources, our social and cultural support activities have expanded to cover such areas as humanitarian aid and disaster relief, conservation of the environment, social welfare, local communities, education and science, and art, culture and sports.

Stakeholder Opinions

- I would like to know how Canon is contributing to the economy and employment situation in areas recovering from the Great East Japan Earthquake. (Japan/consumer)

- Better relations with local communities lead to increased familiarity with Canon and future profits. (Asia/investor–analyst)

- One of the most important regional needs is education. Canon's contributions in this regard are very helpful to communities. (Asia/community member)

Left: Canon U.S.A. employees participating in the Making Strides Against Breast Cancer walk / Upper right: Jointly promoting environmental education with the WWF (World Wide Fund for Nature) / Lower right: Photographing traditional dances of the Miao people in China to help preserve their culture

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Theme 4
Social and Cultural Support as a Good Corporate Citizen

Disaster Recovery

Support for post-disaster recovery efforts worldwide

Making a Wish for Recovery

Natural disasters, such as earthquakes and floods, occur worldwide, causing much devastation. As a global company, Canon utilizes its Group network to provide a wide range of support, including relief funds and donation drives, to help disaster-stricken areas recover as quickly as possible.

When it comes to offering assistance, Canon looks closely at local needs and the effectiveness of support efforts to provide timely assistance, while also examining the affect and impact. We also carefully consider how to assist at each stage of recovery when we offer long-term support.

Michi no Cafe provides photo printing services to people living in stricken areas

Canon supports the Signal of Hope Project to assist reconstruction and revival of the Tohoku fishing industry

Ongoing Support for Areas Affected by the Great East Japan Earthquake

The deep scars left by the Great East Japan Earthquake, which struck on March 11, 2011, are still visible. Canon donated a total of ¥300 million to support relief efforts for the stricken areas. Group employees additionally collected and donated approximately ¥50 million. Fukushima Canon Inc. also made a donation of ¥100 million to Fukushima Prefecture.

We also engaged in support efforts that put our business strengths to use by donating Canon products useful to recovery in the stricken areas, such as medical devices, including portable digital radiography systems, and digital cameras.

Our Group companies are also involved in support for rebuilding communities; for example, by offering photographic print services as means of providing needed emotional support to victims. In addition, we

A photography class held at a children's center in a disaster-stricken area

assist and participate in the recovery support efforts of NPOs and industry associations.

Charity Efforts for Disaster-Stricken Regions Worldwide

Many places around the world faced natural disasters in 2011, including the flooding in Thailand, which had economic consequences internationally, floods in Brazil, earthquakes in New Zealand and Turkey, and tropical storm damage in the Philippines. Canon provided

assistance after each of these disasters through donations to the Red Cross and similar organizations.

Support for New Zealand earthquake victims

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Theme 4
Social and Cultural Support as a Good Corporate Citizen

Bright Future for Children

Educational assistance for children in Asia

Poverty remediation is an urgent issue in emerging and developing countries. The education of children is an important aspect of this issue, constituting a vital mission for all of society, because children are the future.

In light of this, since 2007 Canon Vietnam has been continuously engaged in projects for improving the educational environment for children in economically disadvantaged areas, as well as conducting health examinations. We also launched the For a Bright Future scholarship program for local schools in 2010. In addition to providing scholarship funds to a total of about 900 students at six schools over the past two years, we also donated Canon

printers and scanners to the schools.

In China, Canon Dalian Business Machines has since 1995 supported the funding of the Project Hope lead by the China Youth Development Foundation, and has been proceeding with the construction of Hope Schools for primary school students unable to attend school for economic reasons. Canon China and Canon Suzhou have also joined in, and to date, nine schools have been built in China.

In addition to support for building schools, Canon offers photography classes at the Hope Schools, and conducts photo exchange projects with primary schools from around Asia.

In November 2011, an exhibition of photos by children participating in Asia photo exchange projects was held at the Canon China showroom in Guangzhou.

Transit photo exhibition commemorating the 60th anniversary of UNHCR. ©UNHCR/Jean-Marc Ferré

Resolving International Issues

Assisting refugee support organizations

Wars, conflicts, human rights violations and natural disasters around the world are continuously forcing people to leave their homes. Canon supports the efforts of the United Nations High Commissioner for Refugees (UNHCR) to aid refugees through Japan Association for UNHCR, which serves as the official recipient of donations from the private sector.

In 2011, Canon contributed to the 6th UNHCR Refugee Film Festival in Tokyo, an event organized by the UNHCR Representation in Japan to raise awareness of the problems of the world's refugees and spark consideration of how to resolve them, reprising our role as a main sponsor.

Canon also provided cameras and produced panels for the public relations campaign on a mission to Bhutanese refugee camps in Nepal, and offered support to a photo exhibition commemorating the 60th anniversary of UNHCR, entitled Transit held in Switzerland.

For a Bright Future ceremony

Photography class at a Hope School

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Materiality Theme 5

Hiring, Developing and Promoting Diverse Human Resources

Basic Approach and Policies

Canon conducts business globally, employing more than 190,000 employees around the world. As a global corporation, our sustainable growth within the international community necessitates that we hire, train and promote human resources capable of playing an active role as members of a global corporation, without regard to nationality or race. Based on our awareness of this need, Canon focuses on creating a workplace environment that inspires individuals with diverse skills to do their best, as well as on developing global human resources capable of taking an active role in the international community and displaying the enterprising spirit and *San-ji* (Three Selfs) Spirit that embody our corporate DNA.

Stakeholder Opinions

- I would like Canon to take the lead in such areas as personnel diversity and work-life balance as it continues to globalize. (Japan/customer)

- To become a truly global company it is important to hire personnel of many different nationalities. I hope Canon will hire young people in particular. (North America/NGO)

- Training and education of human resources at production sites are vital to Canon's ongoing provision of high-quality products. (Asia/investor–analyst)

Left: Canon Information Technology Services, Inc. (USA) / Upper right: Canon Bretagne S.A.S. (France) / Lower right: Canon India Pvt. Ltd.

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Theme 5
Hiring, Developing, and Promoting Diverse Human Resources

Creating Jobs Locally and Expanding Local Hiring

Enlivening local economies through job creation

Canon is meeting the growing worldwide demand for our products by increasing our production capacity. In adding new production sites and expanding existing ones, we focus on energizing local communities and their economic life through local hiring.

For example, Hita Canon Materials Inc., which began manufacturing high-performance toner cartridge parts in Hita City, Oita Prefecture, Japan, in May 2012, is actively seeking to hire local personnel, with the goal of creating a workforce of approximately 350 by 2015.

Canon Hi-Tech (Thailand) Ltd. began operations at its new inkjet printer plant in November 2011, and employs around 5,000 local workers.

Canon Prachinburi (Thailand) Ltd. was established in September 2011 for the assembly of digital multifunction office systems. Operations are scheduled to begin in April 2013, and there are plans to hire approximately 1,000 employees by the end of that year. Additionally, Canon Business Machines (Philippines), Inc., was established in December 2011 mainly for the production of laser printers. Canon plans to commence operations in April 2013, and hire approximately 5,000 employees by 2014.

Inkjet printer assembly at Canon Hi-Tech (Thailand)

Activating Diverse Human Resources

Holding seminars for managers worldwide

As Canon continues to globalize our business, we are faced with the urgent task of developing human resources capable of displaying leadership on the international stage. As such, we conduct various training programs for employees of our Group companies worldwide, developing their abilities and promoting them without regard to nationality or race.

For example, since 1980 Canon has held Tokyo Seminars for managers from our Group companies worldwide. The seminars aim to enhance participants' awareness of their roles as Canon Group members and raise their level of management from a Group perspective. We had held 46 of these seminars as of 2011, with a cumulative total of 1,028 participants.

We also launched the China version of the Canon Tokyo Seminar in 2009 against a backdrop of rapidly expanding business in China, bringing to Japan executives at the level of manager and above from Group companies in China. There were 21 participants at these seminars in 2011. We plan to continue with the seminar program.

The 2011 Tokyo Seminar welcomed 25 participants from around the world

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Materiality Theme 6

Strengthening Corporate Governance and Compliance

Basic Approach and Policies

Canon has Group companies and employees in many locations around the world, so strengthening corporate governance and compliance is essential to gaining the trust of the community and to conducting our business. Canon believes in making a definite response not only in situations where our reputation may be instantly tarnished, such as corporate scandals, legal infractions or product quality issues, but also to address the needs and desires of the community and our customers. For that purpose, we are strengthening both individual and organizational efforts through such measures as reinforcing internal control structure procedures and conducting compliance training for employees to meet our responsibilities as a global corporation.

Stakeholder Opinions

- I hope Canon will strengthen compliance by establishing global policies and systems, as well as by conducting employee training. (Japan/consumer)
- I hope Canon will institute full compliance in the supply chain as well. (Asia/person affiliated with a university)
- I would like to know the details of Canon's considerations in terms of sustainability in corporate governance, and what measures it has put in place. (North America/NGO)
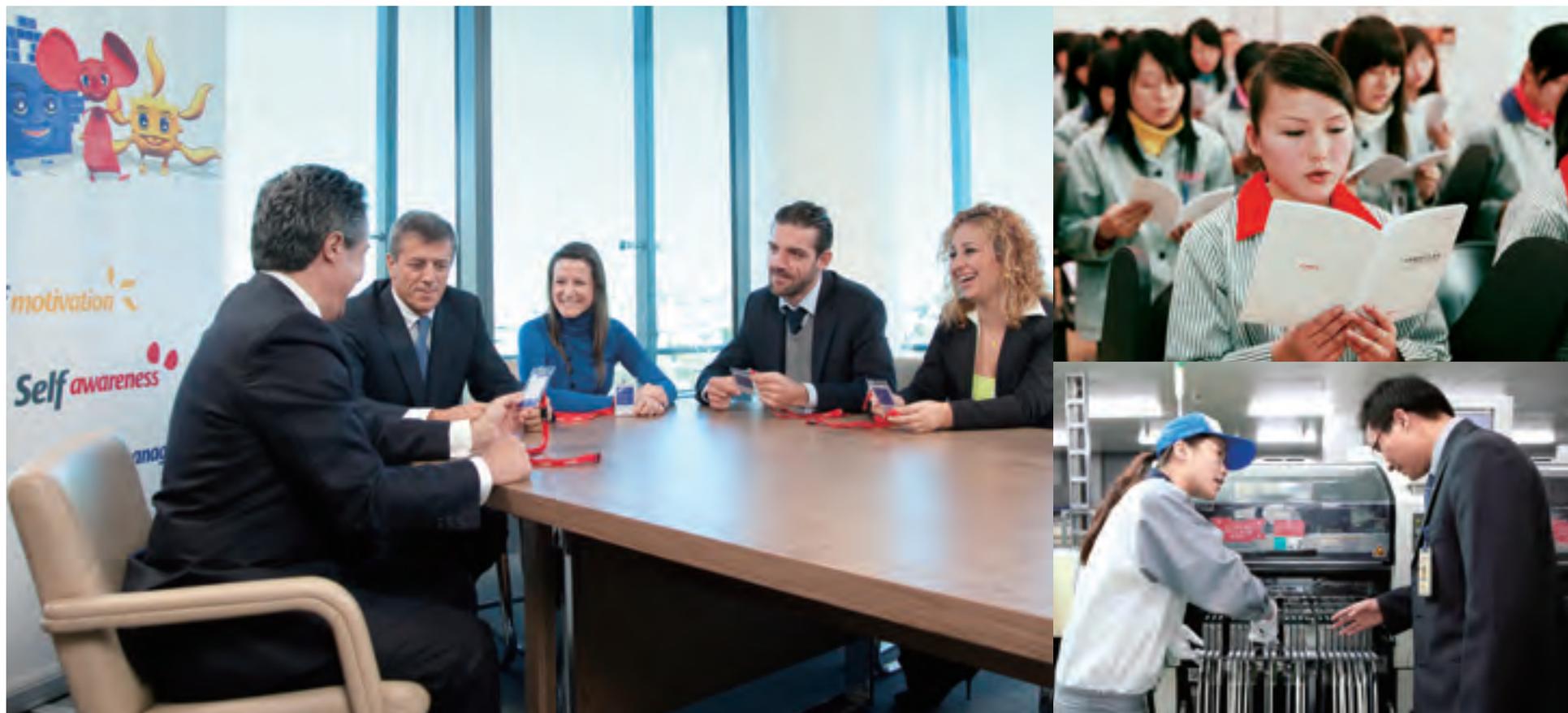
Left: Carrying the Compliance Card worldwide / Upper right: Compliance training (China) / Lower right: Working with suppliers to maintain compliance

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Theme 6
Strengthening Corporate Governance and Compliance

Strengthening the Internal Control Structure

Bolstering the internal control structure for the entire Group

Renewed Demand for Emphasis on Internal Audits

Society is demanding the establishment of strict internal controls as concern about improprieties in management and financial reporting by companies has been growing.

One pillar of Canon's corporate governance is the early construction of an internal auditing system. Part of Canon Inc.'s internal auditing division, the Corporate Audit Center was founded over a half-century ago, in 1951. There is no area that is "sacred" or exempt from auditing by this organization, which reports directly to the president, and it has the authority to audit every aspect of our domestic and overseas Group companies.

The knowledgeable members of the Corporate Audit Center are drawn from a broad range of fields, from planning and development through production and marketing. As of April 1, 2012, the center had 69 employees in total. The Corporate Audit Center is steadily expanding, and plans to bring the number of staff to 100.

Wide-Ranging Audits for Effective Operational Improvements

In its bid to link internal auditing with increased corporate value, Canon Inc.'s Corporate Audit Center conducts an array of audits, including management audits, business audits, accounting audits, IT system audits and compliance audits. It offers improvement advice based on its findings to resolve issues and improve business quality. To confirm the actual implementation of these improvements, a series of rolling follow-ups are carried out, using a combination of document- and field-auditing methods aimed at realizing even more effective auditing.

During 2011, the center put 128 auditing themes, including new themes, into practice and issued more than 1,800 improvement recommendations. All auditing results are reported to management, and are implemented in companywide improvements.

Improving the Reliability of Financial Reports

Internal control auditing in compliance with the Sarbanes-Oxley Act is conducted annually by the Corporate Audit Center to ensure the reliability of financial reporting. The first step toward achieving "self-contained internal control" is for each division to conduct a self-assessment. This is followed by a supplementary audit by the Corporate Audit Center, which verifies the conclusions of the self-assessment.

In 2009, the Corporate Audit Center also began conducting expanded audits beyond confirmation of the reliability of financial reports. These Expanded Range Internal Control Audits cover the overall condition and application of the internal control structure from the perspective of the effectiveness and efficiency of work and legal compliance, as well as the reliability of financial reporting.

Canon will continue to meet the expectations of society and maintain its trust by working to strengthen our auditing system, including the internal control structure for the entire Group.

Divisions Responsible for Internal Audits and Internal Checks

Corporate Audit Center	Auditing of management functions, operations, accounting, IT systems, compliance, internal controls to comply with the Sarbanes-Oxley Act, and so forth
Global Logistics Management Center	On-site diagnosis of security trade control at Canon Group companies located in Japan and overseas
Facilities Management Headquarters	Auditing of safety management systems for dangerous objects, chemical substances, etc.
Human Resources Management & Organization Headquarters	Auditing of the implementation and operation of the occupational safety and health management system
Information & Communication Systems Headquarters	Internal checks to ensure security of information, including internal IT
Environment & Quality Headquarters	Auditing of the management and operation of the environmental management system, auditing of quality assurance activities based on the quality management system
Global Procurement Headquarters	Internal auditing of compliance as well as effectiveness and efficiency in procurement processes

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Global Environment

Kani no Mori (Crab Forest) at Oita Canon Materials

Action Plan

Action Plan for 2011			2011 Results	Action Plan for 2012
Raw Materials	Reducing CO$_2$ from raw materials/ procured goods	Reduce waste in resource investment and energy in cooperation with suppliers	• Executed pilot program with selected suppliers to reduce power use. Annual power consumption reduced approximately 20% compared with 2010.	Reduce waste in resource investment and energy in cooperation with suppliers
		Reduce environmental impact through the use of simulations during development	• Executed evaluation simulation of degree of CO$_2$ reduction target from the conceptual stage of product development.	Reduce environmental impact through the use of simulations during development
	Promoting environmentally conscious design	Promote ultra-compact, lightweight, easy-to-use designs	• Realized 63% weight reduction (6.2kg→2.3kg) for the CXDI-80C Wireless Digital Radiography System compared to previous wired models through the use of thinner housing (23mm→15mm). Use of a cassette 1/4 the size of previous models enables application for radiography in incubators.	Promote ultra-compact, lightweight, easy-to-use designs
		Use low-environmental-impact materials and promote designs with product lifecycles in mind	• Added product labeling and recycling-conscious double-sided tape as categories for improved Recycling-Conscious Design Guidance. • Considered switch to low-environmental-impact materials for multifunction devices (MFDs), printers, cameras and toner cartridges in advance of regulation implementation.	Use low-environmental-impact materials and promote designs with product lifecycles in mind
		Reduce waste in accessories, packaging materials, etc.	• Made change to CD-ROM format for manuals of compact digital cameras, digital SLRs, digital video camcorders, etc.; realized reduced paper use; achieved reductions in product weight and size.	
	Handling of hazardous substances in procured goods and legal compliance	Expand green procurement; enhance environmental data management systems	• Chemical Integrated Management System (for molded product chemical content) went online in January 2012. • Began operation of IT system for integrated management of regulatory and compliance status for new products launched after July 2011.	Expand green procurement; enhance environmental data management systems
		Instill confidence by strengthening compliance systems	• Began audit trial practice with industry standards (JEITA Standardized Self-Audit Sheet) for efficient supplier management. • Installed new analysis device, improved analysis accuracy and expanded range of chemicals handled so as to strengthen Canon's system for analyzing chemical content in procured items.	Instill confidence by strengthening compliance systems
Produce — **Production**	Reducing CO$_2$ at operational sites	Reinforce energy-saving production technologies; promote installation of energy-saving equipment	• Cut energy use on the production line by installing automated toner cartridge assembling equipment incorporating space- and energy-saving performance technology at Canon Precision. • Energy-conservation measures in place at all chemical product manufacturing sites in Japan to be enacted at sites outside of Japan (United states, China, France), beginning in 2012.	Reinforce energy-saving production technologies; promote installation of energy-saving equipment
		Raise efficiency by thoroughly managing energy use	• Established Electric Power Countermeasure Project Team, began electric power-saving efforts in Japan, and launched the Canon Group Energy Management Committee to reinforce its activities in December. • Canon Marketing Japan received All Japan "Soumu"(General Affairs) Awards Superiority (cost savings, energy efficiency division) Award for energy efficiency efforts at the Shinagawa Headquarters (S Tower).	Raise efficiency by thoroughly managing energy use
		Use energy sources with less environmental impact	• Improved volume of renewable electricity, purchased and generated by European sites, to 49% (sources: biomass, wind, water, solar, geothermal). • Switched from kerosene to LNG fuel for some boilers at Canon Precision, realizing CO$_2$ emission reduction equivalent to 300 tons/year.	Use energy sources with less environmental impact
	Resource efficiency at operational sites	Further reduce resource and energy waste through the introduction of Material Flow Cost Accounting (MFCA)	• Participated in Japan's Ministry of Economy, Trade and Industry initiative toward MFCA international standardization (issued as "ISO14051 of Material Flow Cost Accounting— General Framework" in September 2011). • Reduced waste by 103 tons (equivalent to 120 million yen) using MFCA (Target: 100 tons, 100 million yen).	Improving resource and energy waste reduction through MFCA, production innovations, etc.*
		Improve the rate of transition to resource recycling and recycling technologies	• Reduced toner waste by 11% in comparison to 2010 through improvements in toner manufacturing process. • Developed system for recycling fluorescent materials discarded in the manufacturing process for medical devices, resulting in 63% reduction of waste.	Improve the rate of transition to resource recycling and recycling technologies
	Management of hazardous substances and legal compliance	Strengthen management systems for regulated chemical substances	• Chemical Integrated Management System (for chemicals used at manufacturing sites) under construction.	Strengthen management systems for regulated chemical substances
		Employ preemptive development and use of substitute substances	• Switched from chemical- to water-based solvents in cleaning process for digital radiography panels, reducing solvent use by about 250 kg. • Began installing VOC removal equipment at sites outside Japan (reducing VOC emissions at Canon Dalian by approximately 30%).	Employ preemptive development and use of substitute substances
Logistics	Reducing CO$_2$ during distribution	Shift to modes of transportation with less environmental impact (modal shift)	• Promoted modal shift from air to ocean freight, mainly for overseas shipments of consumer goods. Reduced CO$_2$ emissions attributable to air shipping by approximately 220,000 tons.	Shift to modes of transportation with less environmental impact (modal shift)
		Reduce waste in transport distances, loading methods and distribution processes	• Began full-scale direct shipments to India from Asian points of origin, and concentrated distribution centers in port regions so as to reduce transport distances.	Reduce waste in transport distances, loading methods and distribution processes

* Changed plan names so as to strengthen and expand efforts

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Global Environment

Major Successes

Chemical Integrated Management System Goes Online

Canon continues to make progress in the development of an IT system for the integrated management of both the chemical substances used in products and those used at our operational sites. The function for managing chemical substances in products became fully operational from January 2012. Use of this system in new product development provides Canon with a structure that enables efficient and accurate compliance with increasingly strict chemical regulations worldwide.

Expanding Our Ink Cartridge Recycling Efforts

Canon has led the industry in used ink cartridge collection and recycling, and we broadly expanded the number of collection points outside Japan in 2011. In the United States, we entered into in a cartridge collection agreement with Fedex Office, a large office services chain. Our efforts in Asia included the launch, through the cooperation of five printer manufacturers, of the Singapore version of the Ink Cartridge Satogaeri (Homecoming) Project, which is already underway in Japan.

Cartridge collection in Singapore

		Action Plan for 2011		2011 Results	Action Plan for 2012
Produce	**Logistics**	Improving packaging processes	Simplify packaging through improved technologies and product strength	• Reduced external packaging dimensions for new FINE cartridges by 30% compared to previous product, increasing packing capacity of shipping pallets by about 67% (number per pallet: 1,728→2,880).	Simplify packaging through improved technologies and product strength
			Eliminate waste from the packaging process and make it efficient	• Reduced waste cardboard by approximately 140 tons through the use of returnable transport packaging for products shipped between manufacturing sites (China–Japan). • Switched to returnable from single-use outer boxes ones for copiers (Japan), and invested in their production at manufacturing sites in China from 2009. Achieved CO_2 emissions reduction of 887 tons (9% improvement over 2010), waste reduction of 530 tons (19% improvement over 2010).	Eliminate waste from the packaging process and make it efficient
Use	**Use**	Reducing CO_2 during use	Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc.	• Reduced power consumption of PIXMA MG6200 series inkjet printer during printing as well as when power is off or in sleep mode (daily power savings of about 41% compared to previous models). • Achieved 5W (for 100–120V equipment) power consumption during idling for imagePROGRAF iPF8300S large format inkjet printers through improvement of standby operation circuits. • Reduced throughput/power ratio approximately 30% in FPA-6300ES6a semiconductor lithography equipment by improving the linear motor efficiency and improving the liquid cooling system.	Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc.
			Minimize energy loss during use through energy-saving technologies	• Achieved TEC value (2.04kWh) for Satera MF9220Cdn laser printers. • Adopted high-efficiency linear motor in FPA-5510iV semiconductor lithography equipment, achieving annual energy consumption that is among best in the industry.	Minimize energy loss during use through energy-saving technologies
		Providing usage proposals	Propose equipment settings and usage that balance convenience and environmental performance	• Equipped four models of inkjet printer with the "ECO settings" function, enabling automatic two-sided printing and auto-power off that can easily be set using the LCD display.	Propose equipment settings and usages that balance convenience and environmental performance
			Strengthen the customer/product interface through Eco-Use support technologies, etc.	• Commercialized the Ecology Information Plug-in, which is management utility software for visualization of CO_2 emissions and reduction during use. • Received Eco-Products Awards Promotion Committee Special Award (Excellence Award for Energy Saving Service) in the Eco-Services Category for the Ecology Information Plug-in and GREEN NAVI environmentally conscious action support website.	Strengthen the customer/product interface through Eco-Use support technologies, etc.
		Improving product value during use	Promote disclosure of product environmental information	• GREEN NAVI announced globally at CANON EXPO (2010–2011). Began looking into producing localized content. • Canon Marketing Japan won the Incentive Prize at Eco-Mark Awards 2010 for GREEN NAVI. • Added ECO settings information and environmental information, such as CO_2 emissions, to inkjet product website.	Promote disclosure of product environmental information
			Promote both energy efficiency and improved imaging value	• Achieved higher resolution (pixel pitch 160μm→125μm) and reduced power consumption (approximately 75% reduction compared to previous models) for the CXDI-80C Wireless Digital Radiography System.	Promote both energy efficiency and improved imaging value
Recycle	**Recycling**	Strengthening recycling systems	Expand "Collection and Recycle" systems for used products throughout the Canon Group	• Ink cartridge collection and recycling expanded to 17 countries and regions (as of end April 2012). • Ink Cartridge Satogaeri (Homecoming) Project conducted by six inkjet printer manufacturers in Japan was awarded the Superiority Prize at the 13th Green Purchasing Network Awards. • In addition to major post offices, 151 local government offices, including Yokohama city government offices, were added to the sites where Ink Cartridge Satogaeri (Homecoming) Project collection boxes are placed, broadly expanding the total to approximately 1,900 sites (as of end April 2012).	Expand "Collection and Recycle" systems for used products throughout the Canon Group
			Improve efficiency by promoting remanufacturing (REM), component reuse, and recycling	• Started the Centralisation Project to promote reuse of recovered products in Europe, increased reuse volume by 6% year-on-year. • Increased volume of recycled materials produced by Canon Virginia by approximately 30% year-on-year through improved yield. • Constructed the parts reuse structure for semiconductor lithography equipment, reused approximately 11 tons of parts.	Encourage remanufacturing, parts reuse and recycling
		Improving recycling processes	Create advanced materials recycling technologies	• Developed recycled plastic mixing technology that maintains uniformity even when a number of grades of collected plastic with different qualities are mixed, expanding recycling applications.	Create advanced materials recycling technologies
			Improve efficiency of disposal processes	• Established foreign body (such as attached sponges and labels) removal technology for collected copiers. • Established new technology for cutting the case when breaking down ink cartridges, improving recycling efficiency. To be installed in 2012. • Installed automatic sorter for the ink cartridge sorting process that recognizes shapes, achieving efficiency in the sorting process.	Improve efficiency of disposal processes

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Respecting Human Rights

Canon Virginia (USA) employees

Results of Major Efforts in 2011 and Future Plans
Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Concern for Human Rights Problems	• Conducted Harassment Prevention Training for Managers; 246 participants in 2011, for a total of 3,707 in the program so far.	• Have all managers take the Harassment Prevention Training course
Respect for Diversity	• Conducted interviews with disabled employees and their superiors (Employment rate of disabled persons in 2011: 2%). • Oita Canon and the Gyoun Welfare Association held the Disabled Employee Support Forum.	• Expand employment opportunities for the disabled and increase the fields of employment for which they are eligible
	• Held Cross Cultural Awareness Workshops in Europe (25 times at four sites; 500 participants).	• Continue with the workshops and increase the number of sites where they are held

Launch of Respect for Diversity Seminars

As a global company that maintains production sites and business offices throughout the world, Canon works hard to create a workplace environment and a corporate climate that respect, diversity and encourage employees, who are of a variety of nationalities as well as ethnic, linguistic and cultural backgrounds, to respect the individuality of their colleagues.

Canon Europe, which manages sites in a number of countries and regions, has since 2008 been holding Cross Cultural Awareness Workshops to provide opportunities for learning to work effectively in a multicultural setting. The participants use analysis tools to examine and discuss cultural issues, and to try to find ways to solve the issues that arise in a multicultural environment.

These workshops were held 25 times in 2011 at four sites in the United Kingdom, the Netherlands, Germany and Austria, with a total of approximately 500 participants. This represents a broad increase over the previous year in regard to the number of sites and participants. As a result, cross-cultural understanding and respect for cultural diversity among employees have continued to grow.

Training Focused on Harassment Prevention

Canon conducts a variety of training programs to raise awareness of harassment issues among employees.

For example, anti-harassment measures are discussed when considering case studies during biannual Compliance Meetings held at each Canon Group company workplace

Intercultural training seminar at Canon Europe

Harassment Prevention Training for Managers

in Japan. For staff at the executive and managerial level, Canon Inc. also holds Harassment Prevention Training for Managers, which had 246 attendees in 2011. This training program is also held at Group companies in Japan, with nine companies having conducted this training by 2011.

Considering that by the end of the first half of 2011 nearly all management-level staff had received this training, we plan to incorporate it into open seminars for groups that have not yet received it as well as training for new managerial staff.

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Establishing a Proper Workplace Environment

Results of Major Efforts in 2011 and Future Plans Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Promoting Good Work-Life Balance	• Implemented No Overtime Days and the Summertime System to reduce overtime (Total actual annual working hours per employee in 2011: 1,768, representing year-on-year reduction of 31 hours).	• Maintain total actual annual working hours per employee of 1,800 or less
Supporting Personal Growth and Skill Development	• Held the Tokyo Seminar for management-level employees of Group companies outside Japan (2011 participation: 25 participants in the international version for a cumulative total of 1,028; 21 in the China version).	• Continue to hold the seminars
Occupational Health and Safety	• Introduced and received certification for Occupational Safety and Health Management Systems (OSHMS) at domestic sites (certification newly received by two worksites, bringing to 16 the total number of sites OSHMS certified to JISHA standards as of the end of 2011).	• Introduce OSHMS and receive certification for all production sites in Japan by 2012
Health Management	• Introduced a new health management system as a measure for prevention of metabolic syndrome.	• Draw up medium- to long-term vision for employee health management

Time management seminar at Canon Europe

Progress in Reducing Overtime

Canon Inc. emphasizes the importance of maintaining a proper work-life balance. We have been making progress in reducing the amount of overtime our employees work through strict observance of No Overtime Days. We have maintained a good average with about 80% of our staff going home at the end of regular working hours on No Overtime Days.

In 2011, we implemented the Summertime System in response to the Japanese government's call to reduce power consumption and also to encourage employees to make the best use of after-work hours. During this period overtime was forbidden everyday, in principle.

We maintained this principle even after the Summertime System was no longer in effect, and as a result of our efforts to improve productivity and keep to regular working hours, we succeeded in bringing the average annual overtime hours per employee in 2011 to 145.6, representing a reduction of roughly

10% compared to the previous year.

We have also been taking other measures, such as encouraging employees to take their vacation time. This has resulted in an average total hours worked per employee of 1,768 in 2011, a decrease of 31 hours compared to last year's average of 1,799.

Supporting the Dual Responsibilities of Work and Childcare

To enable employees to have peace of mind in focusing on childcare responsibilities, Canon Inc. offers an array of programs, including childcare leave for employees raising children up to the age of three and reduced work hours for parents with small children***1**, which go beyond the legally stipulated minimum requirements. In addition, Canon Inc. has introduced various pregnancy-support systems, including maternity leave to protect the health of pregnant women, a fertility treatment cost-assistance program that covers 50% of related medical expenses, and a fertility treatment-leave

system. While female employees make up the majority of those taking advantage of these programs, the number of male employees doing so is on the increase.

Canon will continue to support employees of the dual responsibilities of work and childcare.

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

Number of employees using childbirth or childcare support systems ***2** (at Canon Inc.)

	2009	2010	2011
Employees taking childcare leave	124(8)	176(16)	126(17)
Employees using system for reduced work hours for childcare	116(0)	137(4)	144(3)
Employees taking maternity leave	23	23	24
Employees working reduced hours due to pregnancy	3	1	1
Applicants for childbirth support	266	215	225

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

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Fair Operating Practices

Results of Major Efforts in 2011 and Future Plans   Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Compliance	• Held Global Legal Affairs Seminars (four times).	• Hold seminars concerning trade secret management and Guidelines for Uniform Labeling in Measurement Units
	• Held explanatory meetings concerning security trade control (18 meetings with a total of approx. 1,300 participants), and provided advice and support to 46 Group companies. • No violations occurred among our Group companies.	• Expand the range and strength of support, especially that provided to overseas Group companies • Maintain no-violation record among Group companies
Fair Trade	• Formed project team within Canon Inc. to establish a structure for responding to laws and international guidelines concerning conflict minerals.	• Continue to make efforts to determine the origin of minerals used in our products and prevent the use of conflict minerals
Intellectual Property	• Canon held approx. 86,000 patents and utility models worldwide as of the end of 2011. • Ranked third in granted US patent.	• Continuously acquire useful patent rights • Strengthen patent filing in China

Global Legal Affairs Seminar, an in-house seminar concerning laws and regulations

Enhancing Our Global Legal Response System Worldwide

As a company that conducts business worldwide, Canon established the Global Legal Affairs Coordination Committee in 1987 to appropriately respond to the laws and regulations governing various markets around the world. This committee investigates and analyzes trends in laws and regulations in Japan and overseas that must be dealt with by the Group, and establishes guidelines for responding to them.

Guidelines and White Papers Produced in 2011

PL Response Guideline 2010
IT Law White Paper 2010
China Law White Paper 2010
Product Environmental Law White Paper 2010
Trade Secrets Management Guideline 2011
Guidelines for Setting Prices from Canon Inc. to Sales Subsidiaries
Guideline for Response to the Tax Haven Tax Code
Security Trade Control Guidelines

The Global Legal Affairs Coordination Committee sets up cross-organizational working groups. Each of these groups produces guidelines and white papers to thoroughly inform employees about legal issues.

In 2011, Canon established the Global Legal Affairs Coordination Meeting to enable a more cross-functional response. Carrying out risk analysis and sharing legal and regulatory information that affects Canon's business operations makes it possible for the committee to make prompt, accurate business decisions.

In addition, various guidelines and white papers were updated, and examinations/analyses of legal and regulatory trends in emerging nations, such as China and other Asian countries, were conducted.

We will promote a more active approach based on our new system.

Addressing the Issue of Conflict Minerals

The term "conflict minerals" refers to certain minerals originating in the Democratic Republic of the Congo and adjoining countries in Africa, the profit from the trade of which, provided through the global supply chain, is alleged to be funding armed groups in that region. There is growing concern worldwide about the issue of conflict minerals. In the United States, for example, legislation has been enacted requiring publicly listed companies to disclose their usage of such minerals.

Canon began investigations into conflict minerals in 2010 and established a project team at its headquarters in 2011. In these ways, the Company is working to create a framework for responding to legal regulations and guidelines from international organizations. Seeking to ensure the peace of mind of our customers, the Company is working together with business partners and industry entities to identify the history of minerals used in its products with the aim of avoiding the use of conflict minerals.

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Customer Care

The VIXIA HF M52(LEGRIA HF M52), featuring superior functionality and operability

Results of Major Efforts in 2011 and Future Plans
Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Ensuring Product Safety	• Conducted safety evaluations of product chemical emissions.	• Reflect changes to the German "Blue Angel" environmental labeling standards in our evaluations
Pursuing Universal Design	• Revised user manuals for compact digital cameras, making them easier to understand and more readable.	• Continue to make such user manual improvements as online manuals and providing equipment operational support information accessible on the devices themselves
Strengthening Customer Support	• Held a technical skills competition for customer engineers (CEs) in charge of office network multifunction device (MFD) after-sales service.	• Continue CE competition
	• Enhanced service centers in Southeast Asia and South Asia, as well as increased the number of cities served (Service expanded to cover 1,403 cities in India).	• Enhance and expand the number of service centers (renovate and improve service centers in Malaysia and Thailand)

Strengthening Repair Support in the United States

Total customer satisfaction involves raising the level of both product quality and customer service, including after-sales repairs, and Canon is striving to enhance service and support in all of our markets.

In 2008, Canon established the Marketing Engineering Technology Center at Canon Virginia, our toner-cartridge manufacturer for the U.S. market, to better support the domestic market by providing true factory-level service to our customers. By concentrating the repair

Repairing a camera at Canon Virginia

operations of different products at the center, we can provide high-quality repairs supported by our production technologies and factory environment.

The center's practice of *Kaizen* (improvement) drives an ongoing effort of continuous improvement in the skills of technicians and reduction of repair turnaround times. Also, since the center is located at a production site, it can analyze data concerning malfunctions and usability from a production perspective and offer feedback to Canon Inc.'s product development and quality assurance divisions, which contributes to improvement in the quality of new products.

Holding the Asia Pacific Cup Aimed at Improving Service Quality

We are working hard to improve service quality by raising the technical skill and consciousness level of our customer engineers (CEs), who are in charge of after-sales service. As part of this effort, we held the 1st OIP (Office Imaging

MFD troubleshooting competition

Products) Asia Pacific Cup at Canon Suzhou in October 2011, bringing together office network MFD CEs for skill competitions.

Following qualification at preliminary competitions, 22 CEs from Asian and Pacific Rim countries were selected to compete in both written tests and practical tests involving troubleshooting.

Canon will continue to take such opportunities to motivate and improve the skills of our CEs.

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Global Environment | Respecting Human Rights | Establishing a Proper Workplace Environment | Fair Operating Practices | Customer Care | **Regional and Community Contributions** | Organizational Governance

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Regional and Community Contributions

Results of Major Efforts in 2011 and Future Plans   Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Support for Disaster Areas	• Contributed a Group total of ¥400 million for Great East Japan Earthquake recovery efforts, and engaged in a variety of other support activities.	• Continue to provide recovery support tailored to local needs in areas stricken by the Great East Japan Earthquake
Regional Contribution	• Conducted 39 nature restoration efforts at 15 locations as part of the Furusato Project — Linking Our Dream to the Future, with the participation of 729 volunteers. Contributed ¥22.31 million to environmental NPOs and NPOs/NGOs providing restoration support following the Great East Japan Earthquake.	• Continue with efforts by linking up with NPOs
Support for Technical Research and Academia	• Completed and contributed to Kyoto's Kenninji Temple reproductions of 20 of 50 Hojo wall paintings, which are considered important cultural assets, through the Tsuzuri Project.	• Develop a variety of activities using "folding screen featuring cherry blossoms" and "folding screen featuring cranes" at the Tokyo Metropolitan Art Museum
	• 17 items from the Research Cultivation Program selected for Canon Foundation grants.	• Continue with the Research Cultivation Program

Workshop using high-definition facsimiles

Continuing the Tsuzuri Project for Passing Down Japan's Cultural Assets

Opportunities to view the great number of important Japanese assets, both overseas and in Japan, are limited. Canon has since 2007 partnered with the Kyoto Culture Association (NPO) on the Tsuzuri Project as a social contribution activity, seeking to preserve original cultural heritage while making use of high-resolution facsimiles of cultural assets. This project fuses Canon's latest digital technologies with traditional craftsmanship from Kyoto by creating high-resolution facsimiles nearly identical in appearance to the original assets.

During 2010 through 2011, Canon completed facsimiles of 36 of 50 Hojo wall paintings stored at Kyoto's Kenninji Temple, and donated them for public display. In 2011, Canon also jointly sponsored a family workshop called "Introduction to Folding Screen Art!" at the Tokyo National Museum, which employed high-resolution facsimiles made through the Tsuzuri Project. 11 groups of elementary and middle school students and their parents, for a total of 26 participants, were able to view a reproduction of the *Shorin-zu-byobu* (folding screen showing pine trees), and through the use of candlelight were able to enjoy viewing the screen as it appeared in the past and compare that to seeing it under contemporary lighting.

Assisting an American Non-Profit Organization in Rescuing Missing Children

Since 1997, Canon has supported the National Center for Missing & Exploited Children (NCMEC), an NPO in the United States engaged in the recovery of missing children.

One of the most important tools for locating missing children is an updated photograph. Canon has donated more than 2,000 digital cameras, scanners, printers and other equipment to help law enforcement agencies quickly disseminate photographs and information about missing children. We also

Charity event in Las Vegas

sponsor various charity events for NCMEC.

In 2011, a charity event was held in Las Vegas in January, followed by an employee fundraising event in May on National Missing Children's Day. The cumulative value raised through all activities and donated by Canon U.S.A. to NCMEC was $460,250 (approximately ¥37 million) for the year.

We will continue to contribute to the recovery of missing children through our support of NCMEC.

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Organizational Governance

Results of Major Efforts in 2011 and Future Plans Note: Results and plans for other activities are listed at the website.

Category	Results in 2011	Future Plans
Corporate Governance	• Strengthened internal audits by expanding scope and content (1,800 improvement recommendations based on 128 themes).	• Strengthen and expand internal auditing system
Security	• Inspected trade secrets management situation at 45 Japanese and overseas Group companies.	• Continue to inspect the trade secrets management situation once a year
Business Continuity Plans for Disaster Response	• Issued the Earthquake Measure Guideline and carried out disaster drills for response to a high-magnitude earthquake.	• Strengthen the first-response system for disasters, such as by strengthening the means for communication and redeveloping the communications network
Appropriate Information Disclosure and Returns to Shareholders	• Held a corporate strategy conference, financial report conferences, and a briefing for individual investors.	• Continue to conduct various such briefings and conferences

Explaining management policies and business strategies at a briefing for individual investors

Bolstering Disaster Prevention Structure With Earthquake Drills

Canon has proceeded with upgrading the earthquake resistance of older buildings, establishing disaster prevention agreements with local communities, and implementing systems to collect and disseminate information, as called for in the Canon Group Medium-Term Plan for Disaster Prevention Structure Enhancement issued in 2006. Also, in regard to our business continuity plan (BCP)*, the Facilities Management Headquarters has jurisdiction in creating a plan for the initial post-crisis response, while each of the products operations is responsible for creating their own follow-up BCPs.

When the Great East Japan Earthquake struck on March 11, 2011, Canon responded by promptly forming the Great East Japan Earthquake Disaster Recovery Task Force and launching a companywide recovery effort. As a result, by the end of April we were able to resume operations spanning development,

production and sales at all Group companies and operational sites.

After the earthquake, in April 2011 we established a new medium-term plan based on a theme of "Restrengthening our disaster prevention by learning from the Great East Japan Earthquake." We issued the Earthquake Countermeasure Guideline, and took other steps to improve our disaster response. Also, we sought to improve disaster-prevention awareness through practical drills, such as nighttime evacuation drills and cleanroom evacuation drills.

*Business continuity plan (BCP): A business continuity plan is an action plan that includes measures to provide for the continuation of a minimal level of business in the event of disaster or accident, and to restore operations promptly.

Enhancing Trade Secrets Management

In accordance with the Trade Secrets Management Guideline drawn up by Canon Inc. in 2004, trade secrets management rules have been created for each division headquarters. We are promoting PDCA activities, including

education programs and audits, in accordance with each division's operational characteristics.

We updated our Trade Secrets Management Guideline in 2011 to reflect revisions made to the Unfair Competition Prevention Act and changes made to the "Trade Secret Management Guidelines" issued by Japan's Ministry of Economy, Trade and Industry. Also, we issued practical handling procedures for four types of data of high concern to manufacturers: new product planning, production planning, product cost and drawings. Inspections of the trade secrets management situation at 45 domestic and overseas Group companies were conducted based on these procedures. We also inaugurated the "i-Library," our standards document management system, enabling management in accordance with the Trade Secrets Management Guideline.

We will continue to firm up our trade secrets management structure though continuous inspections and education.

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Overview of Content Available on Our Website

In addition to the information provided in the PDF version, our website contains systematic and comprehensive information with consideration of *the Sustainability Reporting Guidelines 2006 (GRI)* and the Ministry of the Environment's *Environmental Reporting Guidelines* (2007 Edition). Please see our website for details about information in the PDF version as well as information regarding related topics.

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

Sustainability Report 2012 Website Information

Note: Items contained in the PDF version are excluded.

Global Environment			
	Environmentally Conscious Management	Environmental Assurance Activities	•2011 Environmental Assurance Activities •2011 Material Balance
		Action Plan	•Action Plan
		Management System	•Environmentally Conscious Management System •Integration of ISO 14001 Certification •Global Environmental Promotion System •Environmental Audit •Compliance with Environmental Regulations / Risk Communications •Environmental Education
		Environmental Accounting / Material Flow Cost Accounting	•Environmental Accounting •Promoting Material Flow Cost Accounting
		Biodiversity Initiatives	•Basic Approach •Regional Initiatives
	Environmentally Conscious Raw Materials (Produce)	Management of Chemical Substances in Products	•Eliminating Designated Chemical Substances from Products •Managing Chemical Substances in Products and Promoting Green Procurement •Managing Product Environmental Information
		Reducing CO_2 from Raw Materials and Procured Goods	•Cooperating with Suppliers to Alleviate Environmental Impact •Reducing Environmental Impact through the Use of Simulations during Development
		Promoting Environmental Design	•Developing Low Environmental Impact Materials •Introducing a Design for the Environment Method that Considers Product Lifecycles •Resource-Efficient Product Design
	Environmental Activities at Operational Sites (Produce)	Reducing CO_2 at Operational Sites	•Greenhouse Gas Reduction and Energy Conservation
		Resource Efficiency at Operational Sites	•Reducing Waste •Reducing Use of Water Resources
		Management of Hazardous Substances and Legal Compliance	•Reducing Emissions of Controlled Chemical Substances •Soil and Groundwater Remediation Status
	Environmentally Conscious Logistics (Produce)	Reducing CO_2 during Distribution	•CO_2 Emission Reduction in Transportation •Efforts to Improve Logistics Efficiency •Promoting Modal Shifts
		Improving Packaging Processes	•Resource Efficiency when Transporting Materials
	Environmentally Conscious Products (Use)	Reducing CO_2 during Use	•Energy Conservation during Use •Energy-Efficient Product Design
		Qualified Environmentally Conscious Products	•Regulatory Conformance
		Providing Usage Proposals	•Distributing Information on Environmentally Conscious Products
		Improving Product Value during Use	•Examples of Environmentally Conscious Products
	Collection and Recycling (Recycle)	Recycling System	•Global Collection and Recycling System
		Product Collection and Recycling	•Recycling Used Products
		Collection and Recycling of Consumables	•Toner Cartridge Recycling •Ink Cartridge Recycling •Collection and Recycling of Small Secondary Batteries •Recycling Containers and Packaging Materials
	Environmental Communication	Canon's Communication Activities Concept	•Major Environmental Communication Activities
		Exhibiting at Environmental Exhibitions	•Major Exhibitions in 2011
		Canon's Publications Portfolio	•Canon's Publications Portfolio
	Operational Sites Covered in the Environmental Section		

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Note: Items contained in the PDF version are excluded.

Websites related to information in the PDF version/ Websites offering detailed information

Canon Group Overview/Medium- to Long-Term Management Plan
• *About Canon*
... canon.com/about
• *Investor Relations*
... canon.com/ir

Materiality Theme 1. Enriching Lifestyles through Imaging Technology
• *Canon Technology*... canon.com/technology

Materiality Theme 2. Creating Imaging Technologies that Will Contribute to Future Society
• *Canon Technology*... canon.com/technology

Materiality Theme 3. Reducing Environmental Impact throughout the Entire Product Lifecycle
• *Environmental Activities*
... canon.com/environment
• *Sustainability Report*
... Global Environment

Materiality Theme 4. Social Contribution as a Good Corporate Citizen
• *Social Contribution Activities*
... canon.com/scsa
• *Sustainability Report*
... Regional and Community Contribution

Materiality Theme 5. Hiring, Developing and Promoting Diverse Human Resources
• *Sustainability Report*
... Respecting Human Rights and Establishing the Proper Workplace Environment

Materiality Theme 6. Strengthening Corporate Governance and Compliance
• *Sustainability Report*
... Organizational Governance and Fair Operating Practices

Third-Party Opinions
• *Sustainability Report* ... Third-Party Opinions

Respecting Human Rights	Concern for Human Rights Problems	•Prohibiting Discrimination •Preventing Harassment •Eliminating Child and Forced/Compulsory Labor
	Respecting Diversity	•Employment and Promotion of Diverse Human Resources •Hiring and Utilizing a Global Workforce
Establishing a Proper Workplace Environment	Employee Policies	•Basic Human Resource Policy •Guiding Principle of the Three Selfs Spirit
	Hiring and Treatment of Human Resources	•Hiring and Worker-Management Relations •Remuneration System
	Encouraging Work-Life Balance	•Action Plan for Supporting Work-Life Balance and Nurturing the Next-Generation
	Supporting Personal Growth and Skill Development	•Training System •Recognition and Award Programs
	Occupational Health and Safety	•Policy and Management System •Efforts to Prevent Occupational Accidents
	Health Management	•Measures for Lifestyle Disease Prevention •Promoting Mental Healthcare Initiatives
Fair Operating Practices	Compliance	•Policy and Structure •Education and Awareness •Security Trade Controls
	Fair Dealing	•Fundamental Procurement Policies •Partnership with Suppliers •Fair and Transparent Selection of Suppliers
	Intellectual Property Activities	•Canon's Intellectual Property Approach •Intellectual Property Management System •Brand Management •Patent Application Status
Customer Care	Basic Quality Assurance Policy	•Realizing Canon Quality
	Ensuring Customer Safety	•Ensuring Product Safety •Safety Assessment Initiatives
	Instilling Customer Trust	•Pursuing Universal Design •Pursuing Beauty and Comfort
	Fostering Customer Satisfaction	•Customer Support •Improving Products by Reflecting Customer Opinions
Regional and Community Contributions	Support for Disaster Victims	•Support for Natural Disaster Victims Worldwide •Ongoing Support for Areas Affected by the Great East Japan Earthquake •Support for Areas Stricken by Floods in Thailand
	Regional Contribution	•Support for Children's Education •Social Welfare •Nature Conservation
	Support for Arts and Sciences	•Arts and Culture Support •Research and Academic Support
Organizational Governance	Corporate Governance	•Governance Structure •Management Committees
	Security	•Information Security •Physical Security
	Post-Disaster Business Continuity Plan	•Promoting Business Continuity Planning
	Prompt and Appropriate Information Disclosure	•Dialogue with Shareholders and Investors •Return to Shareholders •External Corporate Assessments
Third-Party Opinions		•The Third-Party Opinion Process
GRI Guideline Implementation		

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Executive Director of TrendSustain and Director of Association for Sustainable & Responsible Investment in Asia (ASrIA)

www.trendsustain.com
www.asria.org

David St. Maur Sheil

Once again I would like to congratulate Canon on a comprehensive report. Canon has developed significant strength over the last decade in environmental management and green product innovation, which since 2008 has been driven by their "Action for Green" Environmental Vision. Now, with the establishment of the Canon Group CSR Activity Policy, with responsibility to co-ordinate their groupwide sustainability initiatives, there is an exciting opportunity for Canon to co-ordinate and drive their wider CSR in a much more integrated and determined manner. Evidence of this new determination emerged during the consultation process on this year's report and I look forward to see further benefits from this initiative in the future.

Canon's ongoing stakeholder engagement process has helped them focus on several key materiality issues. It would be valuable to see more information on what specific issues were raised by stakeholders. A number of other issues caught my attention. Stakeholders must be interested in data management and security for Canon products and services. The exponential growth in demand for data storage and the long-term security and usability of data, such as pictures, film and documents, is a growing concern for individuals and businesses. Further specific information on how Canon plans to respond to and help their customers manage this issue over the longer term would be useful. Carbon management and reduction is another key materiality issue. A clear groupwide goal-oriented program with clear carbon reduction targets, combined with integrated carbon management systems is a good driver for carbon management and it would be good to understand more clearly how Canon is managing this process across their whole group and all the 277 consolidated subsidiaries as well as their wider value chain in terms of both carbon risk and also carbon opportunity.

In terms of staff management, the information in the report was more comprehensive than in previous years. The information on Canon's Work-Life Balance program was particularly notable, as was the detail on Canon's staff management at their manufacturing plant in Vietnam. It would be interesting to see more specific information on Canon's local hiring program. For instance, does local hiring specifically mean hiring workers who live with their families within daily commuting distance of their plants and what other initiatives does Canon take to strengthen their relationships with communities around their operational sites. Finally, it was clear that Canon's operations as well as staff were directly impacted by the Great East Japan Earthquake and also the major floods in Thailand last year, and that Canon both contributed very generously to disaster relief as well as strengthened their disaster management systems. It would be beneficial to explain in more detail how they manage and assess the impact of their disaster relief program over the longer term in order to strengthen the long-term value of their efforts to the communities they are supporting. Overall I congratulate Canon once again on the marked improvement in the quality of the report this year.

About the Third-Party Opinions

Canon has received third-party opinions[1] from two commentators every year since 2003—Mr. David St. Maur Sheil of TrendSustain and a prominent expert from the Wuppertal Institute (Dr. Justus von Geibler, from 2008). As a result, the commentators are able to offer opinions from a medium- to long-term perspective on how well this report[2] meets their expectations regarding the information included in the report, the quality of performance it conveys, and its usefulness for substantial engagement.

We held dialogue sessions both at the planning stage of this report and at the preparatory stage of third-party opinions to ensure a meaningful exchange of views with the commentators and reflected the commentators' suggestions in the report to the greatest extent possible. (See the table at the right for details.)

These third-party opinion pages include the main items discussed with the commentators, particularly the items worthy of praise and the key issues to be addressed over the long term. Based on the issues raised by the commentators and opinions from other stakeholders, Canon is stepping up its CSR activities and striving for more complete information disclosure through this report and other media. For more information on the third-party opinion process and the main points brought up in the dialogues with the commentators, see the Canon website.

[1] These third-party comments are the personal views of the authors and not verification of the report contents or data. They do not imply any endorsement from their organizations.
[2] *Canon Sustainability Report 2012* has been issued in a PDF format and through our website (URL: http://www.canon.com/csr/index.html).

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Dr. Justus von Geibler

Sustainability reporting is a key driver for more sustainable business practices, promoting transparency and accountability as basic conditions for sustainable development. Canon's *Sustainability Report 2012* presents important achievements towards this goal. In my view, Canon has managed once again to further improve the quality of its sustainability report. Again this year, I highly welcome various meaningful changes.

This year's report of Canon is addressing important issues relevant for the Company and stakeholders: Besides the six materiality themes identified through a stakeholder survey, the seven elements of the ISO 26000 Social Responsibility Guidelines are addressed as a further basis for its reporting. For many of the themes, very interesting contextual information is given, for example under the heading of "Basic approach and policies" within the materiality section. I would appreciate if the six materiality themes could be more integrated with the seven "ISO themes" in future reports. Generally, considering the ISO guidelines appear to be a promising and innovative approach, enabling a link with various stakeholder expectations identified in important international processes.

For effectively supporting internal management processes, enhancing external communication and opening up business opportunities, the content of a sustainability report should reflect the organization's significant social, economic and environmental impacts. One specific theme, which has improved in this regard, is the description of materiality theme on "Reducing environmental impact throughout the entire product lifecycle." Especially the descriptions of the "ECO settings function" and "Making environmental impact visible" illustrate promising approaches for consumer-oriented environmental life cycle management. It would be great to keep and deepen this focus in future reports, maybe even with insights on the real impacts of these new developments. With respect to the other individual themes, especially to the social issues, the descriptions might be further improved by additional measurable indicators showing more clearly whether objectives set have been achieved or not.

Canon can build on wide experience from its continuous CSR efforts and is ready to advance its accountability. The new CSR Activity Policy, which was formulated on January 1 of this year for the entire Canon Group, as well as the new structure for its implementation, the CSR Division, will play a key role in the coming years. I look forward to this progress in the future.

Commentator Opinions and Canon's Response in Third-Party Dialogues

Main Suggestions	Main Reflections (New Content in the 2012 Report)	Pages Posted in the PDF	Location in the Website
Please further develop efforts involving stakeholders, and strengthen the relevance of the content of the Sustainability Report to items of concern to Canon's main stakeholders.	Canon has communicated with stakeholders such as investor relations, corporate philanthropy, and charity, but we recognize that we are expected to engage with various stakeholders in a more systematic manner.	-	-
The explanation of the relationship between Report on ISO 26000 Core Subjects and the Materiality Themes, as well as of their respective roles, is insufficient.	The content of both the Materiality Themes and the Report on ISO 26000 Core Subjects have been determined based upon the stakeholder survey, with the process described on p. 10.	P10	• Materiality Themes in 2012 • Items of Significant Concern to Stakeholders
There should be information concerning the benefits of cartridge recycling, ECO settings function, making the use-phase impact visible, etc. We would like to know the actual benefits as well as potential rebound effects.	Canon recognizes that it is important to assess the use-phase environmental impacts of Canon's environmentally conscious products. Currently the Company is at the introductory stage for use-phase impact "visibility" and so on, and we will look into how to report on the benefits of these initiatives in the future.	P18–19	Materiality Theme 3
With regard to Materiality Theme 4 (post-disaster support), to what extent does Canon monitor aid recipients so as to determine the effects of that aid? Does Canon take a long-term perspective in aid activities to ensure their effectiveness?	Canon receives reports from aid recipients so as to confirm that the donations are being used effectively. The long-term perspective is always considered when making decisions about providing aid. Our approach in this regard is described in Materiality Theme 4.	P21	Materiality Theme 4
Please include more information about the extent to which human resource management and employee benefit efforts have been undertaken at manufacturing sites in Asia. Also, please describe local hiring policies.	The HTML version includes topics such as human resource cultivation and employee benefits at Canon Vietnam and other manufacturing companies in Asia. We will further collect information regarding the local employment situation so as to provide detailed information about it.	-	Supporting Personal Growth and Skill Development
The section of the report entitled Report on ISO 26000 Core Subjects contains a great deal of information on the themes Canon addresses, but measurable indicators are frequently lacking.	We are taking a step forward in this report by including for the first time tables showing 2011 efforts and future plans for categories other than "Global Environment." We will work to make improvements regarding more solid indicators.	P29–34	Results of Major Efforts in 2011 and Future Plans

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