Canon Sustainability Report **2014**
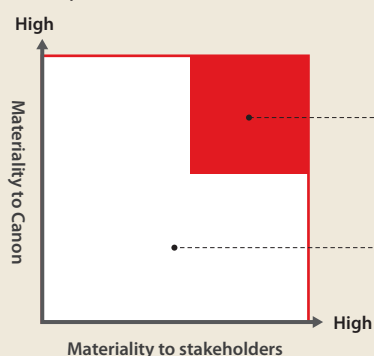
Canon

Editorial Policy

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

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

For 2014, we are publishing important information for both Canon and its stakeholders as part of the Key Activities Report, while other CSR information is reported according to ISO 26000 Core Subjects.

Contents of PDF Report

Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2013 (January 1 to December 31, 2013).

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 2012 and beyond 2014 is referenced in this report. Information that is specific to a region or organization is indicated. In this publication, "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.

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

Published
July 2014 (previous: June 2013, next planned: June 2015)

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

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

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

Contents

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: 257 consolidated subsidiaries
11 equity method affiliates
Note: Figures for common stock and Group companies are as of December 31, 2013.

Promoting CSR activity through a corporate philosophy of *Kyosei*

Local and Global Communities

Other Companies

Employees

CANON

Global Environment

National and Local Governments

Suppliers

Corporate Philosophy

Kyosei

Living and working together
for the common good

Universities and Research Institutes

Shareholders and Investors

NGOs/NPOs

Customers

Canon adopted *kyosei* as its corporate philosophy in 1988, the 51st year since our founding.

This philosophy clarifies Canon's stance on partnerships formed with stakeholders around the world.

Kyosei means aspiring to a society in which all people, regardless of race, religion, or culture,

harmoniously live and work together for the common good into the future.

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

In 2013, we continued to face a challenging business environment amid a lingering sense of economic stagnation. Despite such difficulties, however, the collective efforts of everyone across the Canon Group helped us to achieve an increase in sales for the first time in three years. While we must still exercise caution in 2014, the world economy is expected to realize a gradual recovery. With this in mind, our basic policy for 2014 is to carry out further reforms in order to return to the growth track. We intend to pursue a variety of measures targeting new progress and growth.

Ceaseless innovation is essential to respond to the major changes taking place in the business environment. Such innovation also applies to sustainability, the theme of this report. Achieving environmental and social sustainability today requires CSR activities in which corporations make contributions in their fields of specialty while also helping to resolve problems facing society. At Canon, we believe change provides us with opportunities, which is why the Canon Group engages in a range of activities, carefully leveraging our advanced technological strengths, global network and diverse human resources.

Looking back, Canon, since its founding, has clearly articulated its stance of contributing to society through its technological strengths. According to the daily planner that was issued to employees in the 1960s, the company's goal was to "contribute to enriching culture by creating the world's best products." And this desire to contribute to the development of society through advanced technology continues to drive us today. This report highlights how our Cinema EOS System, medical equipment and network cameras, each featuring Canon's latest technologies, are making contributions in academic fields as well as to the safety and security of society.

By fully utilizing our technological strengths and products in addition to forging cooperative partnerships with NGOs, we carry out social contribution activities as only Canon can. For example, through the Tsuzuri Project, we use advanced digital imaging technologies to create reproductions of important cultural assets from Japanese antiquity, enabling these magnificent cultural properties to be shared with a wider audience while ensuring the preservation of the original artwork.

We are committed to meeting the expectations of society by carrying out corporate management in line with the times.

Over time, expectations placed on corporations have expanded, now extending beyond just products and services to encompass efforts aimed at preserving the environment, the quality and soundness of their operations, and active initiatives toward the achievement of a sustainable society. As one of the industry's first to begin recycling products, Canon pursues environmental management that promotes both enriched lifestyles and the global environment. We also tackle other major issues that must be addressed by responsible multinational corporations, including compliance, information security, diversity, management of legal compliance by suppliers, and avoiding complicity in human rights violations in conflict-torn regions. I hope that this report will enable you to gain a better understanding of Canon's stance and activities.

While corporations must fulfill a wide range of expectations and responsibilities, of fundamental importance is playing an integral role at the local community level and in international society through legal compliance and ethical business practices that create new value, generate stable profits and provide employment. Maintaining this bearing as a public entity of society, we will be able to play an even greater role in resolving many of the issues facing society and become a company capable of fulfilling expectations.

Through our enterprising spirit and the *San-ji* (Three Selfs) Spirit—self-motivation, self-management and self-awareness—Canon will respond to the expectations of our stakeholders. We will also continue striving to be a truly excellent global corporation worthy of admiration and respect worldwide.

We look forward to your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Leveraging Canon's advanced technological strengths built up over the years to aggressively pursue business growth.

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 2013, in addition to the full-scale launch of our network camera systems business, we worked diligently on the commercialization of the MREAL System for Mixed Reality, which reduces product design leadtime by seamlessly combining the virtual world of computer-generated images and the real-world environment. We also developed a 4K display for professional use that can be combined with our Cinema EOS System of cinema cameras and lenses, lending powerful support to the video production industry.

Canon continues to tackle challenges, aiming to further expand its business horizons.

2013 Sales Ratio per Segment

Industry and Others
Business Unit
$3,570 million
10.0%

Imaging System
Business Unit
$13,799 million
38.8%

Total
$35,537 million

Office
Business Unit
$19,048 million
53.6%
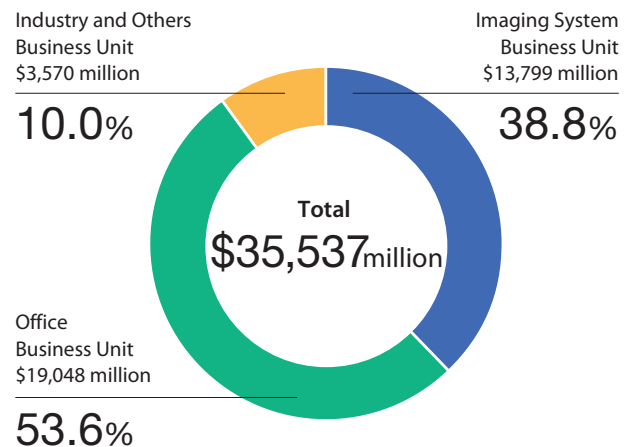
Notes: Sales ratios do not total 100% due to sales between segments of 2.4% (−$881 million).

US dollar amounts are translated from yen at the rate of JPY105 = US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2013, solely for the convenience of the reader.

Net Sales (¥ billion)

2009	2010	2011	2012	2013
3,209.2	3,706.9	3,557.4	3,479.8	3,731.4

(Year)

Net Income (¥ billion)

2009	2010	2011	2012	2013
131.6	246.6	248.6	224.6	230.5

(Year)
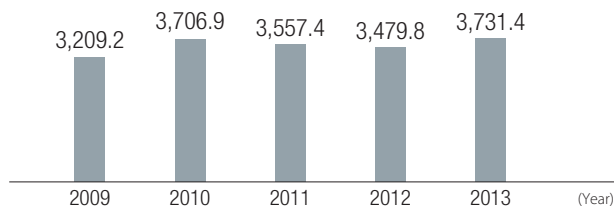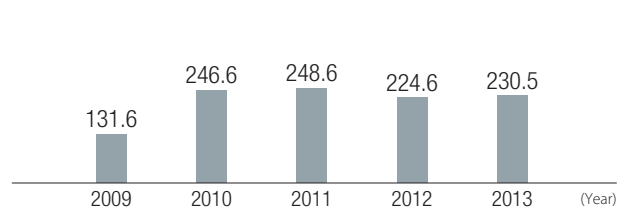
Imaging System Business Unit

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

Interchangeable lens digital cameras

Inkjet printers

Office Business Unit

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

Laser printers

Office multifunction devices

Industry and Others Business Unit

- Semiconductor lithography equipment
- Flat panel display (FPD) lithography equipment
- Ophthalmic equipment
- Digital radiography systems
- Network cameras
- MR system
- Display for professional use
- 3D machine vision systems
- Document scanners
- Handy terminals
- Color label/card printers
- Components
- Organic LED (OLED) panel manufacturing equipment
- Die bonders
- Vacuum thin-film deposition equipment

Semiconductor lithography equipment
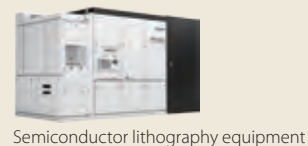
Total Assets & Shareholders' Equity (¥ billion)

Total assets / Shareholders' equity

Year	Total assets	Shareholders' equity
2009	3,847.6	2,688.1
2010	3,983.8	2,645.8
2011	3,930.7	2,551.1
2012	3,955.5	2,598.0
2013	4,242.7	2,910.3

Employees
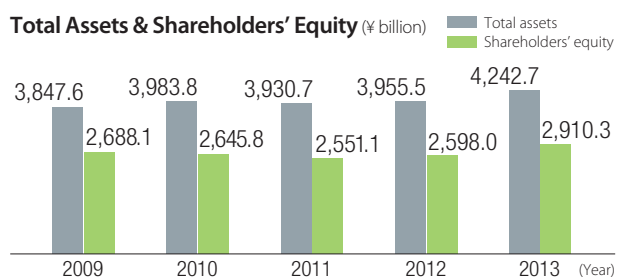
Year	Employees
2009	168,879
2010	197,386
2011	198,307
2012	196,968
2013	194,151
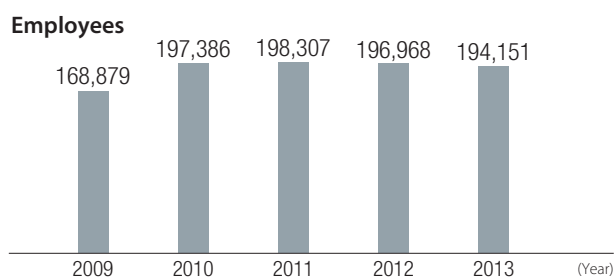
Expanding Canon's business globally, from R&D to manufacturing and sales.

Since our founding, Canon has taken a global approach to business development by establishing operational sites worldwide, starting with our branch office in New York in 1955. Currently, we maintain sales, production and R&D sites in the Americas, Europe, Asia and 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 more than 180 countries and regions

where it is a registered trademark.

In 2013, we constructed a new head office building for Canon U.S.A., our regional marketing headquarters in the Americas, as a support pillar for our future Three Regional Headquarters management system. Additionally, we commenced production activities at new manufacturing bases in Thailand, the Philippines, and Brazil, moving another step toward realizing an optimized global production system.

2013 Sales Distribution Ratio by Region

Asia & Oceania
22.3%

Japan
19.2%

Total
$35,537million

Europe
30.1%
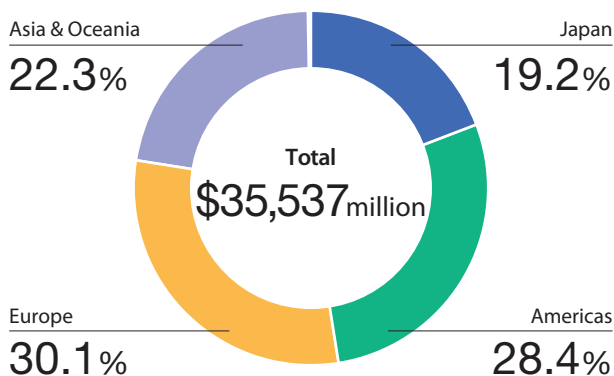
Americas
28.4%

2013 Employee Distribution Ratio by Region

Asia & Oceania
42.8%

Japan
36.0%

Total
194,151

Europe
11.6%
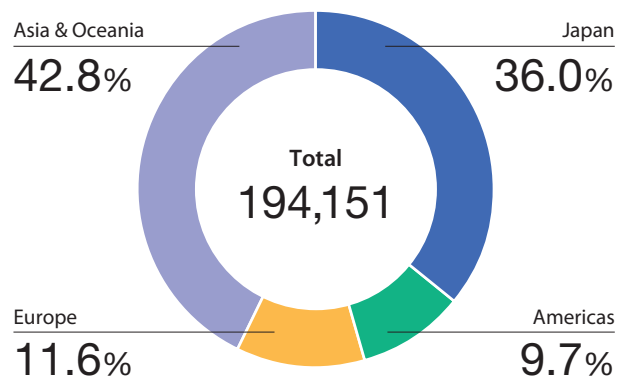
Americas
9.7%

Europe

Sales
$10,714 million

Employees
22,577

Asia & Oceania

Sales
$7,915 million

Employees
83,005

Japan

Sales
$6,818 million

Employees
69,825

Americas

Sales
$10,090 million

Employees
18,744

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

Medium- to Long-Term Management Plan—The Excellent Global Corporation Plan

Canon has been implementing the Excellent Global Corporation Plan since 1996 to achieve sound growth.

1996–2000
Phase I

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

2001–2005
Phase II

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

2006–2010
Phase III

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

2011–2015
Phase IV

In addition to reinforcing our market position through the release of powerful hit products, and attaining the global No. 1 position in all of our core businesses, we also plan to develop new sectors in the medical and industrial fields. We will also pursue opportunities offered by the rapidly changing business environment, such as the growth of emerging markets. By focusing on the business foundations of development, procurement, production and sales, we will challenge ourselves to achieve sound growth while maintaining high profitability.

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

At the heart of Canon is a corporate culture dedicated to contributing to society through its business operations. Our tireless pursuit of advanced technologies and global business development is also clearly evident in our CSR activities.

Recognizing the importance of clarifying the Canon Group's shared approach to CSR and key activities, we established the Canon Group CSR Activity Policy in January 2011. Through this policy, we have declared our intention to contribute to the betterment of society as a good corporate citizen by capitalizing on our advanced technological strengths, global business deployment, and diverse, specialized human resources. Additionally, we have outlined key activities under five separate themes that we will focus particular attention on.

Moreover, we have established a CSR Promotion System in order to implement these activities across the entire Canon Group. CSR activities at Canon are developed under the leadership of executive management, with the support of the CSR Division as well as relevant divisions, such as environment, procurement, human resources, accounting, legal and PR. Specific proposals are then put into action by each division and Group company.

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

Key Activities

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

Contributing to Society through Business Activities

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

Contributing to the Realization of a Sound and Fair Society

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

CSR Activity Policy

Canon's Characteristics

Advanced technological strengths

Diverse, specialized human resources

Global business deployment

Canon Group CSR Activity Policy

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

The Canon Group,
recognizing that its corporate activities are
supported by the development of society as a whole,
aims to achieve growth through sound and fair business activities
while contributing to the realization of a better society as
a good corporate citizen.
Therefore, Canon will promote its CSR activities within
the international and local communities,
effectively leveraging the company's
advanced technological strengths,
global business deployment,
and diverse, specialized human resources.

Key Activities

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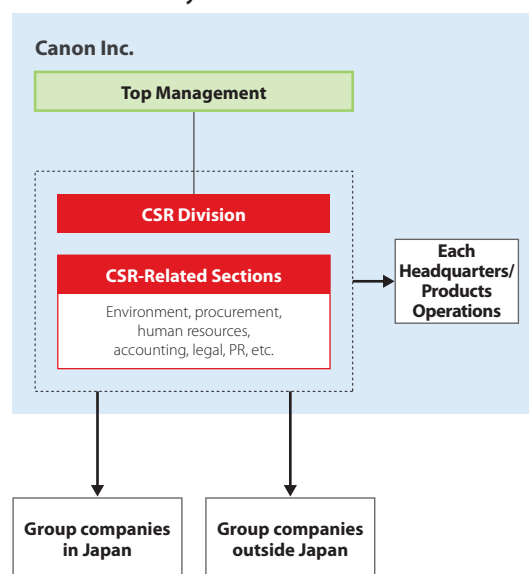- Provide humanitarian support to people and regions facing harsh conditions due to disasters, etc.
- Contribute to the promotion of both enriched lifestyles and the global environment
- Contribute to society through business activities
- Contribute to the realization of a sound and fair society

CSR Promotion System

Canon Inc.

- Top Management
- CSR Division
- CSR-Related Sections
  - Environment, procurement, human resources, accounting, legal, PR, etc.
- Each Headquarters/Products Operations
- Group companies in Japan
- Group companies outside Japan

Interests/expectations of stakeholders concerning report topics

Report

- Reducing CO_2 Emissions throughout the Product Lifecycle
- Carbon Offsetting for Multifunction Devices
- Developing Printers that Incorporate Cutting-Edge Energy Saving Technologies
- Promoting Recycling Initiatives around the World

- Contributing to Healthcare
- Contributing to Safety with Network Cameras
- Contributing to the Promotion of History and Cultural Heritage Using Mixed Reality

- Helping to Pass on Traditional Culture
- Contributing to Astronomical Sciences

- Helping to Expand Job Opportunities for Persons with Disabilities

- Assisting the UNHCR's Visit to Syrian Refugee Camps

We examined stakeholder interests and expectations more closely using questionnaire results.

Canon annually carries out a questionnaire survey in order to better understand the interests and expectations of stakeholders.

In 2013, Canon asked stakeholders about their interest in the report topics for each of the Five Key Activities. The results showed that over 75% of respondents had an interest in all of the report topics (see graph at left).

Additionally, we received feedback from stakeholders with regard to their interest in the Seven ISO 26000 Core Subjects and their requests for Canon's future CSR activities.

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

Survey Summary

- Method: Questionnaire survey
- Target: Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia; Respondents: 82
- Survey period: December 2013–January 2014

What can and should Canon do to contribute to the realization of a better society as a good corporate citizen?

At Canon, each and every one of our employees understands our corporate philosophy of *kyosei* and the Canon Group CSR Activity Policy, and together we strive to contribute solutions to the various issues faced by the international community as well as local communities.

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

P13

I will contribute to global environmental conservation by focusing on CO2 emissions during the product lifecycle.

Contributing to Society through Business Activities

P17

I would like to help foster global innovation in healthcare by capitalizing on Canon's long-standing technologies in the field.

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

P21

I would like our imaging technologies to inspire people around the world.

Contributing to the Realization of a Sound and Fair Society

P25

I would like to help persons with disabilities to participate more in society.

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

P27

I hope to contribute to society by utilizing the ability photographs have to tell a story.

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

At Canon, we strive to reduce environmental burden at all stages of the product lifecycle in line with the goals of our Environmental Vision "Action for Green," namely, providing "highly functional products" with "minimal environmental burden."

Reducing CO_2 Emissions throughout the Product Lifecycle

For more than two decades, since 1992, Canon has continued to research lifecycle assessment (LCA) methodologies that ascertain and assess the environmental impacts a product makes throughout its lifecycle. Initially, these assessments focused on the results of data for finished products, but in recent years we have been able to actually predict the outcome of assessments thanks to our LCA database and more advanced systems for implementing LCA during the product development stage. Leveraging these outcomes, we have constructed an LCA Development Management System that can manage the entire process in an integrated fashion, from target setting to actual product development and information disclosure, thus enabling us to develop even more environmentally conscious products.

Canon is committed to creating and delivering truly environmentally conscious products to more customers around the world.

Tomokazu Nakamura (left)
Office Imaging Products Device Technology Development Center
Office Imaging Products Operations
Canon Inc.

Norihiro Mochizuki (right)
Environment Promotion Division
Global Environment Center
Canon Inc.

To accelerate the development of environmentally conscious products, Canon has constructed an LCA Development Management System that incorporates lifecycle assessment into the product development process.

Our products operations use this system during product development to analyze factors that lead to CO_2 emissions for each LCA stage and to set reduction targets. The results are reflected in design target values for each function and are linked with the development plan for the elemental technologies integral to energy and resource savings, which in turn contributes to the reduction of CO_2 emissions. For example, in the case of the imageRUNNER ADVANCE C9280 PRO multifunction device, elemental technologies for reducing energy consumption during product usage, such as low melting point toner and energy-efficient fixing technologies, are employed to achieve industry-leading energy efficiency. Moreover, the product's exterior casing employs thinner and longer-lasting materials, recycled materials, and bio-based

The imageRUNNER ADVANCE reduces environmental impacts throughout its entire lifecycle

plastics to reduce its overall use of resources. Thanks to these innovations, the imageRUNNER ADVANCE C9280 PRO achieved about a 47% reduction in lifecycle CO_2 emissions compared to the previous model.

Canon also discloses the lifecycle CO_2 emissions, or carbon footprint, for its products on its website so that more customers can select environmentally conscious products and make informed decisions about the products they purchase.

While further promoting this system in the future, Canon hopes to accelerate the development of products that contribute to the realization of a low-carbon society and a recycling-oriented society, and ensure that such products are used more widely in society.

TOPICS

Canon Wins the Minister of Economy, Trade and Industry Prize at the Grand Prize for the Global Environment Awards

Canon's efforts to reduce CO_2 emissions by utilizing LCA in the product development process were recognized with the Minister of Economy, Trade and Industry Prize at the 23rd Grand Prize for the Global Environment Awards held in Japan in February 2014.

The Grand Prize for the Global Environment Awards was started in 1992 by the Fujisankei Communications Group, with the special assistance of the WWF Japan, as a way of recognizing companies and organizations for their efforts to achieve industrial development in harmony with the global environment.

Canon was praised for continually supplying the market with low-impact products through the use of LCA.

Awards ceremony in Tokyo

Carbon Offsetting for Multifunction Devices

> Canon's goal is to eliminate CO2 emissions attributed to the lifecycle of multifunction devices and help prevent global warming.

Canon has implemented a Carbon Footprint of Products (CFP) system, which visualizes the amount of CO_2 emissions throughout the product lifecycle, for customers to use as one of their selection criteria when purchasing a product.

In 2014, Canon became the first company to implement the CFP Offset Program launched by the Japan's Ministry of Economy, Trade and Industry for its multifunction devices. This program certifies that products have offset their CFP with an equivalent amount of credits earned from another GHG emission reductions project.

Our Refreshed series of six remanufactured multifunction devices, including the iR 3225F-R, received certification on this occasion. This program enables Canon to offset its CO_2 emissions from product shipment, usage, disposal and even recycling, resulting in zero CO_2 emissions* throughout the product lifecycle for the six certified models.

The *Donguri* (acorn) mark given to environmentally conscious products certified as producing zero CO_2 emissions by the Japan's Ministry of Economy, Trade and Industry

* Does not include CO_2 emissions attributed to paper usage.

Yuka Miyashita
Business Solution Company
Canon Marketing Japan Inc.

Developing Printers that Incorporate Cutting-Edge Energy-Saving Technologies

> We are pursuing contribution to society by reducing its environmental impacts with a laser printer that uses significantly less electricity.

In recent years, more and more companies have been making concerted efforts to reduce environmental impacts in the workplace. To respond to these needs and to contribute to the reduction of environmental impacts in society as a whole, Canon is striving to reduce the amount of electricity its products use.

Canon has been able to significantly reduce the electricity usage of its LBP7100 series laser printer by improving network functions and other performance factors, and by combining its advanced environmental technologies, such as those that improve power-source conversion efficiency and reduce the energy usage of controllers. This has helped us achieve a TEC value* that is about 73% less than the previous model.

Our products contribute to more efficient and environmentally responsible business operations by curbing power consumption while at the same time achieving fast output speeds.

Canon stands committed to continually producing products that realize both high functionality and low environmental impact.

LBP7100 series

* **TEC value**
An environmental indicator for the amount of power consumed by a printer in assumed conditions during a one-week period

Keisuke Samejima
Peripherals Development Center 2
Peripheral Products Operations
Canon Inc.

Promoting Recycling Initiatives around the World

> Canon is strengthening worldwide recycling systems to further minimize the use of resources.

The Canon logo is a registered trademark in more than 180 countries and regions, while its products are used in every corner of the earth. One of our greatest responsibilities is to collect and recycle these products after use, thus making full use of our limited resources.

Therefore, Canon has established recycling bases in Japan, the Americas, Europe and Asia in order to promote the recycling of its products globally. Today, Canon is continuing to refine this system, expand its throughput capacity, and increase the amount of recycled materials it uses.

Canon has been recycling toner cartridges for more than two decades, starting a collection program back in 1990. These recycling activities are made possible through close collaboration between development departments, technology departments, recycling hubs and production bases.

For example, Canon Virginia, Canon's recycling hub for the Americas, opened a new recycling plant for color toner cartridges in 2008 to complement its existing monochrome toner cartridge recycling efforts. This new plant made it possible to establish a system in which color cartridges can be recycled as materials. Furthermore, in 2013, a new plant designed to improve the quality of recycled materials was opened.

Meanwhile, Canon Bretagne, Canon's recycling hub for Europe, opened a recycling plant for color toner cartridges in 2013 and expanded its capacity for recycling high-impact polystyrene (HIPS), a major type of plastic.

These system reinforcements will help us to reduce the amount of new materials we use and to continually examine technologies that can help further improve recycling efficiency.

Takashi Matsumoto
Chemical Products Planning Center
Peripheral Products Operations
Canon Inc.

Canon Virginia's toner-cartridge recycling plant

Contributing to Society through Business Activities

Canon strives to help find solutions to various social issues by offering to the world products and services that leverage its advanced technological strengths.

Contributing to Healthcare

Ever since it developed an indirect X-ray camera for the diagnosis of tuberculosis soon after its founding in the 1940s, Canon has continually contributed to the improvement of people's health through its work with ophthalmic equipment and digital radiography. Today, medical equipment represents one of our most important business segments. In 2010, we welcomed OPTOPOL Technology of Poland into the Canon Group, aiming to further strengthen our presence in the field of ophthalmology. We also work closely with prominent medical institutions around the world to develop cutting-edge imaging technologies and medical equipment that reduce patient burden and contribute to the early detection of disease.

> I want to contribute to the early detection of retinal disorders that lead to blindness by incorporating feedback from the frontlines of medicine.

Ori Zahavi
Product specialist
Medical Imaging Group
Canon Europa N.V.

Our focus has been on optical coherence tomography (OCT), which is a type of ophthalmic equipment that can obtain three-dimensional cross-section images of the retina that were not possible before using conventional retinal cameras. This ophthalmic equipment has garnered attention for its support of the early, accurate diagnosis of retinal disorders, including such leading causes of eyesight loss as age-related macular degeneration and glaucoma.

For example, in 2013, Finland's Oulu University Hospital installed Canon's OCT-HS100 fundus-examination device. This particular university is known internationally as a pioneer in retinal imaging diagnosis for retinal disorders caused by diabetes, glaucoma and other conditions.

Ophthalmology clinics need to examine a large number of patients with differing conditions every day, including children and the elderly, which makes diagnostic speed and equipment usability very important. With an axial resolution of 3µm, the OCT-HS100 offers excellent depth resolution, making possible the capture of high-quality

The OCT-HS100 optical coherence tomography fundus-examination device installed at Oulu University Hospital in Finland

images of each part of the retina for highly accurate examinations of even microscopic lesions. Featuring a scanning speed of 70,000 A-scans[1] per second, the Canon OCT-HS100 is capable of generating a 3-D tomogram of the retina as large as 13 x 10 mm[2] in approximately two seconds. The Canon OCT-HS100 is also easy to use, as all the basic functions from patient positioning to imaging and data analysis are performed on a computer. These features were the determining factor behind the hospital's installation of the OCT-HS100.

In this way, Canon's OCT accommodates the needs of healthcare professionals and reduces patient burden during exams. As a sales representative, I would like to listen carefully to feedback from the frontlines of medicine, identify issues, and reflect this new knowledge in our future product

development. My goal is to leverage Canon's technological strengths to help identify and treat retinal disorders as early as possible for more patients around the world.

[1] A-scan
A type of amplitude modulation scan
[2] Specifications differ based on the software version.

Stakeholder Opinions

Speed and user-friendliness are important factors for the staff performing the exam and the patient. Canon's OCT excels in both these areas. For example, Canon's OCT enables quick and easy exams for children and the elderly, providing accurate images even if they blink. Canon's OCT has also helped to greatly improve accuracy and efficiency as the time it takes to forward images has been reduced significantly compared to conventional OCT.

Sylvi Savolainen
Medical Photography Unit
Department of Ophthalmology
Oulu University Hospital

Contributing to Safety with Network Cameras

> I take pride in knowing that Canon can contribute to a safer and more secure society.

With the recent increase in the number of crimes in Japan involving children, the number of kindergartens and daycare centers that use network camera systems to prevent crime as well as watch over the children is on the rise. In November 2013, Yayoidai Kindergarten in Yokohama installed one of our high-performance network camera models, the VB-M600VE.

Canon's network cameras deliver a balance of clear image quality, which helps to safeguard children in minute detail, and a wide field of view, which can cover the playground all the way to the back gate where the bus arrives, serving as another eye that can watch over an entire kindergarten or daycare center.

Moreover, network cameras make it possible to check on the children from anywhere and at anytime using a tablet device or smartphone, so I've heard that they help to improve management of site security.

I endeavor to propose network camera solutions tailored to a broad range of needs, and in the process, contribute to a safer, more comfortable living environment for people.

Masakazu Tsumoto
East Japan Specified Business
Solution Division
Canon Marketing Japan Inc.

Stakeholder Opinions

We decided to install a network camera system in order to provide added peace of mind to the parents and guardians of children that attend our kindergarten. We selected Canon because it is a trusted brand, and we are fully satisfied with the network camera's excellent performance and features.

Futoshi Yanagiya
Vice Principal
Yayoidai Kindergarten

Canon network camera installed at Yayoidai Kindergarten

The landscape of Sunpu town during the Edo period comes to life in the present with a dedicated MR head-mounted display

Contributing to the Promotion of History and Cultural Heritage Using Mixed Reality

> I hope our advanced imaging technology Mixed Reality will benefit a broad range of society.

Mixed Reality, or MR for short, refers to the merging of real and computer-generated virtual worlds. Canon was among the first to develop this advanced technology, and in 2012 we launched the "MREAL" brand.

MR has the potential to drastically alter the way we live, work and communicate. With this in mind, we have been sharing information about this exciting new field at exhibitions and other events. One day, we received a request from the city of Shizuoka to bring Sunpu Castle back to life using the MR System.

Sunpu Castle is perhaps most widely known as the residence of Tokugawa Ieyasu after he stepped down as shogun. Most of the castle's original structure has been lost due to fires and earthquakes. The city of Shizuoka is working to bring this heritage site back to life for a program of events in 2015 to commemorate the 400th anniversary of Tokugawa Ieyasu's death, but completely restoring the castle would require a huge financial investment. We therefore proposed that they employ the

MREAL System to create an interactive historical experience. They agreed, and now a new interactive exhibit opened in another restored building in April 2014.

Visitors to the exhibit wear a specially designed head-mounted display (HMD) that takes them back in time to see Sunpu Castle in all its glory and to experience the town of Sunpu during the Edo period. The city of Shizuoka hopes that this exhibit will provide a valuable opportunity to experience the city as it was 400 years ago, and instill a sense of pride and interest in the city's local heritage.

Until now the MREAL System was sold to the manufacturing industry as a system for supporting more efficient and accurate 3D CAD design work, but through this experience, we have found another avenue for the MREAL System to create value by contributing to the promotion of history and cultural heritage. I would like to expand the scope of MREAL System applications to make even more contributions to society in the future.

Naohiko Kamisawa
Mixed Reality Business Division
Canon IT Solutions Inc.

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

For many years Canon has worked to elevate the culture of photography, and has remained strongly mindful of its ability to enrich society through cultural developments that bring joy and inspiration to people's lives. As part of this commitment, Canon takes part in a wide range of activities that contribute to the promotion of the arts, science and sports.

Helping to Pass on Traditional Culture

Since 2007, Canon has been involved with the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, in cooperation with the Kyoto Culture Association (NPO). The program is a social-contribution activity that aims to preserve original cultural assets and to maximize the effective use of high-resolution facsimiles. It combines Canon's cutting-edge digital imaging technology with the traditional Kyoto craft technique to create unique high-resolution facsimiles of Japan's rare cultural assets. These facsimiles are donated to museums or other facilities where they can be widely appreciated by the general public, with the ultimate goal of allowing people around the world to view and appreciate these important pieces of Japan's cultural heritage.

> We are committed to utilizing our technologies to pass on as many important cultural assets to future generations as possible.

Ryosei Fujiwara
Corporate Social Responsibility Division
Canon Inc.

The Tsuzuri Project selects cultural assets for facsimiles based on the two themes, namely, Japanese cultural assets now overseas, and cultural assets as "living aids" for teaching Japanese history. As for the first theme, truly unique Japanese paintings belonging to the Price Collection have long been considered candidates for facsimiles. We initially thought it would be difficult to achieve since it is a private collection, but after approaching Mr. Price and explaining the mission and cultural significance of the program, we were able to gain his

understanding and support. In particular, he commended the use of Tsuzuri Project works in educational programs for children, and we later gained his approval to create high-resolution facsimiles of the folding screen *White Elephant and Black Bull* by Nagasawa Rosetsu, which offers a unique contrast with the white elephant and black bull.

The completed facsimiles were donated to the Sendai City Museum in support of the recovery efforts following the Great East Japan Earthquake. Canon also lent its support as a special sponsor of *Jakuchu's*

Workshop on the *White Elephant and Black Bull* folding screen, organized by art collector Joe Price and his wife

here!–The joy and beauty of Edo period painting from the Price Collection to support and energize the Tohoku recovery, a special exhibition held in the three prefectures of the Tohoku region that attracted many people from all across Japan. After receiving the approval of the Sendai City Museum, the facsimiles were displayed at each of the venues. All proceeds from the exhibitions went to those areas in the region hardest hit by the earthquake and tsunami.

After viewing the facsimiles of folding screens under both natural and artificial light, the children expressed wonderment at how different their view was under natural light, making such comments as, "The elephant and bull look like they're in 3D." Mr. Price was also thrilled with the workshop, as children were able to view the high-resolution facsimiles in conditions similar to those of someone from the Edo period.

These exhibitions made me once again aware of the power of art to calm and soothe people's spirits. Using this experience, I would like to expand the activities of the Tsuzuri Project even further in the future.

Stakeholder Opinions

I organized the *Jakuchu's here!* exhibition because I wanted the people of Tohoku to see the beauty and spirit imbued in Edo painting, and in particular I wanted the children to feel a renewed sense of joy. The high-resolution facsimiles of *White Elephant and Black Bull* made for the Tsuzuri Project depicts the original with extreme precision, which makes it possible for local children to enjoy the work up close. In this regard, I feel the project was a wonderful experience for all involved.

Joe Price

Key Activities Report

Contributing to Cultural Improvement;
Supporting the Arts, Science, Sports, etc.
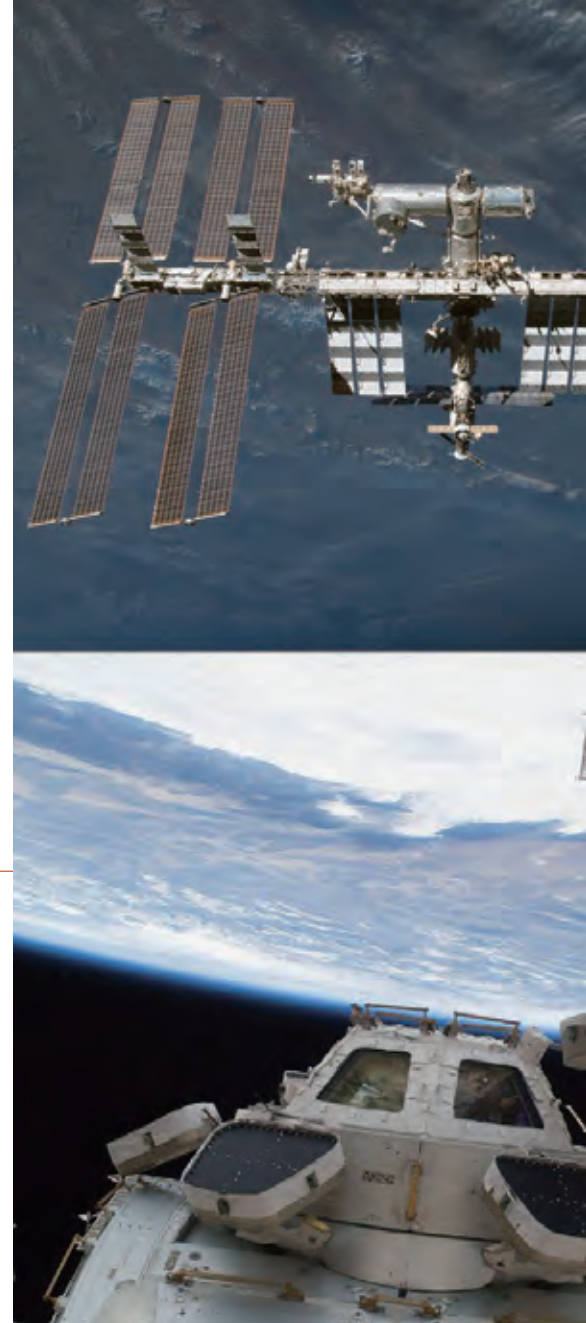
Contributing to Astronomical Sciences

Canon has made a number of contributions to astronomical sciences through its optics technologies. For example, Canon developed and manufactured the sophisticated wide-field corrector lens unit installed in the Subaru Telescope operated by the National Astronomical Observatory of Japan at the NAOJ Hawaii Observatory. This technology has contributed to the outstanding success of the telescope, including discoveries of distant galaxies. Since being installed on the Space Shuttle Discovery in 2007, Canon's XH G1 professional camcorder has also been put to use capturing images on the space station. Additionally, the camcorder has been utilized on the International Space Station (ISS) for sharing important footage of space with people on the ground. Canon is committed to tackling the challenges of technological innovation to unleash the potential of video imaging and meet the needs of astronomy.

> I hope to capture beautifully vivid images of this once-in-a-lifetime event that can also be used in future research.

Naoki Emoto
Imaging Solution Planning Division
Canon Marketing Japan Inc.

Discovered in September 2012, Comet ISON garnered worldwide attention due to the fact that, of the large comets expected to pass through our galaxy in the coming years, this comet would pass nearest the sun and be visible from the Earth. However, we would only get one chance. Once the comet passed, we would not have another chance to observe it from the ground in our lifetime. So, observatories around the world were faced with the task of how to capture a clear, vivid recording of the comet moving along its path.

To make the most out of this rare opportunity, Canon's Cinema EOS System was employed to film the comet from the ISS. This particular system was selected for its high sensitivity, recognized by Hollywood and other professional film producers, and also its ability to withstand the harsh environment of space thanks to some structural modifications.

The ultra-high-sensitivity 4K camera was used to take the world's first images of Comet ISON from the ISS at 7:08p.m. on November 23, 2013 (Japan Standard Time).
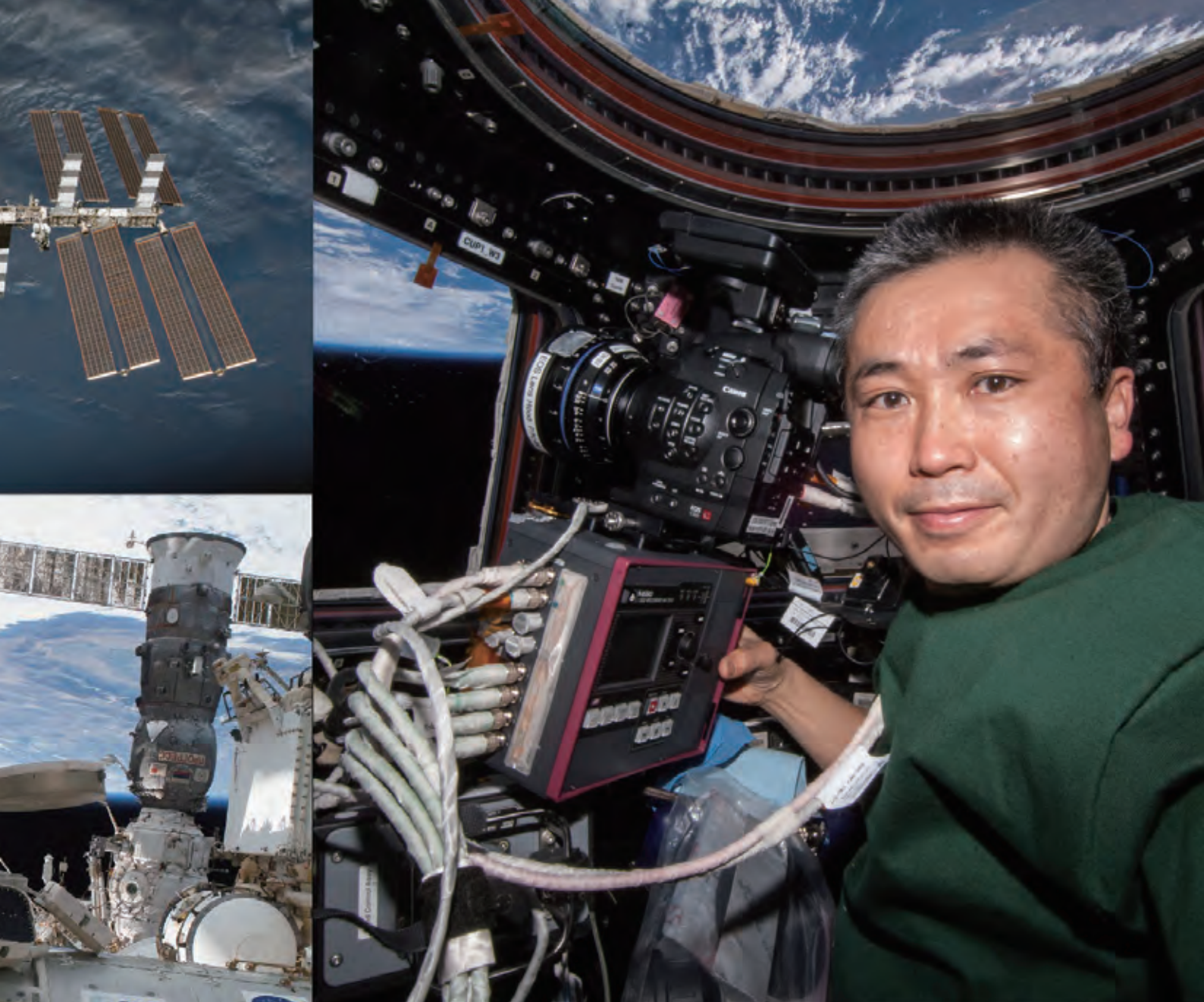
Astronaut Koichi Wakata taking images of Comet ISON from the ISS(©JAXA/NASA)

After these images were filmed, Comet ISON is believed to have broken up after passing by the sun. This extremely rare footage therefore has great academic value.

While the Cinema EOS System is expected to expand the realm of possibilities in the film production arena, including motion pictures, the successful filming of Comet ISON demonstrated its potential to contribute to other fields as well. I hope to expand the ways in which the Cinema EOS System can contribute to astronomy and to other academic fields, such as the preservation of cultural assets through high-resolution images.
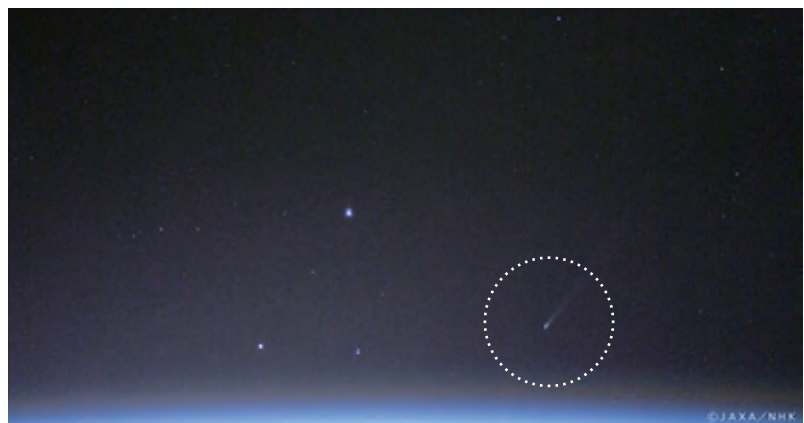
Image of Comet ISON taken from the ISS (©JAXA/NASA)

Contributing to the Realization of a Sound and Fair Society

Recognizing its responsibilities as a global corporation, Canon focuses on compliance activities that prevent scandals and legal violations as well as on diversity initiatives designed to create environments in which employees can work with peace of mind, regardless of gender or race.

Helping to Expand Job Opportunities for Persons with Disabilities

Canon Wind, established in 2008 as a special subsidiary of Oita Canon through a joint venture with Gyoun Welfare Association, is dedicated to increasing employment opportunities for persons with disabilities and helping them play a greater role in society. The company has to date hired 23 persons with intellectual disabilities, and all still remain with the company today. Canon Wind strives to achieve its corporate philosophy of *kyosei* by encouraging all employees, regardless of whether they have a disability or not, to deepen their understanding of each other and work together as members of the Canon family.

> Our goal is to make Canon Wind a place where persons with intellectual disabilities can feel engaged in their work.

Emiko Fuchikami
Manufacturing Department
Canon Wind Inc.

Canon Wind creates a dynamic work environment for employees with intellectual disabilities while at the same time pursuing corporate profitability and sustainable business activities. Specifically, Canon Wind is responsible for certain digital camera assembly processes for its parent company, Oita Canon. To make this possible, we need to acknowledge the differing degrees of disability of our employees, carry out appropriate training, and devise strategies to ensure work is completed correctly and reliably.

One of these strategies has been the development of "magic" tools. Thanks to the support received from the production technology departments at Oita Canon, we have designed some unique and ingenious tools that make work tasks safer and more efficient. For example, the "easy three-time process" was developed for the work of attaching insulation sheets to parts in digital cameras. This process simplifies the series of work tasks and helps workers complete their tasks by encouraging them to "follow a one, two, three rhythm," "have fun while working," and "visualize the completed task."

Canon Wind boosts employee morale and productivity through the use of innovative tools

Such innovations have allowed Canon Wind to expand its scope from the simple work processes that it was limited to at first, such as packaging bundled accessories for digital cameras, to the assembly of actual camera units.

The pride our employees feel when a finished product they helped create is delivered to the customer has served as an important motivating factor. As a result, all of the employees we have hired since our establishment remain with us today. We believe that this is due not only to the "magic" tools, but also the hard work of the employees themselves along with those involved in the operations of Canon Wind who have supported their efforts. That is, everyone has a strong conviction to create a better workplace environment where people will want to continue working. I am very proud to be involved in these activities and I hope that all of our employees will continue to remain with us.

Canon Wind Employee Wins Award at Abilympics

The Abilympics are organized to improve the occupational skills of persons with disabilities and to raise awareness among society. Participants in the Abilympics compete against one another to perform the skills they have learned in the workplace. Canon Wind employee Yuya Oshiumi received a Merit Award in the Product Packing Category at the 34th Abilympics held in November 2013. Mr. Oshiumi expressed his happiness at the commendation he received for his attention to detail that had been improved through his daily work, saying, "I did my very best. It felt good."

At the competition site

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

Canon engages in humanitarian assistance efforts, which include monetary donations and fundraising activities, for people and regions that have suffered from natural disasters or conflict. Canon also capitalizes on the communicative power of images to support activities that convey the actual conditions in disaster areas.

Assisting the UNHCR's Visit to Syrian Refugee Camps

The office of the United Nations High Commissioner for Refugees (UNHCR) is an international organization that protects and assists refugees around the world. Canon has been providing ongoing assistance to the Japan Association for UNHCR, authorized entity to receive donations on behalf of UNHCR in Japan. It also works to raise greater awareness of refugee issues within Japanese society. As a result of the prolonged conflict in Syria, more than two million people have become refugees. Last year, Canon dispatched an employee photographer to Jordan, where most of the Syrian refugees are living. Canon has also provided special support to the UNHCR Refugee Film Festival since 2007. As a global corporation, Canon will continue to contribute to the resolution of issues faced by the international community.

> I want to convey an accurate, realistic picture of refugee issues around the world through the power of photography.

Kazuhito Yamaguchi
Corporate Media Division
External Relation Headquarters
Canon Inc.

The Japan Association for UNHCR has been appealing for further assistance by highlighting the plight of Syrian refugees to people around the world. Canon received a request for assistance from the Japan Association for UNHCR, which was going to visit Syrian refugee camps, and then decided to dispatch an employee photographer to Jordan with the group. In September 2013, I headed for Jordan hoping to utilize the skills I have gained as a photographer for Canon.

Actually, I had no special knowledge of the conflict in Syria. However, I read a number of reference materials before leaving, which educated me on the seriousness and complexity of the conflict. This also made me very sympathetic toward the UNHCR's stance to provide real humanitarian assistance, and I felt a great sense of joy knowing that I could help.

Upon arriving I was struck by the harsh reality faced by the refugees who had been forced to flee their homeland. Despite this, the bright eyes of the children I encountered provided a ray of hope. I sincerely hope that the civil war will end

A refugee camp photo taken by Canon photographer Kazuhito Yamaguchi

soon and the children can return to their homes before their brightness fades.

The civil war in Syria cannot be solved by the efforts of one individual such as myself, but just one photograph has the power to show many people the situation and appeal to their emotions. The photographs I took on this trip have since been published on the website and in the brochures of the Japan Association for UNHCR. Nothing would make me happier than for these photographs to raise awareness of refugee issues and bring in more donations, giving more refugees a hope for the future.

I believe that even the smallest thing can have an impact if it continues. With that in mind, I hope to continue putting my skills to use in helping to sustain Canon's social contribution activities going forward.

Stakeholder Opinions

One of the most critical challenges we face with regard to refugee issues is fostering greater awareness and support. The power of images makes it possible to convey the anxiousness, fear and dignity of people forced to become refugees around the world. As a company involved in the imaging industry, Canon's activities are very compatible with ours, and I look forward to their continued support in raising awareness and understanding for the displaced.

Michael Lindenbauer

Representative
UNHCR Representation
in Japan

Contributing to a Sustainable Earth and Society

How can we make a difference for the future and in the international community?

Canon is fully aware of its influence on society as a global corporation. We therefore carry out activities from various standpoints in order to fulfill our responsibilities to society. Reporting on these activities is arranged according to the ISO 26000 Core Subjects.

Global Environmental Conservation

Canon promotes environmental assurance activities across the entire Group, establishing environmental goals and an Action Plan in order to realize a society that promotes both enriched lifestyles and the global environment as outlined in our Environmental Vision. Every year, we closely monitor the progress of our initiatives throughout the product lifecycle, making steady strides toward "energy conservation," "resource conservation," "elimination of hazardous substances," and "biodiversity conservation."

ACTION for GREEN

Multifunction inkjet printers offering improved usability while at the same time considering the environment

TOPICS 2013
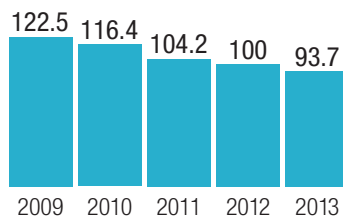
Lifecycle CO₂ emission rate improved by 6.3% per product

Aiming to reduce the environmental impacts of products throughout the entire lifecycle, Canon has set its sights on improving the lifecycle CO_2 emission rate by 3% per product in comparison to 2012, and is implementing measures to achieve that goal. In 2013, the lifecycle CO_2 emission rate per product was improved by a full 6.3% over 2012, far outpacing the target goal, due in large part to improvements in logistics and during product use.

❷CO₂ emission rate from raw materials and customer use improved by 3.3% per product

CO_2 produced during the procurement of materials and parts as well as during customer use accounts for 72% of emissions in the entire product lifecycle (2012 data). In order to decrease environmental impacts during these stages, Canon set a goal of improving its emission rate by 3% per product in comparison to 2012 and implemented measures to achieve this goal. In 2013, we achieved further improvements for office and consumer products and were able to improve the emission rate by 3.3% compared to 2012, successfully reaching our goal.

Lifecycle CO₂ Emission Rate per Product

2009	2010	2011	2012	2013
122.5	116.4	104.2	100	93.7

* 2012 results set as 100

Stakeholder Feedback

• I believe that consumer consciousness will change and awareness of the environment will increase thanks to the visualization of CO₂ emissions during the product lifecycle. I would like Canon to continue focusing on creating environmentally conscious products and further use and develop the Carbon Footprint of Products. (Consumer in Asia)

Reporting in Accordance with ISO 26000

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

Environmental Goals and Results

Canon establishes environmental goals and monitors its progress on a yearly basis. Initiatives are continually undertaken to reach these goals, which focus on minimizing lifecycle CO_2, raw materials/use CO_2, and the energy consumption at operational sites. Targets have also been set at our operational sites for reducing waste generation, water usage, and chemical emissions, with ongoing steps being taken to improve on them.

	2013 Environmental Goals	**2013 Results**	**2014–2016 Mid-Term Environmental Goals**
Lifecycle	Improve lifecycle CO_2 emissions by 3% per product (compared to 2012) …❶	6.3% improvement over 2012	Improve lifecycle CO_2 emissions by 3% per product (annual average compared to 2013)
Production	Improve raw materials/use CO_2 emissions by 3% per product (compared to 2012) …❷	3.3% improvement over 2012	Improve raw materials/use CO_2 emissions by 3% per product (annual average compared to 2013)
Operational sites	Improve energy consumption basic unit at operational sites by 1.2% (compared to 2012) …❸	3.9% improvement over 2012	Improve energy consumption basic unit at operational sites by 1.2% (annual average compared to 2013)
	2013 Environmental Goals	**2013 Results**	**2014 Environmental Goals**
	Improve total waste generation basic unit at operational sites by 1% (compared to 2012)	2.8% improvement over 2012	Improve total waste generation basic unit at operational sites by 1% (compared to 2013)
	Improve basic unit of water usage for production by 1% (compared to 2012)	4.1% improvement over 2012	Improve basic unit of water usage for production by 1% (compared to 2013)
	Improve emission basic unit of controlled chemical substances by 1% (compared to 2012)	1.2% improvement over 2012	Improve emission basic unit of controlled chemical substances by 1% (compared to 2013)

Raw Materials/Use CO_2 Emission Rate

2009	2010	2011	2012	2013
110.2	107.3	101.9	100	96.7
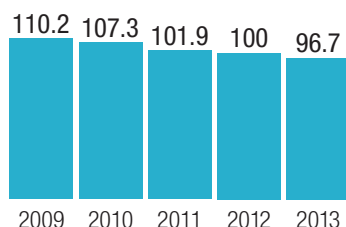
* 2012 results set as 100

A Canon imageRUNNER ADVANCE used at an office in Europe

❸ Energy consumption basic unit at operational sites improved by 3.9%

As for initiatives at our operational sites, we set a goal for manufacturing bases to improve the energy consumption efficiency rate by 1.2 % compared to 2012. Various measures were implemented in order to achieve this goal. For example, we made changes to facility operations and lighting usage to improve fixed-use energy, which is less likely to be affected by changes in production. As a result, we reduced total energy consumption basic unit by 3.9% compared to 2012, reaching our target.

Trends in Energy Consumption per Basic Unit

2009	2010	2011	2012	2013
129.3	107.5	99.4	100	96.1
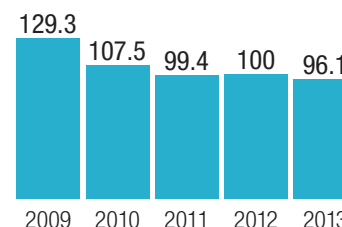
* 2012 results set as 100

The new headquarters building of Canon U.S.A.

• Global warming is a serious international issue. I would like Canon's CO_2 reduction efforts to serve as a positive example for other companies. (Government official in Asia)

• I can readily see that Canon's environmental activities extend to the supply chain and how these activities are being carried out. (University official in Japan)

Reporting in
Accordance with
ISO 26000

Global
Environmental
Conservation

Respecting
Human Rights

Establishing a
Proper Workplace
Environment

Fair Operating
Practices

Customer Care

Regional and
Community
Contributions

Organizational
Governance

Environmentally Conscious Management

Environmental Charter and Vision

Canon Group Environmental Charter

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

The charter addresses the theme of maximizing resource efficiency by harmonizing the dual approaches of environmental assurance and economic activities, and clearly sets forth environmental assurance activities for the entire Group.

Canon Group Environmental Charter

Corporate Philosophy:
Kyosei
Achieve corporate growth and development while contributing to the prosperity of the world and the happiness of humankind.

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

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

EQCD Concept

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

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

Reporting in Accordance with ISO 26000

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

Canon Environmental Vision

With environmental issues such as climate change, resource depletion, and chemical pollution becoming more serious, tighter regulations related to these issues have been passed and public awareness of the environment has increased, resulting in a change in market needs. Failure to meet these changing restrictions and needs carries with it the risk of damage to a company's credibility.

Canon's vision for a sustainable society is one that promotes both enriched lifestyles and the global environment. We have established "Action for Green" as our environmental vision for achieving this goal. Under this vision, we are working closely with our customers and business partners to reduce environmental impacts, focusing on the entire product lifecycle. The key elements of this vision include energy conservation, resource conservation, elimination of hazardous substances, and biodiversity conservation.

At the same time, Canon recognizes that the increasing environmental needs in the marketplace have created business opportunities for highly competitive products. With this in mind, we are carrying out technological innovations in order to create value-added products that realize high functionality while at the same time cause minimal environmental impact.

Canon Environmental Vision

Action for Green

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

Management System

Environmentally Conscious Management System

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

In the management system, to promote environmental assurance activities (Do), which are linked with activities of each division (products operations and operational sites of Group companies), we set annual and mid-term environmental goals (Plan) and establish a specific Environmental Action Plan, which are reflected in our business activities. We also implement an environmental performance evaluation system (Check) to assess our performance and then work to improve and enhance our environmental assurance activities (Act).

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

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

Canon's Environmentally Conscious Management System
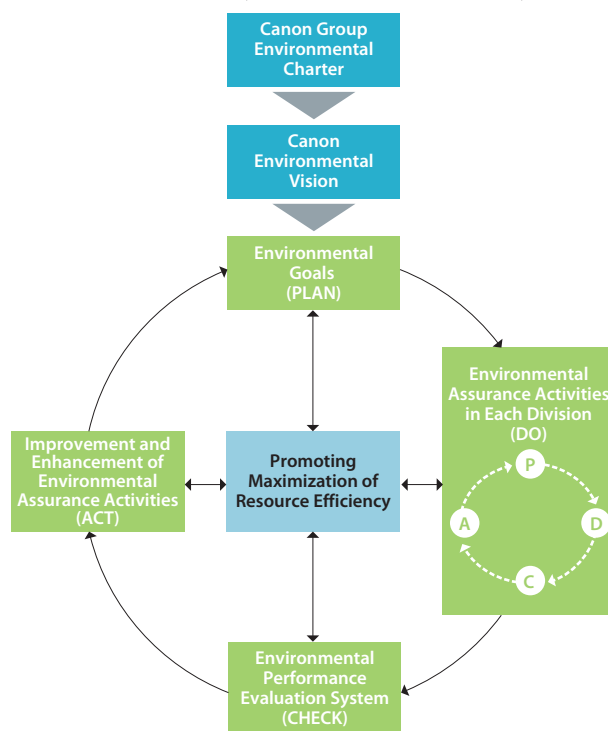
Consolidation of ISO 14001 Certification

Canon has been creating environmental management systems (EMS) and acquiring ISO 14001 certification at operational sites both inside and outside Japan since 1995. After initially establishing and implementing EMS at individual operational sites, since 2004 we have striven to gain consolidated ISO 14001 certification to ensure appropriate decision making from

Reporting in Accordance with ISO 26000

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an optimal Group-wide perspective, utilizing environmental data compiled from all operational sites. This objective was achieved for manufacturing and marketing subsidiaries inside and outside Japan in 2007.

As of December 2013, Canon Inc. and 127 Group companies (total of 128 companies) in 40 countries and regions worldwide were covered by the consolidated ISO 14001 certification.

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

Reference: ISO 14001 Certifications Obtained
http://www.canon.com/environment/produce/data/iso14001.html

Global Environmental Promotion System

Canon is building a global environmental promotion system, headed by the Executive Vice President of Canon Inc., who serves as the director in charge of the environment, to ensure that Group companies throughout the world approach environmental management in a unified way. Key to this system is Canon's Global Environment Center, which is an organization that reports directly to the President of Canon Inc.

The Global Environment Center, under the supervision of the director in charge of the environment, monitors and analyzes environmental regulatory information, sets policies and rules for the Group as a whole, and develops and manages evaluation methods for environmental assurance activities. It also plans and implements concrete measures in accordance with its policies. In order to increase the reliability and efficiency of Canon's environmental measures, the Center also creates systems for the promotion of product- and production-oriented environmental activities, and manages Group-wide operation of these systems. The head of the Center oversees the environmental assurance activities of the entire Canon Group as the management representative of the Canon Group environmental management system. The head also reports the progress and results of this system to the President and Executive Vice President of Canon Inc. in management reviews.

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

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

Important decisions concerning environmental policy and goals are deliberated and approved by the Executive Committee.

Global Environmental Promotion System
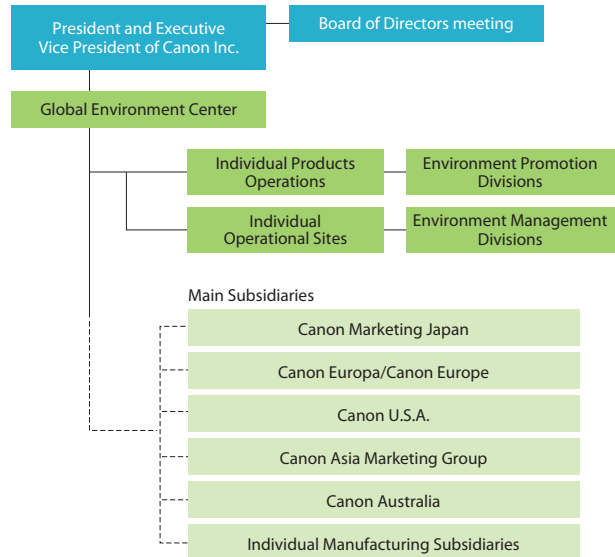
• Environmental Performance Evaluation System

Canon utilizes consolidated performance evaluations to assess management conditions at individual products operations and Group companies. Since 2001, these evaluations have also incorporated an environmental performance evaluation system. Environmental performance evaluations are carried out by the Global Environment Center, under the supervision of the director in charge of the environment, according to a point system in which achievements of individual products operations, manufacturing and sales companies are evaluated based on the established criteria linked to the environmental goals. These environmental evaluations account for approximately 10% of the overall consolidated performance evaluation. Results are announced to the Group every six months.

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

Environmental Performance Evaluation Process
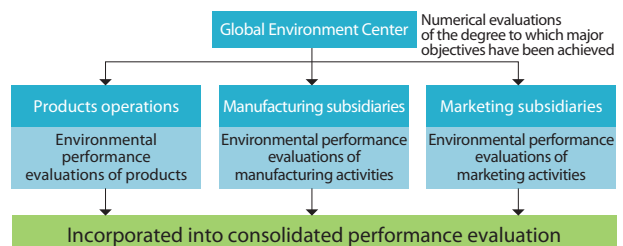
Environmental Audits

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

The audits are conducted based on the Canon Group Audit Policies issued by the head of the Global Environment Center as the EMS management representative, under the supervision of the director in charge of the environment. Under the policies, the Global Environment Center conducts environmental audits of operational sites and products operations, and the audit divisions at those sites and products operations also conduct operational site environmental audits and product environmental audits of divisions under their administration. Mutual cross-site audits are also carried out in certain locations.

Audit results are compiled by the Group audit management section of the Global Environment Center, and reported to the President and Executive Vice President by the EMS management representative in management reviews.

In 2013, auditor training was carried out by the Global Environment Center in response to requests from operational sites. Support was also given for audits conducted internally.

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

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

Environmental Education

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

Canon takes a two-pronged approach to environmental education, awareness training and focusing on specialized education and awareness training. Awareness training aims to impart basic environmental knowledge to all employees, while specialized education is to develop key personnel in environmental assurance with specialized knowledge and training concerning environmental management, and focuses on the development of personnel involved in environmental assurance activities (refer to the table below).

During 2013, we instituted a new specialized education program on product and environmental assurance for developers and designers. To date, a total of 43,895 employees have participated in awareness training and 3,644 in specialized education.

Audit System
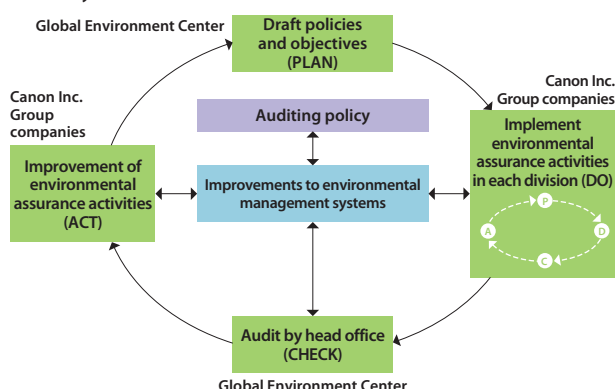
List of Environmental Training Programs

Training Program			Outline
Awareness Training	Global Environmental Education Self-Awareness Program		All Group employees develop a basic understanding of environmental issues.
	Environmental Management Education for Managers		Managers study the relationship between individual workplace tasks and environmental assurance activities, learning how to best influence the organization's environmental measures.
	Environmental Program for Employees Working outside Japan		Employees stationed outside Japan learn about societal trends related to the environment, Canon's endeavors, and various laws and regulations.
Specialized Education	Environmental Auditor Training	Basic Course 1 (operational sites)	Basic knowledge and technical skills related to environmental audits of operational sites.
		Basic Course 2 (product environment)	Basic knowledge and technical skills related to environmental audits of product environments.
	Product Environmental Assurance Product Inspector Training		Staff and experienced employees study the inspection process involved in product chemical substance assurance, learning about data inspection and verification methods.
	Evaluation of Suppliers Environmental Assurance Training		Knowledge requirements and environmental assessment methods those need for Suppliers' environmental assurance.
	Product and Environmental Assurance for Developers and Designers		Product developers and designers study technical standards, related regulatory developments and products developers assessment methods that require environmentally conscious designs.
	Chemical Substance Manager Training		Employees in charge of product chemical management systems learn about the appropriate use and management of chemical substances, focusing on both environmental and safety and health issues.

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Compliance with Environmental Regulations / Risk Communications

• Environmental Regulation Compliance Management

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

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

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

In 2013, Canon did not have a single legal violation or accident that seriously impacted the environment. The Canon Group did not incur any fines either.

• Environmental Risk Communication

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

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

Canon maintains regular contact with local authorities to discuss environmental safety management issues. Canon has also set up contact points at individual operational sites for the purpose of engaging stakeholders. Complaints made to these contact points are reported to the President of Canon Inc. through the Global Environment Center.

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

Environmental Areas		Major Global Laws, Regulations and Standards	Canon's Actions
CO$_2$ Reductions (Energy Conservation)	Operational Sites	UN Framework Convention on Climate Change	Focusing on reducing CO$_2$ emissions and conserving energy through environmental activities at operational sites.
	Products	Energy-efficiency regulations by country, with a focus on Europe and the United States	Ensuring full compliance with the energy-efficiency regulations of each country for consumer and office equipment, including requirements for power consumption during stand-by mode, energy-efficient external power supplies, and battery chargers, by carrying out reviews from the deliberation phase of the legislation onward.
Recycling (Resource Conservation)		• Recycling regulations in Europe/ WEEE (primarily targeting marketing companies) • Recycling regulations of US states • Recycling regulations in Asia (South Korea, India, Vietnam, etc.)	Participating in regional recycling schemes and implementing recycling programs at local marketing subsidiaries, placing logos on products to indicate proper sorting and disposal, and providing information to users as well as recyclers.
Nature Preservation		EU Timber Regulation (enacted in March 2013)	Complying with regulations for obtaining evidence (declarations) that verify and ensure timber or timber products sold in the EU do not contain illegally sourced timber from suppliers.
Management of Chemical Substances		Review of exemption of the EU RoHS Directive (to be expired by July 2016)	Promoting the use of alternatives (RoHS-compliant products) to every extent possible, including for exemptions. For applications on which exemptions are indispensable from a technological standpoint, sharing opinion as an electronics manufacturer by participating in the lobbying committee launched for exempted applications by industry associations in Japan and Europe.
		Restrictions on the use of specific hazardous substances enacted by Denmark, Norway and other countries	Similar to compliance with the EU RoHS and REACH, ensuring compliance across the entire supply chain by promoting alternatives and beginning reviews from the deliberation phase of the legislation, with regards to the increasing number of regulations enacted by individual countries.
		EU REACH Regulation (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemical Substances)	Completed second registration in 2013, and is working to comply with future registration deadlines in 2018. Active in development and improvement of the framework for electric and electronic industry compliance with REACH regulation. Conducting compliance activities, including investigation and notification in line with the framework.
		Standardization of green procurement • Participation in creation of IEC TC111 material declaration standards	Collaborating with other electrical and electronic equipment manufacturers to disseminate the Guidelines for the Management of Chemical Substances in Products. The management structure and process described in the guidelines have already been incorporated into the Canon Green Procurement Standards.
Eco-Label		International ENERGY STAR® Program	Promoting the energy efficiency of products for the new V2.0 standard for imaging equipment enacted in January 2014. Completed compliance and accreditation of most of our products, including copying machines, multifunction devices, printers, large-format printers, and scanners.
		EPEAT®	Proactively registering products, including multifunction devices, under EPEAT, which began for imaging equipment in 2013 as an official procurement requirement in the United States. Have already registered inkjet printers, scanners and fax machines, and will expand the number of registered products in the future.
		Japan Eco Mark	Have acquired the Japan Eco Mark for a wide range of product lines, including copying machines, multifunction devices, printers, large-format printers, projectors, calculators, tonner cartridges, and ink cartridges, by promoting environmentally conscious designs. As an industry representative, participated in the creation of revised standards for copying machines and printers conducted between 2013 and 2014 and promoted the creation of environmentally conscious products.
Provision and Disclosure of Environmental Information		Eco-Declarations	Actively participating in the development of declaration formats, such as The Eco Declaration (TED).

Environmental Accounting

Environmental Accounting

In 2013, we invested ¥17.52 billion in environmental preservation. Of this amount, ¥8.46 billion was dedicated to improvements in such areas as countermeasures for global warming and the efficient use of resources, which resulted in benefits of ¥11.27 billion.

2013 Results Through Environmental Accounting

■ Global environmental preservation　■ Resource recycling　■ Upstream/Downstream
■ Pollution prevention/management activities, etc.

(¥ billion)

Lower electricity costs from reduced energy consumption by products

• Environmental Accounting Results for 2013

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

Environmental Preservation Cost

(Billions of yen)

Category		Details of Key Activities	2013	
			Investment	Cost
(1) Business Area Cost			2.76	9.28
Details	Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	1.74	5.94
	Global Environmental Preservation Cost	Energy conservation, efficient logistics, prevention of global warming, etc.	0.69	1.54
	Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.33	1.80
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling[*1], etc.	0.02	5.20
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.01	2.03
(4) R&D Cost[*2]		R&D for reducing environmental impact	0.00	0.00
(5) Social Activity Cost		Contributions to environmental and other organizations, sponsorships, memberships, etc.	0.00	0.10
(6) Environmental Remediation Cost		Soil remediation	0.00	0.89
(7) Other		Other environmental protection-related costs	0.00	0.02
Total			2.79	17.52

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

Environmental Conservation Benefit

Details of Benefit		Environmental Protection Indices	
		Index	Index Value
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO_2)	9,233
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	65,072
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (t-CO_2)[*3]	1,927,000
		Recovery of used products (t)[*4]	82,638

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

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2013
Revenue	Sales revenue from waste recycling	2.22
Cost Reduction	Reduction in energy costs from energy conservation	1.46
	Reduction from green procurement	0.00
	Reduction in waste handling costs from resource conservation and recycling	1.92
Total		5.60

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2013
Lower energy costs from reduced product energy consumption[*5]	46.43
Profit from used product recycling	5.67

[*5] Calculated as the reduction in energy consumption of electrographic multifunction devices and printers sold in 2013 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

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Overview of Environmental Impacts

Reducing Lifecycle CO2 Emissions

Canon assesses the amount of CO_2 emissions produced during the product lifecycle (see graph below) and carries out environmental assurance activities based on an annual Action Plan.

Total lifecycle CO_2 emissions for the entire product lifecycle in 2013 amounted to approximately 5.99 million tons, an increase of around 280,000 tons (roughly 4.9%) over 2012. This increase can be attributed to a rise in industrial equipment production volume in conjunction with economic recovery.

Looking at the results by each lifecycle stage, CO_2 emissions increased in the manufacture of raw materials and parts, operational site activities, and customer use, but decreased for logistics. As for the manufacture of raw materials and parts and customer use, we are addressing to reduce the amount of raw materials and parts used through more compact and lighter weight designs achieved through product development that

focuses on the entire lifecycle. At the same time, we are working to reduce CO_2 emissions from product use by developing energy-saving technologies. With regards to operational site activities, we have carried out energy-saving activities that include raising equipment efficiency and eliminating waste at production sites. In terms of logistics, we have promoted modal shifts and enhanced transport efficiency, while also changing transport routes, to achieve significant reductions in CO_2 emissions.

As a result of efforts carried out in these stages, we were able to achieve a per-sales reduction of about 2% compared to 2012.

In 2014, we will continue with such initiatives as we strive to make improvements in each stage toward achieving our mid-term goals. Furthermore, our production sites have set improvement targets not only for the reduction of CO_2 emissions, but also for total waste generation, water use, and emissions of chemical substances, as part of their efforts to reduce all environmental impacts.

Lifecycle GHG Emissions (CO2 Equivalent)

	2009	2010	2011	2012	2013
Per unit of sales	1.7	2	1.89	1.64	1.61
Total	5,443	7,432	6,735	5,711	5,991
Customer use	1,462	2,430	2,043	1,459	1,808
Logistics	692	945	683	415	333
Operational site activities	861	1,017	1,109	1,064	1,068
Manufacture of raw materials and parts	2,428	3,040	2,899	2,773	2,782
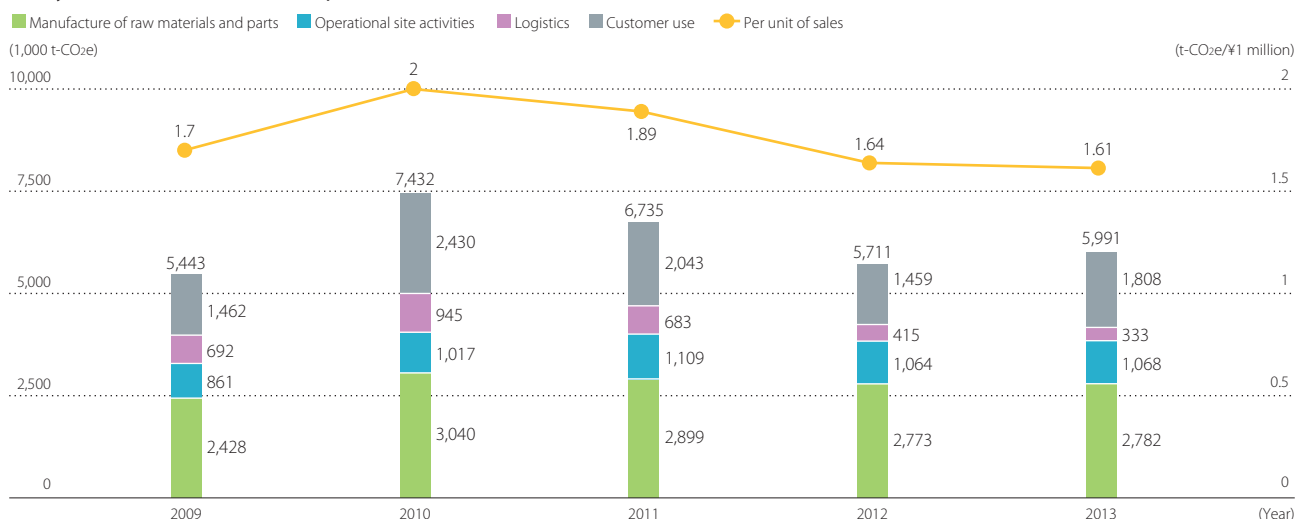
• Basic Approach to CO2 Calculations

Canon compiles data for greenhouse gases designated under the Kyoto Protocol. Past data may be revised due to improvements in the precision of data calculations.

We use applicable CO_2 coefficients for electricity for each region and year. In Japan coefficients are supplied by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan. Outside Japan, they are provided on a regional basis by the International Energy Agency. (Please refer to Operational Sites Covered in the Environmental Section (p. 73).)

For figures of customer use, electricity consumption of products shipped in a given year is calculated based on the average lifespan and output capacity, and converted to the CO_2 equivalent using the same coefficients stipulated above. Other CO_2 coefficients are provided by LCA software from JEMAI (Japan Environmental Management Association for Industry).

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2013 Material Balance

INPUT

Energy resources (crude oil equivalent)
·············· 1,285,718.0 kl

Steel/nonferrous metals
············· 364,000 t

Plastic ····················· 309,000 t

Electronic parts ············ 8,000 t

Glass ························· 15,000 t

Paper ························· 111,000 t

Electricity ······· 1,790,908 MWh

Gas ····················· 47,063,000 m³

Kerosene/heavy oil ····5,744 kl

Steam ····················· 187,476 GJ

Water resources
···························· 8,980,000 m³

Indirect materials (chemical substances)
······························ 15,154 t

Shipping fuel (crude oil equivalent)
························· 107,503 kl

Electricity
···················· 3,630,819 MWh

Recycling

| Manufacture of raw materials and parts by suppliers | Operational site activities (development, production, sales) | Transportation to sales and other outlets Total weight of products shipped : 680,000 tons | Customer usage |

OUTPUT

CO₂ ············· 2,782,000 (t-CO₂e)

CO₂ ············· 1,068,000 (t-CO₂e)
SOx ···························· 0.7 t
NOx ···························· 69.0 t
Discharged water
·························· 6,500,000 m³
Emissions of controlled chemical substances
····························· 682 t
Waste ······················ 2,811 t

CO₂ ················ 333,000 (t-CO₂e)
SOx ···························· 214 t
NOx ·························· 1,957 t

CO₂ ············· 1,808,000 (t-CO₂e)

Scope 3: 2,782,000 (t-CO₂e)
(Category 1)

Scope 1: 128,000 (t-CO₂e)
Scope 2: 940,000 (t-CO₂e)

Scope 3: 333,000 (t-CO₂e)
(Category 4)

Scope 3: 1,808,000 (t-CO₂e)
(Category 11)

* Scope 1: Direct GHG emissions (utility gas, LPG, light oil, kerosene, non-energy derived GHG, etc.)
Scope 2: Indirect GHG emissions (electricity and steam, etc.)
Scope 3: Emissions in the supply chain (from purchased parts or services, transportation and distribution, and use of sold products)
Calculation of Category 1, Category 4 and Category 11 from Scope 3 of the GHG Protocol

Third-Party Verification of Greenhouse Gas Emissions (converted to CO₂)

Third-party verification has only been obtained for CO₂ emissions occurring in 2013 from quantitative data appearing in the above graphs "Lifecycle GHG Emissions (CO₂ Equivalent)" and "2013 Material Balance."

Action Plan

	Action Plan for 2013	2013 Results	Related Pages	Action Plan for 2014
Product Development	Promoting environmentally conscious design • Implement smaller, lighter weight products • Promote designs with product lifecycles in mind • Reduce environmental impact through the use of simulations during development	• Received the Minister of Economy, Trade and Industry Prize at the 23rd Great Prize for the Global Environment Awards, and the LCA Japan Forum Incentive Prize at the 10th LCA Japan Forum Awards for efforts to develop products using lifecycle assessments.	pp. 14, 44	Promoting environmentally conscious design • Implement smaller, lighter weight products • Promote designs with product lifecycles in mind • Reduce environmental inpact through the use of simulations during development
		• Reduced the size and weight of the EOS REBEL SL-1 (EOS 100D) digital camera by approximately 25% and approximately 28%, respectively, compared to the previous model.	p. 63	
		• Developed a quieter, lighter weight laser printer that also achieved an approximately 40% reduction in lifecycle CO_2 emissions compared to the previous model.	p. 45	
		• Developed a professional-use label printer that was more than 60% lighter than the previous model.	p. 45	
Materials and Parts Procurement	Reducing CO_2 emissions from raw materials/procured goods • Reduce waste in resource input and energy in cooperation with suppliers	• Checked suppliers' management and activities for reducing CO_2 emissions.	p. 46	Reducing environmental impact from raw materials/procured goods • Reduce waste in resource input and energy in cooperation with suppliers
	Handling of hazardous substances in procured goods and legal compliance • Enhance environmental information management • Strengthen compliance systems	• Expanded the number of sites using the integrated chemical management system and strengthened the overall management system for chemical substances.	p. 43	Handling of hazardous substances in procured goods and legal compliance • Enhance environmental information management • Strengthen compliance systems
		• Completed measures to ensure medical equipment complies with the RoHS Directive one year ahead of the July 2014 deadline. *Canon brand only.	p. 63	
		• Strengthened compliance with forest resource protection regulations, such as the EU Timber Regulation.	p. 46	
Manufacturing	Reducing CO_2 emissions at operational sites • Reinforce energy-saving production technologies; promote installation of energy-saving equipment • Raise efficiency by thoroughly managing energy use • Use energy sources with less environmental impact	• Canon U.S.A.'s headquarters building received LEED Gold certification from the U.S. Green Building Council in recognition of its environmentally conscious design.	p. 50	Reducing CO_2 emissions at operational sites • Reinforce energy-saving production technologies; promote installation of energy-saving equipment • Raise efficiency by thoroughly managing energy use • Use energy sources with less environmental impact
		• Canon's Shimomaruko headquarters was recognized for its efforts to streamline its energy usage with the METI-Kanto Regional Bureau's Director-General's Prize as a FY2013 Excellent Energy Management Business.	p. 50	
		• Canon Dalian consolidated production and improved its air-conditioning system, reducing annual power consumption by approximately 2,848 MWh.	p. 48	
	Resource efficiency at operational sites • Strengthen waste reduction through rolling out resource conservation measures • Improve the resource recycling and recycling technologies	• Reused and recycled waste at Nagahama Canon, improving the basic unit of waste generation by 14.0% compared to 2012.	p. 51	Resource efficiency at operational sites • Strengthen waste reduction through rolling out resource conservation measures • Improve the resource recycling and recycling technologies
		• Reduced waste at Canon Taiwan by 23% and the use of container / packaging by 79% thanks to resource-reduction activities.	p. 51	
	Management of hazardous substances and legal compliance • Strengthen management systems for regulated chemical substances	• Linked the chemical management system and the purchasing system to reinforce the framework for the management of chemical substances.	p. 52	Management of chemical substances and legal compliance • Strengthen management systems for regulated chemical substances
		• Made improvements to the processes for using paints and cleaners at Canon Zhuhai, reducing the use of chemicals by approximately 12 tons.	p. 52	

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	Action Plan for 2013	2013 Results	Related Pages	Action Plan for 2014
Logistics	**Reducing CO_2 emissions during logistics** • Shift to modes of transportation with less environmental impact • Reduce waste in transport distances, loading methods and distribution processes	• Implemented ocean shipment in place of air shipment for international transportation, reducing CO_2 emissions from flights by approximately 52,000 tons.	p. 56	**Reducing CO_2 emissions during logistics** • Shift to modes of transportation with less environmental impact • Reduce waste in transport distances, loading methods and distribution processes
		• Made partial changes to the ports where products made in Aomori are exported from, and made improvements to long-distance ground shipments, reducing CO_2 emissions by approximately 250 tons.	p. 57	
	Improving packaging processes • Simplify packaging and reduce waste during packing process	• Improved the load efficiency of the PIXMA MG5500 series multifunction inkjet printer by approximately 31% compared to the previous model by making its packaging more compact.	p. 58	
		• Improved packaging at Canon Chemicals used to transport parts internationally, reducing the use of packaging materials by 11 tons per year and CO_2 emissions by 12 tons per year.	p. 58	
Product Use	**Reducing CO_2 emissions during use** • Combine increased functionality and image resolution with less energy consumption	• Reduced the TEC value of the LBP7100 series laser printers by approximately 73% compared to the previous model.	pp. 15, 59	**Reducing environmental impact during use** • Combine increased functionality and image resolution with lower energy consumption • Visualize environmental impacts • Provide usage proposals for customers
		• Reduced the daily power consumption of the PIXMA MG7100 series multifunction inkjet printer by approximately 54% compared to the previous model.	p. 59	
		• Achieved power consumption of approximately 0.081 W for the REALiS WUX450 Pro AV (XEED WUX450) projector and 0.068 W for the REALiS WX520 Pro AV (XEED WX520) projector per lumen of brightness thanks to the use of the new AISYS5.0 proprietary optical system.	p. 63	
	Providing usage proposals for customers • Propose equipment settings and usage that balance convenience and environmental performance • Promote disclosure (visualization) of product environmental information	• Became the first to introduce the Carbon Footprint of Products (CFP) system led by Japan's Ministry of Economy, Trade and Industry to offset the carbon emissions of multifunction devices.	pp. 15, 65	
		• Expanded the GREEN NAVI website in Japan, which offers product-use suggestions to customers.	p. 61	
		• Expanded certification under the Carbon Footprint Declaration to laser printers and remanufactured multifunction devices.	p. 61	
		• Carried out solution proposals at Canon Europe for helping customers improve their sustainability.	p. 61	
Recycling	**Strengthening recycling systems** • Expand "Collection and Recycle" systems for used products throughout the Canon Group • Encourage remanufacturing, parts reuse and recycling	• Held global meeting with regional recycling sites to share best practices for further reinforcement of recycling activities.	p. 64	**Strengthening the promotion of product recycling** • Expand "Collection and Recycle" systems for used products throughout the Canon Group • Encourage remanufacturing, parts reuse and recycling • Create advanced materials recycling technologies
		• Canon Virginia became the first OEM manufacturer to receive R2 certification, and built a system for expanding recycling.	p. 64	
		• Canon Bretagne commenced operations at a color toner cartridge recycling plant, increasing its HIPS recycling capacity.	p. 16	
		• Expanded collection of used ink cartridges. Worldwide collection expanded to 31 countries and regions (as of March 31, 2014).	p. 68	
		• Reduced CO_2 emissions from the parts and raw materials manufacturing for the Océ PlotWave 900 large-format printer by approximately 234 tons through the use of recycled parts and units.	p. 65	
	Improving recycling processes • Create advanced materials recycling technologies	• Encouraged designs that are easily disassembled to comply with the easy processing requirement of the EU WEEE Directive.	p. 45	
		• Increased use of recycled plastic materials to 3,893 tons by expanding the number of applications where these materials are utilized.	p. 66	
Biodiversity Conservation	**Biodiversity initiatives** • Utilize Canon technologies and products for biodiversity conservation • Consider biodiversity centered on operational sites • Contribute to the realization of a community rich in biodiversity	• Established a Biodiversity Policy, and published our Basic Policy, Action Guidelines and Specific Actions. • Supported a project for protecting the short-tailed albatross.	p. 70	**Biodiversity initiatives** • Utilize Canon technologies and products for biodiversity conservation • Consider biodiversity centered on operational sites • Contribute to the realization of a community rich in biodiversity

Environmentally Conscious Product Development

Management of Chemical Substances in Products

Eliminating Designated Chemical Substances from Products

Canon has built a Group-wide environmental assurance system for managing chemical substances in products. Our product development is based on in-house standards that are more stringent than laws and voluntary industry restrictions.

• Compliance with the EU RoHS Directive

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

We properly responded to the recast RoHS Directive in 2011 by declaring our compliance and verifying this with technical documents. Since then, we have steadily expanded the targeted product scope in a timely manner.

We will continue to ensure full compliance and quickly identify trends related to possible future revisions.

* Directive on the restriction of the use of certain hazardous substances (lead, mercury, cadmium, hexavalent chromium, PBB and PBDE) in electrical and electronic equipment. The directive is put into the laws of all EU member states.

• Compliance with EU REACH Regulation

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

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

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

• Compliance with chemical products registration

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

• Compliance with notification of substances in articles

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

Managing Product Environmental Information

Product Environmental Information System

Canon has built a Product Environmental Information System that consolidates environmentally essential information related to product environmental aspects at each stage from planning, development and design, prototype creation, quality assurance, manufacturing, to sales, and provides such information on the Canon intranet to allow all divisions within the Group to share environmental information and data.

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

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

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

This basic environmental data as well as data on chemical content in products and parts are managed by the Integrated Chemical Management System and the Product Environmental

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Specification Control System. This linkage makes it possible to share environmental data about products, materials and packaging materials within the Group.

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

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

Promoting Environmentally Conscious Design

Introducing Methodologies for Environmentally Conscious Designs that Consider Product Lifecycles

We have established a target to improve the CO_2 emission rate throughout the lifecycle as part of the Canon Group Mid-Term Environmental Goals. These mid-term goals are also further broken down by product group operations and product.

To achieve these goals, Canon has built the LCA Development Management System, which can manage the entire process in an integrated fashion, from product development to information disclosures. Using this system, we are pursuing environmentally conscious designs that take into account the entire lifecycle, including energy-efficient products that consume less energy during use and resource-efficient products that are lighter weight and more compact or feature easy-to-recycle designs.

TOPICS

Canon's Efforts to Develop Products with Lifecycle Assessments Earn the LCA Japan Forum Incentive Prize

Canon's efforts to develop products that produce less CO_2 using lifecycle assessments (LCA) earned it the LCA Japan Forum Incentive Prize at the 10th LCA Japan Forum Awards in 2013. This award was established to support companies, organizations and researchers working to reduce environmental impacts during the product lifecycle.

Canon has leveraged its more than 20 years of experience with LCA to create the LCA Development Management System for managing the entire process, from target setting to development and information disclosure, which it uses to develop environmentally conscious products. Canon is also making it easier for customers to choose its products by visualizing overall environmental impacts as the Carbon Footprint of Products. Canon's efforts in this regard garnered high praise from the award selection committee.

Product Environmental Information System

Product Environmental Information System diagram:

Basic environmental information — Product planning → Development, design → Product prototype → Quality assurance → Production → Sales

- Regulatory Information Database
- Regulatory (Eco-Label) IT System
- Product Data Management (PDM) System
- Stage 0 Assessment → 3D CAD system / DMR → Stage 1 Assessment (whether to commercialize a product) → Stage 2 Assessment (whether to mass produce a product)
- Supplier environmental evaluation system
- Integrated Chemical Management System / Product Environmental Specification Control System

Provision of environmental data — Product information, Packaging materials information, Parts and materials information

Chemical substances assurance in products

• Promotion of Smaller, Lighter Products

Canon aims to make its products among the smallest and lightest in each product category. To improve functionality and usability while requiring fewer resources, our focus on reducing size and weight begins from the development stage. Canon is extending this approach not only to cameras, but also to business machines, LCD exposure systems, and medical equipment, overcoming issues related to design and expansion of functions.

In the development of a laser printer in 2013, we reduced energy consumption while also reducing the amount of materials used by employing thinner metals and plastics. As a result, we were able to cut the CO_2 emissions of that model by about 40% compared to previous model. In addition, for the development of a professional-use label printer, we worked at reducing the size and weight of the unit through mechanical and electrical designs and achieved a weight reduction of more than 60%.

• Recycling-Conscious Designs

Canon takes into account all stages from development and planning to collection and recycling. We consider achievement of the 65% reuse and recycling and 75% recovery rates[*1] set by the EU WEEE Directive[*2] to be indispensable when developing products.

Additionally, in order to comply with the directive's requirements on facilitation of dismantling[*3], we also pursue easy-disassembly designs.

In response to the ongoing developments in environmental law and eco-label requirements, we are expanding training related to recycle design. It is vitally important that not only environmental control staff but also employees in all departments, including those in product design, understand the importance of environmental compliance. In 2013, we began offering a course on product and environmental assurance for developers and designers as part of our in-house web-based training programs.

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

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

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

Developing Low Environmental Impact Materials

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

• Development and Expanded Use of Bio-Based Plastics in Products

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

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

We believe this will help us not only reduce CO_2 emissions from production but, by deploying bio-based plastics for operational switches and other components that users make direct physical contact with, will also provide an invaluable opportunity to raise environmental awareness among users.

In addition to multifunction device exteriors, we are reviewing the use of bio-based plastics to include a variety of parts. In 2010, we produced the industry's largest bio-based plastic part, which we used in a commercial printing press.
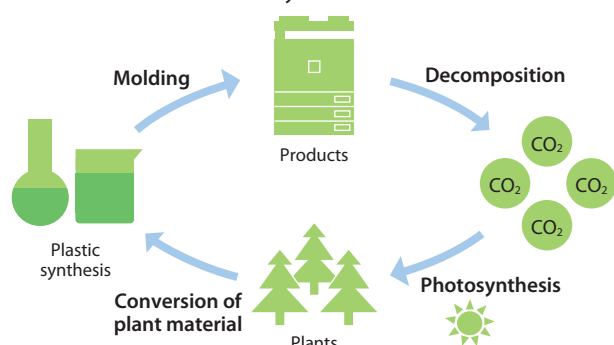
We will continue to expand the scope and application of these bio-based plastics in the future.

Parts that incorporate bio-based plastics

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

Bio-Based Plastic Material Cycle

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Environmentally Conscious Materials and Parts Procurement

Energy- and Resource-Conservation Measures during Procurement

Cooperating with Suppliers to Reduce Environmental Impacts

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

For example, Canon designers visit suppliers to understand issues arising in processing and reflect solutions in product designs. This in turn reduces the use of raw materials and leads to less energy being consumed during processing.

Being Conscious of Forest Resources

The depletion of forest resources has become a major social issue, and in recent years forest-resource conservation regulations have been tightened around the world, including the EU Timber Regulation.

Canon has for many years acted to conserve forest resources through the procurement of paper manufactured under forest certification schemes for use in its offices and the use of paper manufactured from conscious raw materials. Furthermore, we have established and published our policy on the procurement of timber products, and also ask our suppliers to abide by this policy in order to ensure natural resources are protected and forest resource conservation regulations are fully complied with.

Managing Chemical Substances in Procurement Items

Promoting Green Procurement

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

Canon evaluates suppliers from two perspectives based on its Green Procurement Standards: overall environmental activity structure and initiatives, and the management of chemical substances contained in delivered parts and materials. This ensures that chemical substances are managed thoroughly across the entire supply chain. We also conduct regular in-house analysis for chemical substances, such as lead, which, while banned by us, are still used and might have potential risk to contaminate in manufacturing processes.

In 2013, we updated our Green Procurement Standards following recent regulatory developments and published version 9.0. In addition, investigations were also carried out for new prohibited substances, including phthalate esters, PFOA and HBCDD.

Green Procurement Standards ver. 9.01

Management System for Chemical Substances in Products

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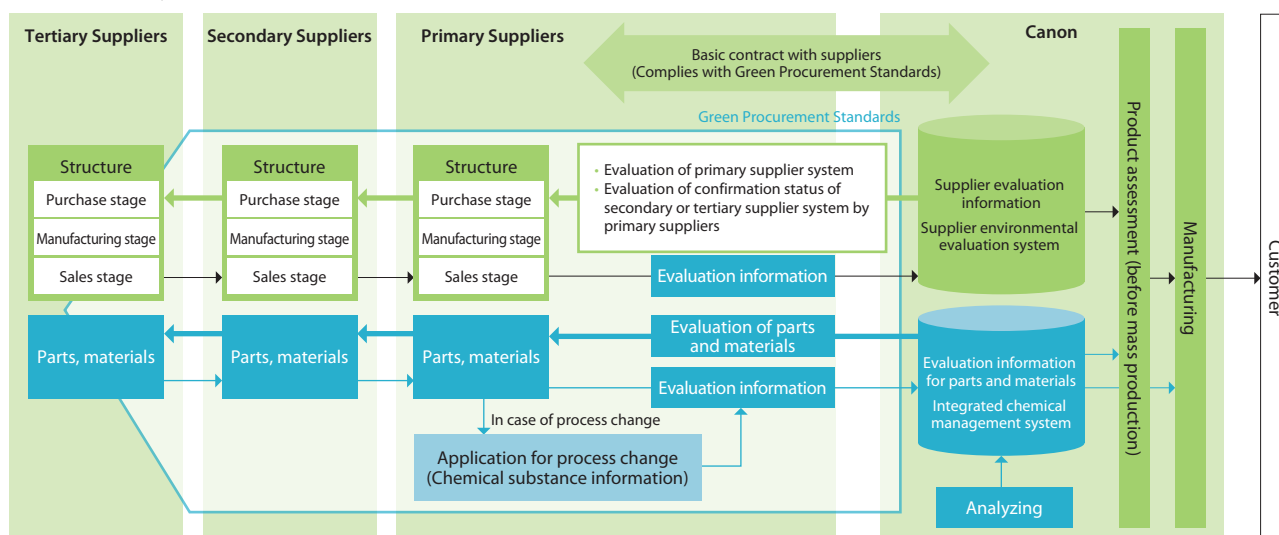
Two Perspectives of Supplier Evaluation

Overall environmental activity structure and initiatives
- Environmental management systems
- Performance of environmental activities
- Product chemical management systems
- Structure of chemical substance management in the supply chain

Management of chemical substances contained in delivered parts and materials
- Determines chemical substances contained in the parts and/or materials handled by suppliers
- Checks compliance with the EU RoHS Directive and other regulations

Participating in Creation of Industry-Wide Standards

Collection and Disclosure of Information Related to Chemical Substances

As regulations on chemical substances expand globally, the international electrical and electronic equipment industry is promoting a common industry-wide structure for effectively collecting information across the supply chain. In 2012, the International Electrotechnical Commission (IEC) issued a new international standard, IEC62474, which is now in effect.

Canon proactively participates in the planning of such industry standards, and revises its own Green Procurement Standards in accordance.

• Supplier Management Initiatives in China

The pollution prevention initiatives of factories and suppliers in China are being monitored more closely by authorities along with tighter regulations related to air, water and ground pollution. This requires to manage suppliers' practices more closely, and companies that fail to manage suppliers with pollution issues will face penalties including suspensions. Given this situation, Canon works with the Institute of Public & Environmental Affairs (IPE) to check pollution information on suppliers using the IPE's database and encourages improvements. Canon will continue to utilize this information to carry out the appropriate response to help suppliers prevent pollution.

Standardization of Supplier Evaluations and Audits

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

For example, we have lent assistance in the preparation of the Japan Electronics Information Technology Industries Association (JEITA)'s Management of Chemical Substances Audit Sheet, and have also used this sheet to audit suppliers.

Additionally, in 2012, Japan Industrial Standards (JIS) were established, setting forth guidelines for the management of chemical substances throughout the supply chain, with efforts to review a standardized cross-industry checksheet applicable to both upstream and downstream operations. Canon is also involved in these activities, reflecting JEITA's results and contributing to standardization. As a result, the third edition of guidelines for the management of chemical substances in products was published in February 2013. Canon intends to use the checksheet for these new guidelines starting in 2014.

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

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Environmentally Conscious Manufacturing

Reducing CO_2 Emissions at Operational Sites

Greenhouse Gas Reduction and Energy Conservation

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

Additionally, we have worked hard to reduce greenhouse gases other than CO_2 as well, and by 1999 we had successfully eliminated PFCs, hydrofluorocarbons (HFCs) and sulfur hexafluoride (SF_6), which had been used as cleaners, solvents and aerosol propellants. We have also been reducing trifluoromethane (HFC-23), tetrafluoromethane (PFC-14) and hexafluoroethane (PFC-116), which are greenhouse gases mainly emitted in the semiconductor manufacturing process, by installing burners to eliminate greenhouse gases through forced combustion.

Given the fact that the economic climate can have a major impact on production activities and greenhouse gas emissions, starting in 2009 Canon classified CO_2 emission volumes into fixed CO_2 emissions, which are relatively independent from fluctuations in production volume, and production-based CO_2 emissions, which are more likely to be affected by production volume fluctuations. We established a management scheme for predicting and monitoring results for fixed CO_2 emissions and production-based CO_2 emissions, and have pursued energy-consumption reduction activities and carried out proper measures by recognizing the effect of these activities.

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

In 2013, energy usage increased due to the launch of new operational sites and increases in production. Total greenhouse gas emissions also increased by about 0.4% year on year to 1.068 million tons. Nevertheless, improvement activities carried out at individual operational sites helped reduce per-unit figures for energy usage in 2013 by 3.9%, clearing the target of 1.2%.

In order to achieve our goal of reducing per-unit figures by a yearly rate of 1.2% in 2014 as well, Canon will continue to reduce greenhouse gas emissions by strengthening energy-saving production techniques and improving manufacturing efficiency.

Key Efforts in 2013

Strengthening energy-saving production techniques and further introducing energy-efficient equipment	
Canon Precision	Enhanced operational efficiencies by linking infrastructure of two adjacent operational sites
Improvements to efficiency through thorough management of energy use	
Canon Shimomaruko headquarters	Improved overall efficiency of air conditioning system
Oita Canon Materials	Reduced power consumption at the toner plant by eliminating power wastage
Canon Dalian Business Machines	Consolidated production and reduced the use of air conditioning
Measures toward more environmentally friendly energy	
Océ	Used renewable energy
Canon Taiwan	Installed a photovoltaic system and a wind power generation system
Canon India	Installed a photovoltaic system at its distribution centers

CO_2 Emission Management Schematic

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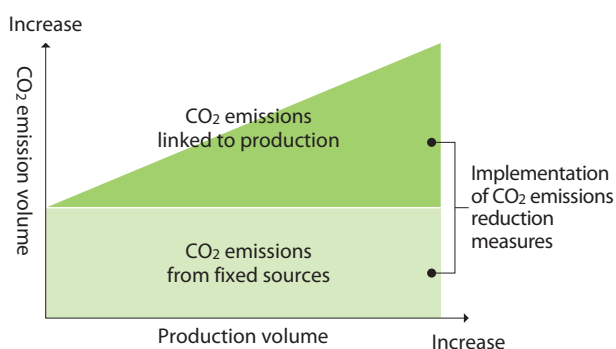
Examples of Initiatives

Consolidating Production and Making Efficient Use of Air Conditioning through Activities to Minimize Environmental Impacts (Canon Dalian Business Machines)

Canon Dalian has continually carried out activities to minimize environmental impacts with a focus on the keywords of "stop," "reduce" and "eliminate." Canon Dalian has implemented various measures for conserving energy, including consolidating production equipment and using air conditioning more efficiently, as well as making improvements to the work processes used on production lines. Additionally, it recycles drain water from air conditioning and water demineralizers to improve the operations of related equipment. These initiatives helped Canon Dalian lower its power usage by approximately 2,848 MWh in 2013.

Tank that stores drain water

Greenhouse Gas Emissions

- Greenhouse gas (Japan)
- Greenhouse gas (outside Japan)
- GHG emissions per unit of consolidated sales

	2009	2010	2011	2012	2013
GHG emissions per unit of consolidated sales (t-CO2/¥100 million)	26.83	27.42	31.18	30.58	28.62
Total (t-CO2e)	861,123	1,016,519	1,109,338	1,064,171	1,068,058
Greenhouse gas (outside Japan)	242,822	379,442	378,437	348,923	370,015
Greenhouse gas (Japan)	618,301	637,077	730,901	715,248	698,043

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

* Emissions data for the Océ Group included from 2010.

Trends in Greenhouse Gas Emissions According to Scope

(Unit: t-CO2e)

	2009	2010	2011	2012	2013
Scope 1	156,525	187,317	184,631	145,340	128,068
Scope 2	704,598	829,202	924,707	918,831	939,990

Energy Consumption by Region in 2013

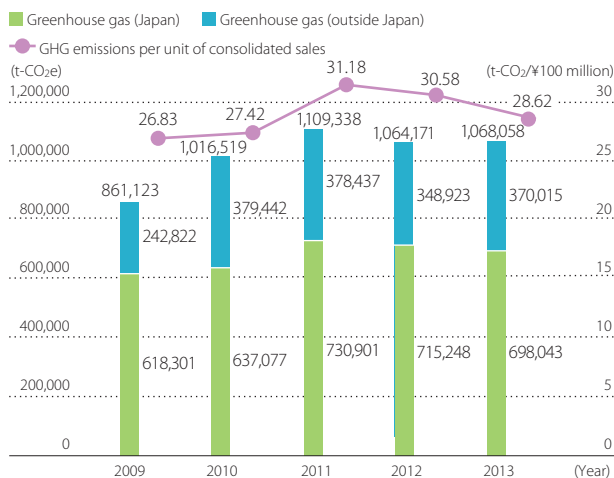|	Electricity	Gas	Oil	Other (steam, wide-area heating and air conditioning)
	MWh	m³	kL	GJ
Japan	1,211,159	38,214,000	4,709	31,957
Americas	59,726	2,359,000	0	0
Europe	20,330	4,595,000	0	30,005
Asia and Oceania (except Japan)	499,693	1,895,000	1,035	125,514
Total	1,790,908	47,063,000	5,744	187,476

Utilizing Low Environmental Impact Energy Sources

Canon is promoting the use of energy sources that have a lower environmental impact, such as switching from kerosene to electricity and LNG, and the use of renewable energy sources, including solar power generation. Nearly all of the power purchased by Océ's three production bases (Poing, Venlo, and Vancouver) is sourced from renewable energy. Canon Taiwan has installed a photovoltaic (solar power) system and a wind power generation system, while Canon India has also installed a photovoltaic system at its distribution centers. This represents Canon's commitment to utilize more renewable energy to power its business.

Canon's Shimomaruko Headquarters Receives the METI-Kanto Regional Bureau's Director-General's Prize

We have worked diligently for many years to install high-efficiency equipment and improve the operations of existing facilities at our Shimomaruko headquarters in order to rationalize our use of energy. For air conditioning, the Shimomaruko headquarters has been able to rationalize energy usage by proposing ways to improve the efficiency of not only individual pieces of equipment, but the entire system as well.

In recognition of the achievements of these initiatives, particularly in terms of scale, Canon was awarded the METI-Kanto Regional Bureau's Director-General's Prize at the FY2013 Excellent Energy Management Business Awards, organized by the Kanto Regional Bureau of Economy, Trade and Industry, in February 2014.

The Shimomaruko headquarters will continue to rationalize energy usage, striving to improve the efficiency of facilities for system-wide optimization.

Canon U.S.A.'s Headquarters Building receives LEED Gold Certification

Canon U.S.A. has made various efforts to reduce the environmental impact of its headquarters building, located on Long Island in New York, including incorporating natural light, installing a rainwater capture and storage system that uses greenery, and offering recharging stations for electric vehicles (EVs).

In February 2014 Canon U.S.A.'s initiatives were recognized by the U.S. Green Building Council with LEED* Gold certification, the most widely known and used green building environment and energy-efficiency standard in the United States. This certification formal recognizes Canon U.S.A.'s headquarters building as a green building that is highly efficient and environmentally friendly. The building is also the largest commercial facility on Long Island to receive LEED Gold certification.

* **Leadership in Energy and Environmental Design (LEED)**
  A certification and accreditation program that verifies whether a building was designed with people and the environment in mind for its entire lifecycle, from location and design to construction, operations, maintenance, remodeling and demolition.

Resource Efficiency at Operational Sites

Reducing Waste

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

In 2013, Canon proceeded with various waste reduction efforts at its production sites, such as cutting effluent volume, reducing waste generated in plastic molding processes, reducing press material waste, and reducing parts packaging volume. We also made efforts to reuse packing materials and solvents, raise yield rates and recycle molding materials.

As a result of such efforts, we reduced total waste by approximately 1.5% compared to 2012, equaling 75,000 tons, and improved the rate per unit by 2.8%, clearing the target of 1.0%.

In 2014, we will continue waste-reduction efforts while also implementing new and effective measures at other sites. We aim to reduce waste per unit by a yearly amount of 1%.

Total Waste Generated and General Landfill Waste Generated by Business Activities

- Total waste generated (Japan, exc. assets)
- Total waste generated (outside Japan, exc. assets)
- General landfill waste generated by business activities
- Waste per unit of consolidated sales

(Year)	Waste per unit	Total (Japan)	Total (outside Japan)	Total	General landfill
2009	2.15	43,638	25,465	69,103	1,643
2010	2.38	45,329	42,759	88,088	3,934
2011	2.29	40,303	41,006	81,308	4,114
2012	2.19	37,676	38,404	76,080	3,073
2013	2.01	34,122	40,789	74,911	2,811
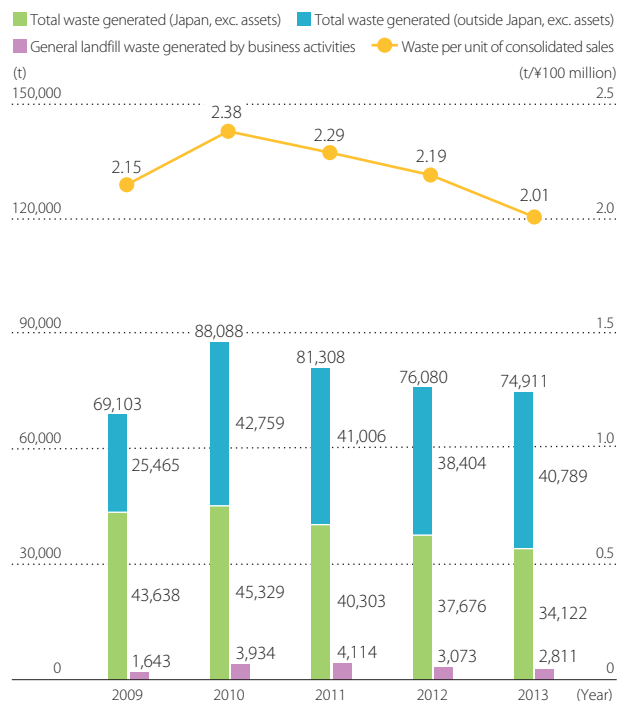
* Waste data for the Océ Group included from 2010.

2013 Recovery Volume by Type of Waste (Worldwide) (tons)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by OA equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	15,363
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	15,145
Metals	Raw materials for metals, roadbed materials, etc.	12,087
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	11,457
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	3,682
Wood	Construction, boards, bedding for plants, fuels, pulp materials, fertilizers, etc.	1,434
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	151
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, roadbed materials, metal materials, etc.	5,753
Total		65,072

* Does not include waste data for the Océ Group.

Examples of Initiatives

Improved Waste per Unit by 14% over 2012 from the Reuse and Sale of Waste (Nagahama Canon)

Nagahama Canon has striven to reduce waste by disassembling and cleaning equipment parts that were conventionally disposed of as waste and only replacing the consumables portion. They have also worked hard to increase the percentage of waste that can be sold by carefully sorting parts that were exchanged. Moreover, Nagahama Canon has carried out recycling-friendly activities and further reduced waste by carefully sorting other waste as well. As a result, in 2013 Nagahama Canon was able to improve its waste per unit by 14% compared to 2012.

Reduced Waste by 23% through Resource Reduction Activities (Canon Taiwan)

Canon Taiwan has continually worked to lower environmental impacts by reducing packaging materials for parts procurement and improving the efficiency of production processes. Their waste-reduction initiatives have yielded success through the recycling and reduced use of containers and packaging materials, as well as the reduction of cardboard and plastic waste. As a result of these initiatives, in 2013 Canon Taiwan was able to reduce waste by 23% and containers and packaging materials by 79%. They are

currently working on energy-saving activities and environmental conservation activities rooted in the local community through the installation of a photovoltaic (solar power) system and a wind power generation system as well as a rainwater recovery system, taking full advantage of the local climate.

Reducing Use of Water Resources

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

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

In 2013, Canon continued its reduction efforts, including reducing cleaning water usage, which helped it lower water usage by 2% year on year to 8.98 million m^3. Canon's water usage per unit of sales was reduced by 4.1% compared to 2012, achieving the target of 1.0%.

In 2014, we aim to reduce per-unit water usage due to

Use of Water Resources

Water usage (Japan) ■ Water usage (outside Japan)
Water usage per unit of consolidated sales
(10,000 m^3) (1,000 m^3/¥100 million)

Year	2009	2010	2011	2012	2013
Per unit	0.26	0.24	0.24	0.26	0.24
Total	827	872	871	913	898
Outside Japan	249	307	310	355	346
Japan	579	564	561	559	552
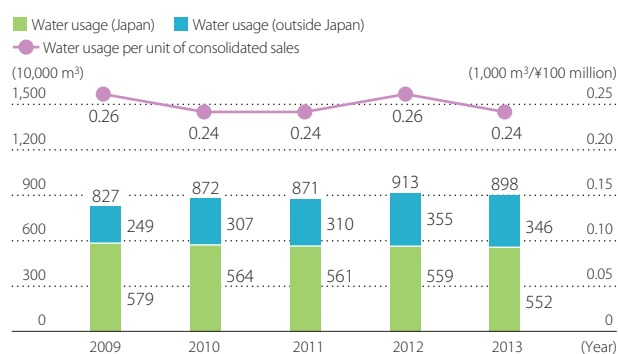
* Rainwater is excluded.
* Water usage data for the Océ Group included from 2010.

Total Wastewater Discharge

■ Wastewater (Japan) ■ Wastewater (outside Japan)
(10,000 m^3)

Year	2009	2010	2011	2012	2013
Total	655	664	658	707	650
Outside Japan	212	257	259	307	301
Japan	443	407	399	400	349
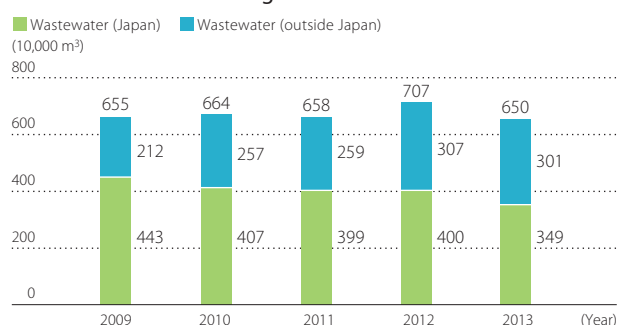
* Wastewater for the Océ Group included from 2010.

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

Management of Hazardous Substances and Legal Compliance

Reducing Emissions of Controlled Chemical Substances

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

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

Furthermore, we have reinforced our management practices by linking our purchasing system with our chemical

management system in order to reduce environmental accidents and pollution risks associated with the use of chemical substances.
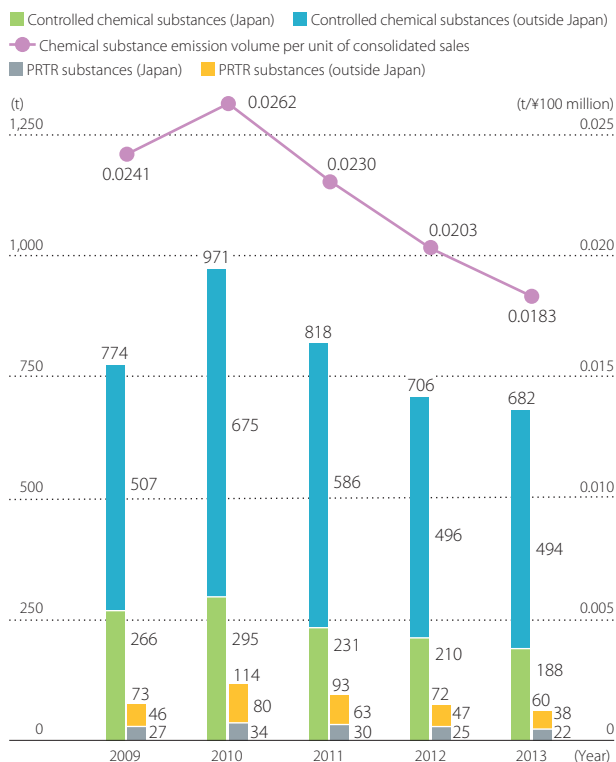
In 2013, we continued to introduce alternative cleansing fluids and automatic cleaning fluid control units as a means for reducing emissions of chemical substances. As a result, chemical substance emission volumes were down 3.4% from 2012, to 682 tons, and the chemical substance emission volume per unit was improved by 1.2%, clearing the target of 1.0%.

In 2014, we aim to reduce per-unit emissions by a yearly rate of 1%, and we are implementing effective strategies in order to achieve this.

Substances Canon No Longer Uses

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

[1] Excludes use in semiconductor production

[2] Discontinued use in Japan in December 2001

Examples of Initiatives

Reducing the Use of Chemical Substances by Improving Painting and Cleaning Processes (Canon Zhuhai)

Canon Zhuhai cites the reduction of chemical substances used and emissions as one of its most important environmental activities. They have shifted to using paints that require less to cover the same surface and made improvements to painting jigs, which helped them reduce the amount of paint they use. Additionally, Canon Zhuhai has extended the cleanser replacement cycle and made improvements to its recovery units, helping them reduce the amount of cleansers they use through improved collection efficiency and greater recycling of cleansers. As a result of these initiatives, in 2013 Canon Zhuhai reduced its use of chemical substances by about 12 tons.

Painting equipment

Emissions of Controlled Chemical Substances[1] and Amount of Chemical Substances Designated by the PRTR System[2]

■ Controlled chemical substances (Japan) ■ Controlled chemical substances (outside Japan)
─●─ Chemical substance emission volume per unit of consolidated sales
■ PRTR substances (Japan) ■ PRTR substances (outside Japan)

(Year)	2009	2010	2011	2012	2013
Emission volume per unit	0.0241	0.0262	0.0230	0.0203	0.0183
Total	774	971	818	706	682
Controlled (outside Japan)	507	675	586	496	494
Controlled (Japan)	266	295	231	210	188
PRTR (outside Japan)	73	114	93	72	60
PRTR (Japan)	46/27	80/34	63/30	47/25	38/22

[1] Océ Group data has been included only for controlled chemical substance volume starting in 2013.

[2] Notification system for the transfer and release of chemical substances

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2013 List of Chemical Substances Subjected to the PRTR Act

(Unit: kg)

Directive No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewer System	Waste	Recyclables
7	N-butyl acrylate	17	0	0	0	16,302
20	2-aminoethanol	93	0	7	0	20,070
31	Antimony and its compounds	2	0	0	0	2,394
53	Ethylbenzene	479	0	0	19	28,632
57	Ethylene glycol monoethyl ether	181	0	0	1	178
58	Ethylene glycol monomethyl ether	115	0	0	1	110
71	Ferric chloride	0	0	0	0	134,305
80	Xylene	4,515	0	0	20	141,843
82	Silver and its water-soluble compounds	0	0	0	7	95
125	Monochlorobenzene	15,954	0	0	0	285,979
128	Methyl chloride	9	0	0	0	0
150	1,4-dioxanes	701	0	0	22	951
181	Dichlorobenzene	0	0	0	0	26
202	Divinylbenzene (m- and p- isomer mixture)	0	0	0	0	2
232	N,N-dimethylformamide	487	0	0	0	525
239	Organic tin compounds	0	0	0	0	10
240	Styrene	1,794	0	0	0	69,905
296	1,2,4-trimethylbenzene	8,483	0	0	0	11,760
298	Tolylene diisocyanate	0	0	0	0	494
299	Toluidine	2	0	0	0	0
300	Toluene	19,909	0	0	5,538	55,051
308	Nickel	0	0	0	0	610
309	Nickel compounds	0	0	1	4	6,491
343	Pyrocatechol	8	0	0	0	2,551
349	Phenol	2	0	0	0	50
374	Hydrogen fluoride and its water-soluble salts	3	3	982	0	2,430
392	N-hexane	5,638	0	0	271	811
405	Boron compounds	0	0	0	16	1,399
410	Poly (oxyethylene) nonylphenyl ether	0	0	0	0	2,212
412	Manganese and its compounds	0	0	0	0	246
448	Methylenebis (4,1-phenylene) diisocyanate	0	0	0	0	5,336

* PRTR data for the Océ Group is not included.

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• PCB Waste Management

In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which damages living organisms and the environment. As of December 2013, 19 operational sites were storing PCB waste. There are 129 capacitors and transformers (which also contain low concentrations of PCB waste) and 3,950 fluorescent ballasts in storage. Canon has contracted with the Japan Environmental Safety Corporation for orderly processing of its PCB waste.

• Impact on Atmosphere and Public Waterways

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

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

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

In 2013, as in the previous year, there were no violations related to air, water or other emission regulations.

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

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

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

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

Soil and Groundwater Remediation Status

Canon places high priority on soil and groundwater protection. In line with this, we established the Canon Group's Basic Policy on Soil and Groundwater Pollution and implement comprehensive measures based on it. In the unlikely event that soil or groundwater pollution is found at one of our operational sites, cleanup and remedial actions will be carried out in close accordance with all relevant laws.

Also, our standard when acquiring new land is to conduct a preliminary soil examination and carry out any other necessary procedures, such as soil remediation, before making the purchase. We also monitor the chemical substances used at each site, remaining fully aware of the national and regional standards where each site is located in order to implement countermeasures according to the situation at each location.

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Status of Soil and Groundwater Cleanup Activities

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

* Reports are made to the authorities concerning sites where cleanups are in progress.

Environmentally Conscious Logistics

Reducing CO2 during Distribution

CO2 Emission Reduction in Transportation

Canon has continually made efforts to promote modal shifts, improve load efficiency, and reduce transport distances with the goal of reducing CO_2 emissions associated with logistics. In recent years, we have carried out new measures, which include consolidating our distribution centers and using round-trip container transport.

In 2013, we partnered with a transport company to roll out large natural gas-powered vehicles that emit approximately 20% less CO_2 compared to diesel vehicles. Additionally, we are now using regional ports for domestic shipments, helping to reduce long-distance truck transportation from production bases to ports in the Keihin district. We have also increased the number of distribution centers in Japan that receive direct container shipments from production bases located outside

Japan, which has helped reduce the need for truck transportation between production bases in Japan.

We have also worked to reduce CO_2 emissions attributable to international transportation as well as carriage within regions outside Japan by all of our Group companies worldwide. In 2013, we further promoted a modal shift from air to ocean shipments during international transportation. We also reduced the number of container shipments by improving load efficiency for the transport of parts and products between Japan and international destinations.

As a result, global logistics-related CO_2 emissions (including locations within and outside Japan, and international transportation) amounted to 310,000 tons, a year-on-year reduction of 84,000 tons (approximately 21%).

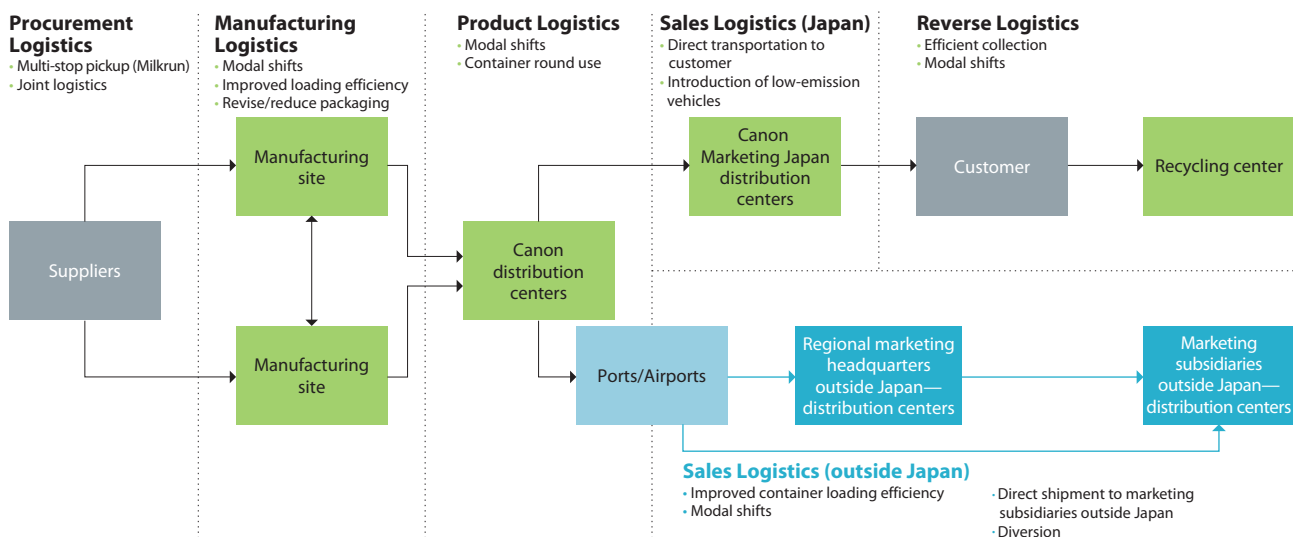Canon will continue to carry out initiatives to reduce environmental impact from logistics.

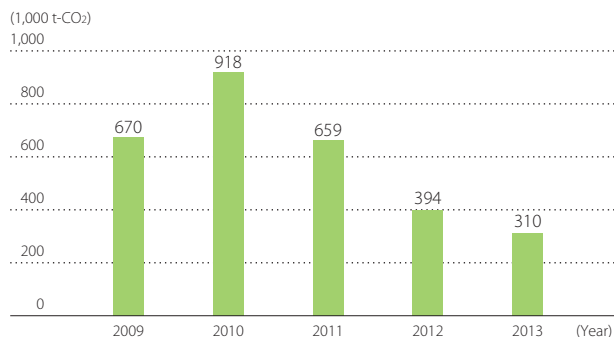### Logistics-Related CO2 Emissions

(1,000 t-CO2)

		2009	2010	2011	2012	2013
Japan		29	33	31	27	26
Outside Japan		72	84	79	85	77
International transportation	By air	376	611	389	137	85
	By ocean	193	190	160	145	122
	Subtotal	569	801	549	282	207
Total		670	918	659	394	310

* Does not include logistics for procured parts where the transportation cost is borne by the supplier.

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

Procurement Logistics
• Multi-stop pickup (Milkrun)
• Joint logistics

Manufacturing Logistics
• Modal shifts
• Improved loading efficiency
• Revise/reduce packaging

Product Logistics
• Modal shifts
• Container round use

Sales Logistics (Japan)
• Direct transportation to customer
• Introduction of low-emission vehicles

Reverse Logistics
• Efficient collection
• Modal shifts

Suppliers → Manufacturing site → Canon distribution centers → Canon Marketing Japan distribution centers → Customer → Recycling center

Ports/Airports → Regional marketing headquarters outside Japan—distribution centers → Marketing subsidiaries outside Japan—distribution centers

Sales Logistics (outside Japan)
• Improved container loading efficiency
• Modal shifts
• Direct shipment to marketing subsidiaries outside Japan
• Diversion

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Logistics-Related CO₂ Emissions

(1,000 t-CO₂)

Bar chart showing logistics-related CO₂ emissions: 2009: 670, 2010: 918, 2011: 659, 2012: 394, 2013: 310 (Year)

Initiatives to Lower CO₂ through More Efficient Distribution

Canon's production bases, which supply products to markets worldwide, are mainly located in Japan and other parts of Asia. As international and region-to-region shipping increases, we are working hard to decrease CO₂ emissions due to distribution by shortening shipping distance through such measures as direct delivery or rerouting.

Promoting Modal Shifts

Canon strives to reduce transport-related CO₂ emissions* through modal shifts inside and outside Japan, from road and air transportation to a combination of ocean and rail, which have a lower environmental impact.

* Setting air shipment at 100, the ratios for CO₂ emissions due to transport for truck/ocean/rail are 15/4/2.
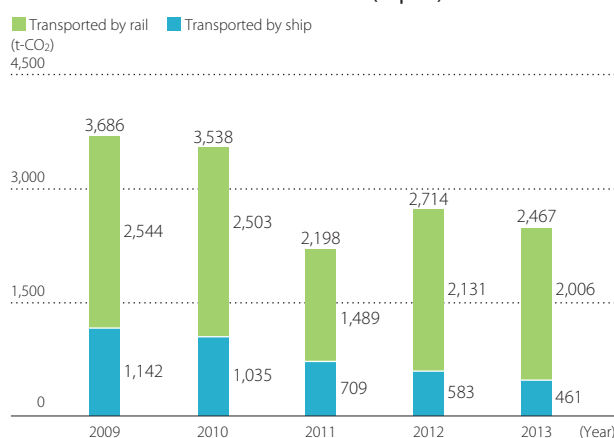
• Modal Shifts in Japan

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

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

In 2013, CO₂ emissions were reduced through modal shifts to 2,467 tons.

CO₂ Reductions due to Modal Shifts (Japan)

■ Transported by rail ■ Transported by ship
(t-CO₂)

Stacked bar chart showing CO₂ reductions:
- 2009: total 3,686 (rail 2,544, ship 1,142)
- 2010: total 3,538 (rail 2,503, ship 1,035)
- 2011: total 2,198 (rail 1,489, ship 709)
- 2012: total 2,714 (rail 2,131, ship 583)
- 2013: total 2,467 (rail 2,006, ship 461)
(Year)

Major Initiatives for Optimizing Distribution and Resultant CO₂ Emission Reductions

Major Initiatives in 2013	CO₂ Reduction
Changed the port of export for a portion of products manufactured at plants in Aomori from Tokyo to Sendai, reducing long-distance transportation between Aomori and Tokyo	254.4 tons
Reduced long-distance truck transportation by making it possible to load products, which had been sent from plants in Kyushu to the Kanto region by truck and then loaded on a ship in the Kanto region, on a ship from Kyushu by improving the mode of packaging	211.6 tons
Reduced the transportation of empty containers by reusing import containers that had been returned empty as export containers	206.0 tons
Reduced the number of containers used by encouraging bulk orders and changing the order method for load efficiency for parts shipped to plants in North America	175.2 tons
Reduced the number of containers used and improved transportation efficiency by changing the mode of packaging for office inkjet printers shipped to Europe	84.3 tons
Reduced the number of containers used by utilizing mixed loads of consumer products and office equipment products, which are handled by different warehouse and distribution centers	77.6 tons
Reduced the number of containers used by improving shipment method and the mode of packaging for production parts shipped to plants in China	50.0 tons

• Modal Shift in International Transportation

Canon's modal shift from air to ocean for international transportation was accelerated in 2011.

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

As a result of these efforts, CO_2 emissions from air transportation have been reduced significantly from the peak of 611,000 tons in 2010 to 85,000 tons in 2013.

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

Improving Packaging

Smaller, Lighter-weight Packing Boxes

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

For instance, PIXMA multifunction inkjet printers were reduced in size through improvements to the paper feed mechanism, while its stronger exterior body requires less package cushioning.
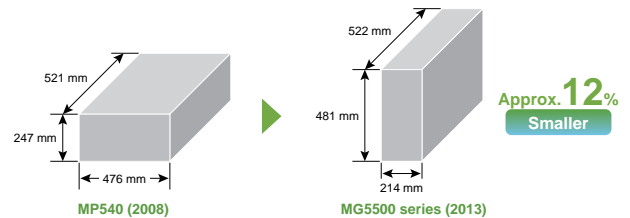
Compared to the 2008 MP540 model, the MG5500 series models, released in 2013, were reduced by approximately 4% in volume and 22% in weight. Additionally, the number of boxes loadable in a 40-foot container was increased from 864 to 1100, an approximately 27% improvement in load efficiency.

As a result, CO_2 emissions from production to distribution and disposal (excluding use) were reduced by approximately 27% in comparison to the MP540.
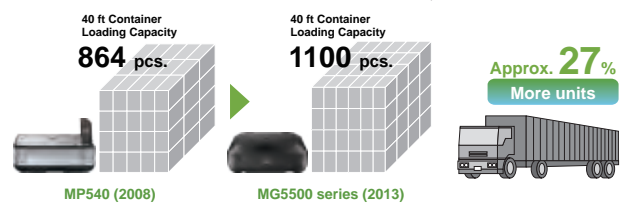
In the area of ink cartridges, the new FINE cartridge launched in 2011 also uses approximately 30% less packaging by volume than the previous FINE cartridge.

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

Package Comparison of MG5500 Series and MP540

521 mm / 247 mm / 476 mm
MP540 (2008)

522 mm / 481 mm / 214 mm
MG5500 series (2013)

Approx. **12**% Smaller

Comparison of Product Shipping Efficiency

40 ft Container Loading Capacity **864** pcs.
MP540 (2008)

40 ft Container Loading Capacity **1100** pcs.
MG5500 series (2013)

Approx. **27**% More units

Examples of Initiatives

Reducing the Use of Packaging Materials through Improved Packaging (Canon Chemicals)

Canon Chemicals revamped its packaging specifications for parts shipped internationally and began instituting returnable packaging after re-examining risks due to damage during transportation. As a result, they have been able to reduce packaging materials by 11 tons per year. Additionally, Canon Chemicals has improved load efficiency and reduced the number of shipments, reducing its CO_2 emissions by 12 tons per year.

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Environmentally Conscious Product Use

Reducing CO_2 Emissions during Use

Energy Conservation during Use

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

Thus, in order to reduce energy consumption during product use we have set goals by product segment for industry-leading power-saving achievements, with measures implemented as appropriate.
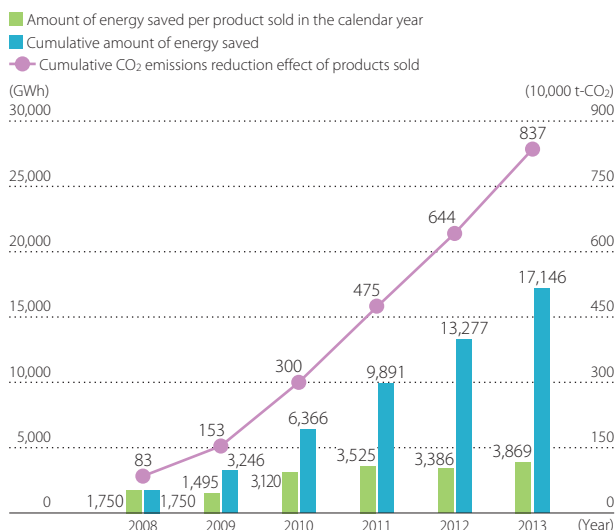
In 2013, improvements were made in products for offices and consumers, but an increase in sales of industrial equipment caused CO_2 emissions from customer use to increase 24% compared to the previous year to 1.808 million tons.

• Canon's Proprietary Energy-Saving Technologies

Canon uses such energy-efficient technologies as induction heating (IH) (2002 to today) and on-demand fixing (1990 to today) for copying machines, multifunction devices (MFDs) and laser printers.

Through introduction of these technologies, which have led to shorter printer startup times, greater thermal efficiency and similar improvements, we estimate that cumulative CO_2 emissions on the part of customers were reduced by approximately 8,370,000 tons over the previous six years, from 2008 to 2013.

Energy-Saving Effects of Office Products

- Amount of energy saved per product sold in the calendar year
- Cumulative amount of energy saved
- Cumulative CO_2 emissions reduction effect of products sold

(GWh) / (10,000 t-CO_2)

| Year	2008	2009	2010	2011	2012	2013
Amount saved per product	1,750	1,495	3,525	3,525	3,386	3,869
Cumulative amount saved	1,750	3,246 / 3,120	6,366	9,891	13,277	17,146
Cumulative CO_2 reduction	83	153	300	475	644	837

* **Target products**
  Electrophotographic multifunction devices and printers (exc. production printers).
* Energy-saving effect using the average energy consumed by products sold in 2007 as a baseline.
* Cumulative yearly effect assumes that products sold in each year are used for 5 years.
* The conversion of power consumption to CO_2 emissions was calculated by using the weighted average of sales per region based on emission factors published from the Federation of Electric Power Companies (Japan) and the International Energy Agency (outside Japan).
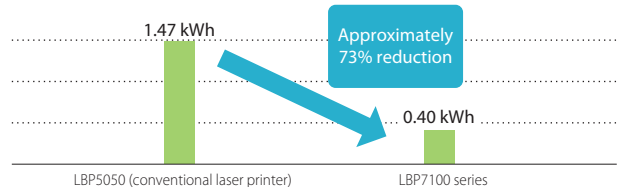
IH Fixing Technology
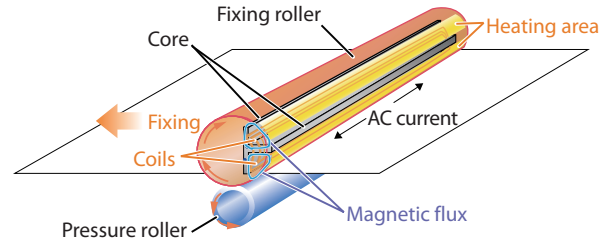
An electromagnetic induction heater induces an eddy current when magnetic flux passes through metal coils, causing the fixing roller to emit heat. In this way, overall heat efficiency is improved and energy consumption is reduced.

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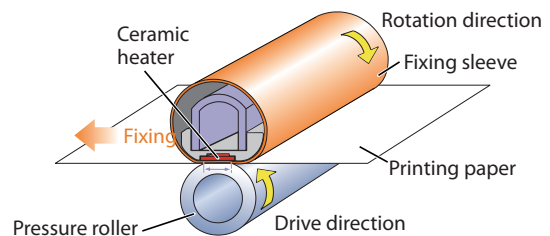
The use of a ceramic heater that heats up quickly and a fixing sleeve that transfers heat efficiently allows for localized heating of the fixing point and instantaneous heat transfer. No excess electricity is consumed in standby mode, enabling a shorter warm-up period.

Electricity Consumption Reduction Effect of Laser Printers (TEC Value*)

1.47 kWh
Approximately 73% reduction
0.40 kWh

LBP5050 (conventional laser printer)   LBP7100 series

* **TEC value**
  An environmental indicator for the amount of power consumed by a printer in assumed conditions during a one-week period
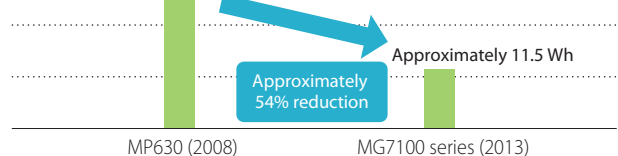
Reduction in Daily Electricity Consumption for Multifunction Inkjet Printers

1. Low-power mode transition system
This system shuts off the specific IC functions, which become unnecessary when the machine transitions from active to sleep mode. It also sends a signal that puts the power supply unit into sleep mode at the same time.

+

2. Supplying power to the necessary functions
This system controls the power supply by prioritizing functions, sending power to the components performing necessary functions during specific operation, while cutting power to unnecessary functions.

Saving energy by making it possible to control the power distributed to each function

Approximately 54% reduced in power consumption per day!

Approximately 25.2 Wh
Approximately 11.5 Wh
Approximately 54% reduction

MP630 (2008)   MG7100 series (2013)

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Energy-Efficient Product Design

• Complying with the EU Energy-related Product (ErP) Directive

In the EU ErP Directive*, which requires that companies incorporate eco-design principals into their product design, was released in 2009.

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

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

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

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

Qualified Environmentally Conscious Products

Regulatory Conformance

At the product planning stage, Canon emphasizes compliance with such standards as Japan's Law on Promoting Green Purchasing[1], the Eco Mark[2], and programs like the International ENERGY STAR® Program[3]. The table to the right shows the conformance rate of our main environmentally conscious products sold in Japan in 2013. Our conformance rate remains among the highest in the industry, with many product groups at 100%.

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

around the globe.

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

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

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

2013 Conformance with Standards for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR* Program
Copying Machines / multifunction devices (MFDs)	16/16 (100%)	16/16 (100%)	16/16 (100%)
Laser Printers	8/8 (100%)	7/8 (88%)	7/8 (88%)
Inkjet Printers	6/6 (100%)	6/6 (100%)	6/6 (100%)
Large-Format Printers	7/7 (100%)	7/7 (100%)	7/7 (100%)
Image Scanners	4/4 (100%)	–	4/4 (100%)
Projectors	1/1 (100%)	0/1 (0%)	–

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

* Image scanners are outside the scope of Eco Mark specification.

* The International ENERGY STAR® Program has no specifications for projectors.

2013 Conformance with Standards for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner cartridges	3/3 (100%)	3/3 (100%)
Ink cartridges	2/2 (100%)	2/2 (100%)

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

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Providing Usage Proposals for Customers

Distributing Information on Environmentally Conscious Products

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

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

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

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

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

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

In November 2009, Canon Inc. and Canon Marketing Japan launched the GREEN NAVI website page. GREEN NAVI supports environmentally conscious actions on the part of our customers by introducing products and functions that promote reduced CO_2 emissions at offices.

GREEN NAVI is comprised of an Office Edition, which highlights products that help offices to reduce CO_2 emissions, a Home Edition, which showcases products for

GREEN NAVI website

the home, and an IT Solutions Edition, which introduces products that make business activities more eco-friendly and more efficient. The website has been designed so that general consumers can easily understand its contents, and features an Energy and Resource-Conservation Simulator that makes it possible to check the CO_2 reduction effect when replacing an old model with a new one.

In 2013, GREEN NAVI published a new Home Edition 2, which highlighted Canon's initiatives for each aspect of a product's lifecycle and used a quiz format to test visitor's knowledge about the carbon footprint of products.

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

• Helping Customers Achieve Sustainability

Canon Europe is carrying out a project with a goal of helping customers achieve sustainability through Canon's services and technologies. For example, it offers proposals and other solutions that include carbon neutral printing, a program that offsets CO_2 produced from printing.

Providing Product Environmental Information

Since 2002, Canon has been providing online data about the environmental impact of its products throughout their lifecycles through the Eco-Leaf[1] program, a form of environmental labeling in Japan.

Moreover, in 2009 we began posting on our website in Japan a unique product environmental data sheet, entitled GREEN PROFILE, which features listings of each product and model with such information as environmental labeling responses, elimination of hazardous substances, and energy and resource conservation. In 2013, we provided information on 50 new product models in 13 categories.

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

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

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

• Visualizing CO2 Emissions using the Carbon Footprint of Products (CFP) Program

In 2012, Canon acquired CFP certification from Japan Environmental Management Association for Industry (JEMAI) for nine models in its imageRUNNER ADVANCE series of office multifunction devices. In 2013, this certification was acquired for seven models from its imageRUNNER ADVANCE series of office multifunction devices, two models of laser printers, and in January 2014 six models from its Refreshed series of remanufactured multifunction devices.

CFP is a system to calculate the greenhouse gas emissions of a product over its entire lifecycle, from raw material procurement to production, distribution, use and EoL (End of Life), and display the total in CO_2 equivalent. Originating in the UK, the CFP system has since spread throughout Europe and Asia, and in May 2013 ISO technical specification for quantification were published (ISO/TS 14067).

Canon will continue to acquire CFP certification for more of its products in the future.
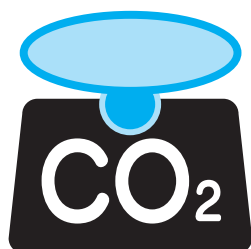
CFP mark

• Registration of the EPEAT® Environmental Label in the United States

In the United States, EPEAT, an environmental rating system for electronic products, was introduced in 2006, and is considered an important purchasing tool by the federal government. EPEAT rates products according to various environmental criteria such as reduction or elimination of hazardous substances, energy consumption and corporate performance. Product evaluation criteria have been set for product categories such as imaging equipment, computers and displays, and televisions. EPEAT-registered products are classified as "gold," "silver" or "bronze" depending on their performance under these criteria. In 2013, the scope was widened to cover imaging equipment, which includes such products as multifunction devices. Imaging equipment is rated according to 33 mandatory and 26 optional criteria.

Canon products that have been registered include multifunction devices, copying machines, laser printers, inkjet printers, fax machines, document scanners and network scanners. Among these, eight models of Canon multifunction devices have received the highest rank of gold classification in the imaging equipment category, which was established in 2013.

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

Improving Product Value during Use

Examples of Environmentally Conscious Products

• The imageRUNNER ADVANCE Office MFD Series

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

Using the application software bundled with such models as the imageRUNNER ADVANCE C5200, released in 2012, or the imageRUNNER ADVANCE 4200 series, released in 2013, devices can be shut down directly from a PC. It also comes equipped with a function (optional) to shut down multiple devices simultaneously at predetermined times, helping to reduce work loads for administrators and lower office power consumption.

Bio-based plastic is utilized for frequently used operational buttons, and a bio-based plastic (see p. 45) featuring the world's highest flame resistance is used for some exterior parts. We also use recycled plastics, made from recovered materials, and are thoroughly committed to utilizing materials with the lowest environmental impact. In addition, all parts except for electrical and electronic components are lead free, and part of the electrical substrate is free from halogens.

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

imageRUNNER ADVANCE C5255

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• PIXMA MG7100 Series Multifunction Inkjet Printer

The PIXMA MG7100 series multifunction inkjet printer provides not only outstanding functions such as high-quality and speedy photo printing, but also reduces power consumption through energy-saving technologies at every stage of operation, such as printing, standby and off mode. As the result, PIXMA MG6300 series reduces power consumption by approximately 54% compared with the MP630, a 2008 model.

The printers are also equipped with Eco mode, such as automatic duplex printing and power-off timers that can be set directly from the device, allowing for paper conservation as well as reduced power consumption while in standby. Users can also easily check to see their contributions to the environment using the Ecology Information function that displays the number of sheets saved and the amount of CO_2 reduced.

The series also exceeds EU RoHS (Restriction of Hazardous Substances) Directive requirements, reducing hazardous substances. While the RoHS Directive is expected to expand in the future, Canon's own measures remain ahead of tightening regulations.

In addition to environmental consciousness, we have also improved usability. The Intelligent Touch System features a touch panel display that makes operations easier and more intuitive. Printing can also be done from a smartphone using a wireless LAN connection. This, combined with the auto on function, makes it possible to print remotely without ever touching the device.

The PIXMA MG7100 series is one of many products that achieved Canon's environmental vision, "to achieve both highly functional products and minimal environmental burden."

PIXMA MG7100 series

• WUX450/WX520 Projectors

The all-new REALiS WUX450 Pro AV/WX520 Pro AV (XEED WUX450 /WX520) projectors released in January 2014 feature an environmentally conscious design that makes presentations even easier, while their power saver mode (ECO button) also reduces power consumption. These power projectors also adopt a lead-free lens made from titanium and barium compounds.

Additionally, the proprietarily developed new optical system called the AISYS5.0 achieves superior power consumption figures at approximately 0.068 W for the WX520 and 0.081 W for the WUX450 per lumen of brightness.

REALiS WUX450 Pro AV (XEED WUX450) projector

• EOS REBEL SL-1 (EOS 100D) Interchangeable Lens Digital Camera

The EOS REBEL SL-1 (EOS 100D) interchangeable lens digital camera geared toward beginners and released in April 2013 features a CMOS package and newly developed shutter unit as well as more compact main substrate. These changes have reduced the volume of the EOS REBEL SL-1 (EOS 100D) by approximately 25% compared to the EOS REBEL T4i (EOS 650D) released in 2012 and its mass by approximately 28%, making it the world's smallest and lightest model.*

EOS REBEL SL-1 (EOS 100D) interchangeable lens digital camera

* Digital SLR cameras with an imaging element equivalent to an APS-C size. As of March 1, 2014 (Canon survey).

• Medical Equipment: RK-F2 Full Auto Ref-Keratometer CXDI Wireless Digital Radiography System Series

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

This medical equipment will be subject to the regulations of the newly recast EU RoHS Directive as of July 2014. Canon has continually worked on developing medical equipment that does not contain chemical substances prohibited by the RoHS Directive. In July 2013, it became the first in the industry to complete* compliance for all its medical equipment with the recast RoHS Directive before it takes effect, including the RK-F2 Full Auto Ref-Keratometer and the CXDI Wireless Digital Radiography System.

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

* Canon brand only

RK-F2 Full Auto Ref-Keratometer

CXDI Wireless Digital Radiography System series

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Collection and Recycling

Recycling Systems

Global Collection and Recycling System

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

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

To encourage this kind of manufacturing, in 1998 Canon Inc. issued the Environmentally-Conscious Design Guidance, which is a guide for the design technologies necessary for promoting efficiency in the development and production of environmentally conscious products. This guide is posted on our intranet for all employees to use at every stage of the product lifecycle, from planning through development and design. This guide has also been revised every several years since then and as part of the 2014 revisions we plan on incorporating reinforced compliance with the U.S. environmental label EPEAT® (see p. 62).

• Initiatives at Recycling Centers

As part of its daily commitment to reinforcing its recycling activities, Canon holds a global meeting between its recycling centers to exchange information, share common issues, and examine more efficient means of recycling.

In March 2013, Canon Virginia, a recycling center for the Americas, received Responsible Recycling (R2) certification for its highly reliable recycling practices and activities from an audit company in the United States. This marked the first time that an original equipment manufacturer (OEM) received this certification.

• Compliance with the WEEE Directive in Europe

The EU WEEE Directive, which aims to reduce environmental impact caused by the disposal of waste electrical and electronic equipment by obligating EU manufacturers to collect and recycle used devices, went into effect in August 2005. EU member states must establish and amend laws in compliance with the directive, and implement frameworks for collective recycling.
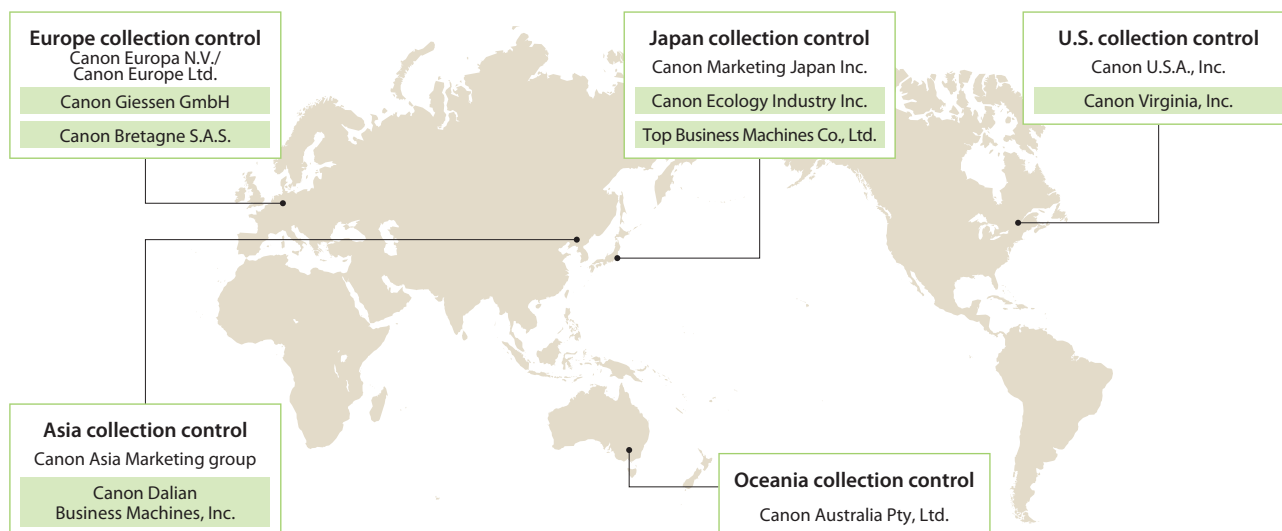
Canon complies with the EU WEEE Directive through easy-to recycle product designs, the inclusion of symbols on products to show proper collection and sorting, and the provision of necessary information to users.

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

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

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

Canon Global Collection and Recycling System

Europe collection control
Canon Europa N.V./
Canon Europe Ltd.
Canon Giessen GmbH
Canon Bretagne S.A.S.

Japan collection control
Canon Marketing Japan Inc.
Canon Ecology Industry Inc.
Top Business Machines Co., Ltd.

U.S. collection control
Canon U.S.A., Inc.
Canon Virginia, Inc.

Asia collection control
Canon Asia Marketing group
Canon Dalian Business Machines, Inc.

Oceania collection control
Canon Australia Pty, Ltd.

• Establishing Collection and Recycling Sites in Japan

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

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

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

Product Collection and Recycling

Promoting Reuse of Products and Parts

Canon promotes the reuse of used products and parts it has collected from the standpoint of waste reduction and effective resource use. By expanding our activities in this area, Canon's volume of reused products and parts reached 2,594 tons in 2013.

• Océ's Initiatives to Reuse Parts

Océ has established a system to manage the installation and recovery of monochrome wide-format printers in order to reuse parts. This system helped it reduce CO_2 emissions in 2013 by approximately 234 tons.

Remanufacturing Copying Machines

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

Canon markets the "Refreshed" series of remanufactured copying machines for the Japanese market as part of its efforts to reduce CO_2 emissions from procurement and manufacturing. In the case of the iR 3225F-R digital monochrome multifunction device from this series, which was launched in 2013, we used unique remanufacturing techniques to achieve an average parts reuse by weight ratio of 68%. Similarly, we have achieved a parts reuse by weight ratio of 70% for the iR 3245F-R monochrome multifunction device and 76% for the iR C3580F-R digital color multifunction device.
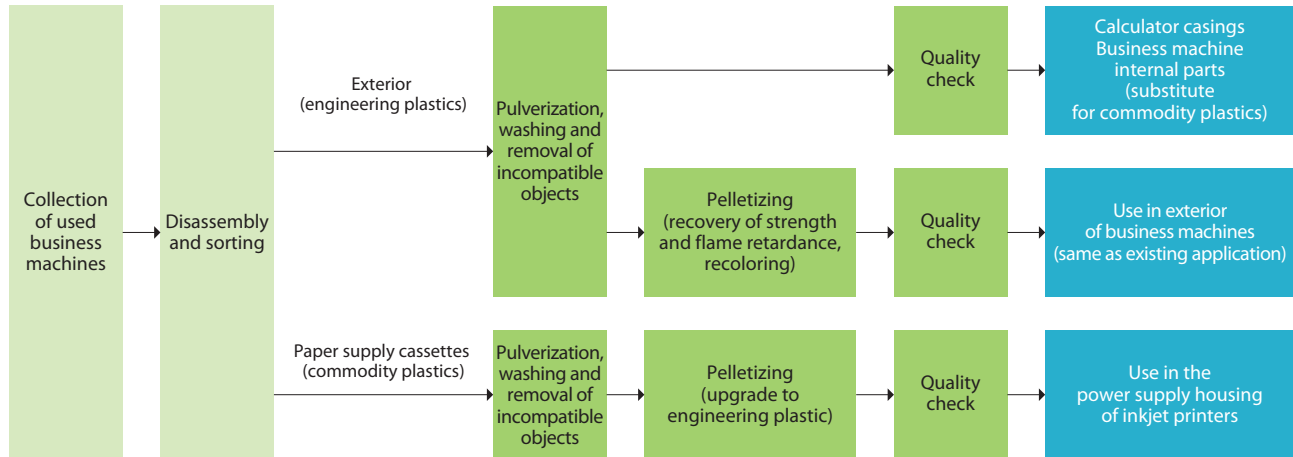
Each of these products will be the first multifunction devices to introduce the Japan's Ministry of Economy, Trade and Industry's Carbon Footprint of Products system to offset carbon emissions. Through involvement in this program, Canon's remanufactured multifunction devices will achieve zero CO_2 emissions* through their entire lifecycle through carbon offsetting.

iR 3225F-R

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

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Recycling of Plastic Materials from Business Machines

Recycling Plastics from Used Products for Application in New Canon Products

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

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

Plastics extracted from products and reused in new ones during 2013 totaled 3,893 tons (including toner cartridges).

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

• Example of Plastics Recycling

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

We pelletize these same engineering plastics. In this process, technologies developed by Canon facilitate recovery of strength and flame retardance, enabling the regenerated materials to once again be utilized in the exterior of copying machines. This recycled plastic has been adopted for use in our imageRUNNER ADVANCE series of office multifunction devices.

Additionally, commodity plastic found in the paper supply cassettes of collected business machines is pelletized and recycled as engineering plastics. In turn, these materials are used in power supply housing of inkjet printers and other parts.

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

Collection and Recycling of Consumables

Toner Cartridge Recycling

At a time when there were no company-based systems for product collection and recycling, Canon led the industry in 1990 by launching its Toner Cartridge Recycling Program. Over 20 years later this program is still running strong.

Collected toner cartridges are sorted by model, and their parts and materials are either reused or recycled. Used cartridges are currently collected from 26 countries throughout the world for recycling (consumption area recycling) at four bases[1] in the United States, France, China and Japan.

We implemented a closed-loop recycling[2] system in 1992, and today new toner cartridges using recycled parts and plastics are sold around the world. Additionally, rather than be sent to landfills, parts and materials not reused or recycled directly by Canon are instead reemployed as effective resources.

Through the toner cartridge-recycling program, as of 2013 we have achieved a cumulative reduction in the use of new resources of approximately 217,000 tons and a reduction in CO_2 emissions of approximately 480,000 tons.

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

In the future, we plan to incorporate further innovations into the program, such as development of a more efficient collection system to reduce associated environmental impact, and new recycling technologies that facilitate long-term recycling business development.

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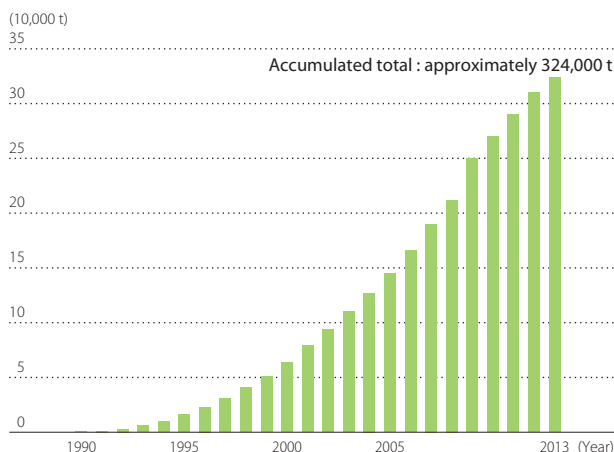• China: Canon Dalian Business Machines

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

Closed-Loop Recycling

Used Toner Cartridges Collected (Recovered Amount, by Weight)

Accumulated total : approximately 324,000 t

* Data aggregation method changed after 2009.

• Automated Toner Cartridge Recycling Plant

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

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

Also, in 2008 we established the color cartridge recycling plant at Canon Virginia, our recycling base in the United States. This initiative has facilitated recycling of color toner cartridges as materials, which helps to further reduce CO_2 emissions.

* Source: Canon survey

• Automated Sorting of Returned Toner Cartridges

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

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


Automated toner cartridge sorting system

Ink Cartridge Recycling

Canon introduced ink cartridge collection and recycling in 1996, steadily expanding its operation to new regions thereafter. As of March 31, 2014, collection and recycling had been implemented in 31 countries and regions throughout the world.

Used Ink Cartridge Collection Volume (Cumulative)

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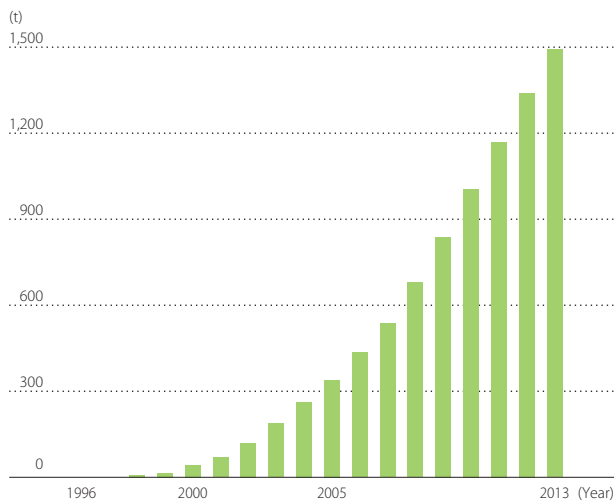
* Figures include cartridges for large-format printers, compact photo printers, etc.

• Recycling in Japan

Ink cartridges collected in Japan are recycled into plastics by Canon Ecology Industry.

The company effectively processes ink cartridges using an integrated and automated line that encompasses all phases of recycling, from sorting collected products by model type to disassembly, pulverization and washing. The company even pelletizes the final recycled plastics.

These recycled plastics are then sent to Canon's production plants, where they are used to make inkjet printer parts (closed-loop recycling). They are also utilized inside and outside the company in product pallets, service parts collection boxes, construction materials and stationery.

Automated recycling line

Ink Cartridge Materials Recycling

Used ink cartridge — Flaking — Pelletization — Use in plastic products — Partial use in new cartridges

• The Ink Cartridge Satogaeri (Homecoming) Project

In order to boost used ink cartridge collection, Canon pursues cooperation with other printer manufacturers in the creation of joint collection points. In April 2008, Canon took the initiative by calling on the industry to establish the Ink Cartridge Satogaeri Project in collaboration with five other companies.

Joint collection boxes are placed at over 3,600 post offices throughout Japan, making the process more convenient for customers and boosting collection rates. Collected cartridges are sent by Japan Post's "Yu-Pack" parcel service to a sorting site where they are divided by manufacturer and then returned to their respective producers, who bear the responsibility for recycling.

Activities have steadily gained momentum as the participation of local governments, beginning in 2009, has expanded collection sites to include city halls and ward offices. As of the end of March 2014, about 200 local governments were participating, with the number of collection points reaching about 2,100.


Newly set up collection box in Miyagi Prefecture

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• Bellmark Foundation's Educational Support Activities

Since 2005, Canon has conducted used ink- and toner-cartridge collection activities at schools. Through these measures, we cooperate with Bellmark Foundation's educational support activities, promote environmental protection and education, and contribute to local communities.

During the years of our collaboration with the Bellmark Foundation, the number of schools participating has risen steadily, to around 16,000 schools as of the end of March 2014.

Bellmark System Overview
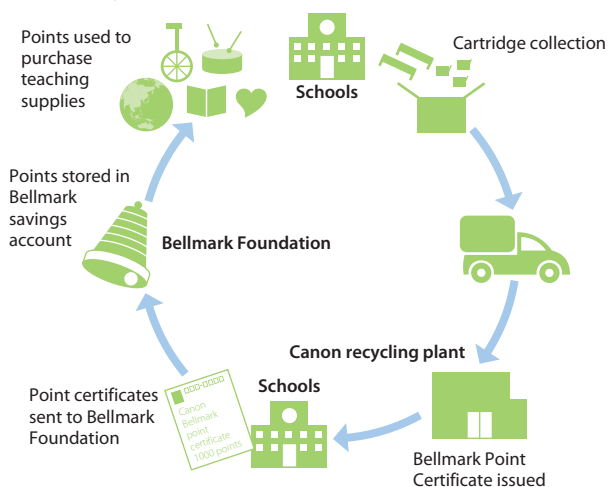
• Cartridge Collection outside Japan

Canon also proactively recycles used ink cartridges at locations outside Japan. Collected cartridges are reused as materials or recycled to reduce waste. As of March 31, 2014, collection and recycling was in place in 30 countries and regions throughout the world (excluding Japan).

Collection points are reviewed and determined based on the situation in each country and region. Boxes have been established in mass retail and other cooperating outlets, shopping malls, companies, schools, stations, and Canon service centers

Used ink cartridges being collected in Singapore

and showrooms. Used ink cartridges can also be returned to Canon by mail in certain regions, ensuring that the methodology of the campaign is considerate of customer convenience.

Recycling of Small Rechargeable Batteries

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

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

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

We will continue to develop such activities.

Recycling Containers and Packaging Materials

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

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

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

We will continue to make efforts in this area.

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Biodiversity Initiatives

Basic Approach

Awareness of environmental issues is on the rise, but at the same time global warming and the loss of biodiversity are growing more serious. Today more than ever, companies are strongly urged to carry out voluntary initiatives for biodiversity in order to help achieve the Aichi targets adopted by the tenth meeting of the Conference of the Parties (COP10) to the Convention on Biological Diversity.

Recognizing the importance that biodiversity plays for a sustainable society and following its corporate philosophy of *kyosei*, Canon continually strives to carry out activities to conserve biodiversity within its business pursuits.

Canon established its Biodiversity Policy in order to more strongly promote the biodiversity-conservation activities it has carried out thus far. This policy clearly defines Canon's basic position and action guidelines on biodiversity and stipulates themes for specific actions.

Biodiversity Policy

Basic Policy

Canon fully recognizes biodiversity as an important basis for a sustainable society, and promotes activities that contribute to biodiversity conservation.

Action Guidelines

- Canon strives to conserve biodiversity with consideration for various regional characteristics from a global perspective.
- Canon actively works to reduce the impact on biodiversity associated with various business activities, and to conduct social-contribution activities that lead to biodiversity conservation.

Specific actions

- "Utilization of Canon technologies and products for biodiversity conservation"
  Support for biodiversity conservation activities and projects
- "Consideration for biodiversity centered on operational sites"
  Ascertaining the impact of our business activities on biodiversity and conservation of animal and plant habitats around operational sites
- "Contribution to the realization of a community rich in biodiversity"
  Promotion of biodiversity conservation activities and educational activities in collaboration with local communities

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Utilization of Canon Technologies and Products for Biodiversity Conservation

Canon contributes to biodiversity conservation by utilizing Canon technologies and products for ecosystem investigation and monitoring.

• Supporting Conservation at Yellowstone National Park

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

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

TOPICS

Assisting the World's First Project for Protecting Endangered Albatross

The short-tailed albatross is the largest seabird in the North Pacific Ocean and is designated as a special natural monument (endangered species) by the Government of Japan. The Yamashina Institute for Ornithology, the only research facility in Japan specializing in ornithology, has been carrying out activities to save the albatross from the threat of extinction on Mukojima in the Ogasawara Islands since 2008. Canon is a supporter of the organization's activities.

The Yamashina Institute's project, which is the first of its kind in the world, involves transporting albatross chicks born on the island of Izu Torishima, which is one of the largest albatross breeding grounds, to Mukojima, an island approximately 350 km away, where the chicks are raised by hand. One of the major challenges faced was the difficulty of reading the numbers on the tiny ankle rings attached to the birds to identify them individually when observing the hand-rearing site from a distance.

In response to this problem, Canon provided the Yamashina Institute with a super-telescopic lens and high-definition interchangeable lens digital camera in July 2013. The enlarged photographic images now make it not only easier to read the ankle ring numbers, but also enable them to get much more detailed observation data than ever before.

An albatross in flight (photographed by Toshio Minami)

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• **Long-running Ad Campaign Addresses the Plight of Endangered Animals**

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

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

Environmental ad: "Wildlife as Canon Sees It" (February 2014)

Mindful of Biodiversity Around Operational Sites

Canon considers the impact on ecosystems and wildlife when constructing buildings and operational sites around the world, making every effort to preserve a viable habitat for plants and animals.

• **Preserving Wildlife Habitats at Operational Sites**

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

Additionally, Oita Canon is raising green pheasants onsite to protect this species, which had been living there prior to the start of operations. In November 2013, a release event was held at the Canon Forest located onsite together with local elementary school students.

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

Children releasing pheasants into the wild

• **Bringing Greenery to Our Operational Sites**

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

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

Contributing to a Society that Nurtures Biodiversity

Canon works together with organizations engaged in biodiversity preservation while also encouraging the volunteer activities of employees and supporting environmental education initiatives in local communities as a means of contributing to biodiversity conservation.

• **Afforestation Program at Canon China**

Canon China has been carrying out an afforestation program called Green Pioneer since 2007.

In 2013, activities were carried out between March and May, with employees from 15 branches and two plants in China taking part as volunteers. Employee families, distributors and business partners were also invited to attend.

More than 1,700 people have participated in this program and more than 900 trees have been planted up to October 2013.

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Environmental Communication

Canon's Communication Activities Concept

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

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

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

Participating in Environmental Exhibitions

Canon's "Action for Green" environmental vision calls on us to realize a society that promotes both enriched lifestyles and the global environment through technological innovation and improved management efficiency. In line with this, we participate in a variety of environmental exhibitions inside Japan and overseas to introduce our environmentally conscious products and environmental initiatives to a wide audience.

• Exhibition at Eco-Products 2013
Canon participated in Eco-Products 2013, the largest general environmental expo in Japan, held in December 2013 at Tokyo Big Sight.

The Canon booth used projection mapping*1 to outline Canon's environmental activities. Visitors were introduced to Canon's prototype-free initiatives using the MREAL mixed reality*2 system as well as the environmental considerations taken into account during each phase of the product lifecycle.

*1 Projection mapping
A projection technology and form of video expression that uses a projector to display video images directly on three-dimensional objects, which in turn can appear to emit light, change shapes, or become transparent.

*2 Mixed Reality (MR)
An imaging technology that seamlessly combines the real world with virtual reality in real time. MR delivers an even greater visual and lifelike experience than virtual reality.

The Canon booth at Eco-Products 2013

TOPICS

Environmental Education Outreach Program for Children

As part of its social contribution activities, Canon has set up an environmental education outreach program for teaching children about the importance of the environment. Classes in 2013 covered toner cartridge recycling and were attended by 579 children and their guardians across Japan.

The children were split into teams to conduct "sorting experiments." Using four types of materials that included steel, styrene foam, and differing sizes of plastics, the children learned about methods to efficiently sort the materials by utilizing their unique characteristics.

The children also watched a video of Canon's cartridge recycling processes, enabling them to see that the same sorting methods used in the experiment are being employed in real life to recycle materials.

An environmental education outreach class in session

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Operational Sites Covered in the Environmental Section

Name	Location	Activities
Canon Inc. (14 operational sites)		
Headquarters	Tokyo	R&D, corporate administration, operations and other functions
Yako Office	Kanagawa	Development of inkjet printers, large-format printers and inkjet chemical products
Kawasaki Office	Kanagawa	R&D and manufacturing of production equipment and metal molds, R&D of semiconductor devices, R&D and mass-production support in electrophotographic technologies
Tamagawa Office	Kanagawa	Development of quality management technologies
Kosugi Office	Kanagawa	Development of software for office imaging products
Hiratsuka Plant	Kanagawa	Development of displays; R&D and manufacturing of micro devices
Ayase Plant	Kanagawa	Development and manufacturing of semiconductor devices
Fuji-Susono Research Park	Shizuoka	R&D in electrophotographic technologies
Utsunomiya Plant	Tochigi	Manufacturing of EF lenses, video camcorder lenses, broadcasting lenses, lenses for business machines, multimedia projector lenses, specialized optical lenses
Toride Plant	Ibaraki	Manufacturing of office imaging products and chemical products; R&D, mass-production trials and support in electrophotographic technologies
Ami Plant	Ibaraki	Manufacturing of FPD lithography equipment parts
Utsunomiya Optical Products Plant	Tochigi	R&D, manufacturing and servicing for semiconductor lithography equipment and flat panel display (FPD) lithography equipment
Optics R&D Center	Tochigi	R&D in optical technologies
Tsukuba Parts Center	Ibaraki	Storage of parts and management of shipping inside and outside Japan
Marketing Headquarters in Japan		
Canon Marketing Japan Inc.	Tokyo	Marketing of Canon products and related solution services in Japan
Manufacturing Subsidiaries in Japan (22 companies)		
Canon Electronics Inc.	Saitama	Magnetic/business machine components, document scanners, portable data terminals
Canon Finetech Inc.	Saitama	Business machines, business machine peripherals, inkjet printing systems
Nisca Corporation	Yamanashi	Business machine peripherals, optical equipment, professional quality printers
Top Business Machines Co., Ltd.	Shiga	Reuse and recycling of business machines
Canon Precision Inc.	Aomori	Micromotors, toner cartridges and optical semiconductor sensors
Canon Chemicals Inc.	Ibaraki	Toner cartridges and advanced functional polymer components
Oita Canon Inc.	Oita	Digital cameras, digital video camcorders, EF lenses and others
Miyazaki Daishin Canon Inc.	Miyazaki	Digital cameras, electronics packaging
Canon Optron, Inc.	Ibaraki	Optical crystals (for cameras, telescopes), vapor deposition materials
Canon Components, Inc.	Saitama	Contact image sensors, printed wiring boards, ink cartridges, medical equipment
Nagahama Canon Inc.	Shiga	Toner cartridges, parts for laser printers, a-Si drums
Oita Canon Materials Inc.	Oita	Chemical products for copying machines and printers
Canon Semiconductor Equipment Inc.	Ibaraki	Semiconductor production-related equipment, design and manufacturing of production equipment
Canon Ecology Industry Inc.	Ibaraki	Recycling of toner cartridges; reuse and recycling of business machines
Ueno Canon Materials Inc.	Mie	Chemical products for copying machines and printers
Fukushima Canon Inc.	Fukushima	Commercial photo printers, print heads and ink tanks; analysis of software
Canon Mold Co., Ltd.	Ibaraki	Design and production of precise plastic molding
Hita Canon Materials Inc.	Oita	Advanced functional polymer components for toner cartridges
Canon ANELVA Corporation	Kanagawa	Semiconductor/electronic equipment, vacuum components
Canon Machinery Inc.	Shiga	Precision automation and semiconductor equipment
Canon Tokki Corporation	Niigata	Manufacturing equipment of OLED panel and thin-film photovoltaic cell, vacuum process equipment
Nagasaki Canon Inc.	Nagasaki	Digital cameras

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Name	Country/Region	Activities
Manufacturing Subsidiaries outside Japan (19 companies)		
Canon Virginia, Inc.	U.S.A.	Toner cartridges, toner for copying machines, OEM products and molding dies
Canon Giessen GmbH	Germany	Remanufacturing of copying machines; repair of cameras; service and support for Canon Sales Companies
Canon Bretagne S.A.S.	France	Chemical products for copying machines and printers, recycling of toner cartridges, after-sales service and others
Canon Inc., Taiwan	Taiwan	Digital cameras, network cameras, EF lenses, lenses for network cameras, accessories for digital SLR cameras, precision-metal molds
Canon Opto (Malaysia) Sdn. Bhd.	Malaysia	EF lenses, optical lenses
Canon Electronics (Malaysia) Sdn. Bhd.	Malaysia	Magnetic components
Canon Hi-Tech (Thailand) Ltd.	Thailand	Inkjet printers
Canon Dalian Business Machines, Inc.	PRC	Production and recycling of toner cartridges, production of laser printers
Canon Zhuhai, Inc.	PRC	Digital cameras, digital video camcorders, laser printers, contact image sensors, lenses
Canon Vietnam Co., Ltd.	Vietnam	Inkjet printers, laser printers, scanners
Canon Zhongshan Business Machines Co., Ltd.	PRC	Laser printers
Canon (Suzhou) Inc.	PRC	Color and monochrome MFPs
Canon Finetech Nisca (Shenzhen) Inc.	PRC	Business machines, business machine peripherals, industrial-use printers, optical equipment
Canon Machinery (Malaysia) Sdn. Bhd.	Malaysia	Die bonders
Canon Prachinburi (Thailand) Ltd.	Thailand	Digital MFDs, service parts
Canon Business Machines (Philippines), Inc.	The Philippines	Laser printers
Océ-Technologies B.V.	The Netherlands	Document management, high-speed digital production printing systems, large-format printers
Océ-Printing Systems G.m.b.H.	Germany	
Océ-Display Graphics Systems, Inc.	Canada	

All sites above are subject to third-party verification of GHG's.

Marketing Headquarters outside Japan*[1]

Name	Country/Region	Activities
Canon U.S.A., Inc.	U.S.A.	All product segments
Canon Europa N.V.	The Netherlands	All product segments
Canon Europe Ltd.	United Kingdom	All product segments
Canon (China) Co., Ltd.	PRC	All product segments
Canon Australia Pty. Ltd.	Australia	All product segments

| **Other Companies Covered (84 companies)*[1]** |
|---|
| In Japan (22) |
| Outside Japan (62) |

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

Note: GHG and other environmental impact data for Canon Inc.'s Kamisato Office and Oita Plant is managed individually by Canon Components and Oita Canon Materials.

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Global Environmental Conservation

Respecting Human Rights

Establishing a Proper Workplace Environment

Fair Operating Practices

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Respecting Human Rights

With operations throughout the world, Canon currently employs over 190,000 people. In an age of increasing internationalization and diversification of societal needs, making effective use of the strengths and individuality of a diverse workforce is more important than ever. For this reason, Canon makes special efforts to respect the rights of each and every employee and to build a corporate culture that fosters diversity.
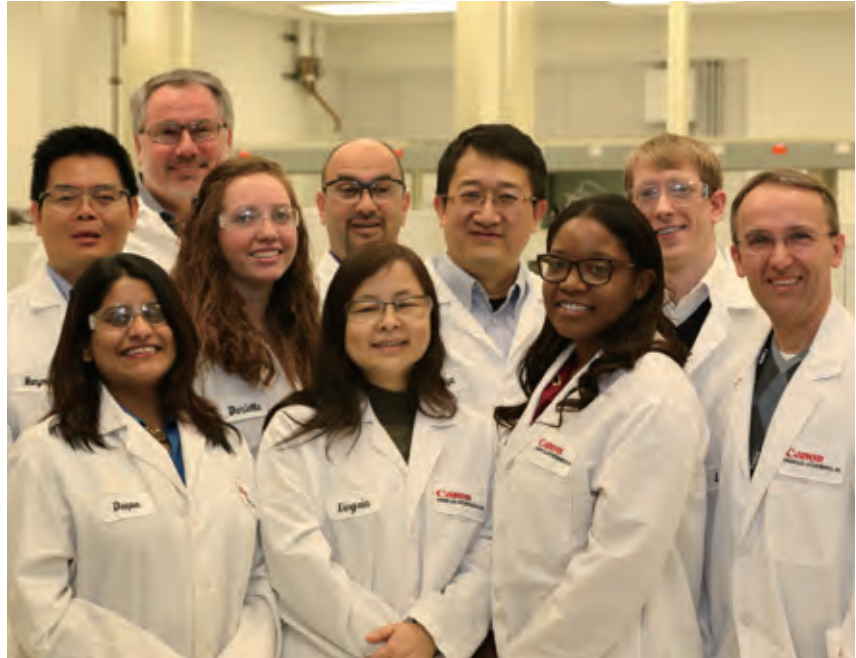
Researchers at Canon U.S. Life Sciences

TOPICS 2013

Harassment prevention training for managers

❶ Promote education on harassment prevention

At Canon Inc., we work to prevent harassment by providing specialized harassment prevention training for our executive officers and managers. With our sights set on achieving a 100% participation rate in 2013, we held 38 sessions in total including by division, for those that had not yet received the training and for newly appointed managers. A total of 733 managers attended the training.

▶ P.77

❷ Steadily increase the number of female managers

Canon Inc. established VItal workforce and Value Innovation through Diversity (VIVID), a cross-company organization for the promotion of diversity, in order to foster a workplace environment where female employees can thrive. Based on our medium-term plan, we also conducted a company-wide survey, held management training for female employees, and carried out other initiatives. These efforts have resulted in a steady rise in the number of female employees being appointed as managers.
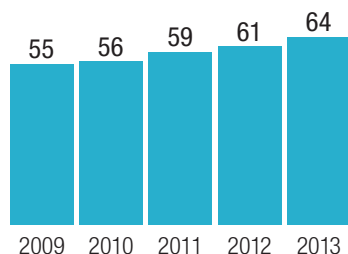
▶ P.78

Stakeholder Feedback

• As for the hiring of foreign nationals, I believe Canon should provide access to truly global career paths, as hiring not only provides employment opportunities in a particular country, but also the chance for someone to gain experience in a third country. (Government official in Japan)

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Results of Major Efforts in 2013 and Future Plans

Category	Results in 2013	Future Plans
Concern for Human Rights Issues	• Provided consultation services through harassment hotlines • Continued to hold harassment prevention training for managers…❶ (Canon Inc. 2013 participants: 733; Cumulative total: 4,860)	• Examine operational status of each hotline • Provide training to enhance hotline operators' ability to handle consultations • Harassment prevention training seminars for all managers

Respect for Diversity	• Career development support and workplace improvements for women (Canon Inc.)…❷
	  • Carried out company-wide survey
	  • Held in-house panel discussions (542 participants)
	  • Carried out selective training
	    Women's leadership training (26 participants) / Advanced women's leadership training (21 participants)
	  • Continued implementation of mentor system for female leaders
	  • Held seminar for employees returning from childcare leave (133 participants)
	    * Results from December 2013 to February 2014
		• Continued career development support and workplace improvements for women

	• Promoted employment of persons with disabilities…❸ (2013 employment rate of persons with disabilities at Canon Inc.: 2.07%)	• Expansion of employment opportunities for persons with disabilities and expansion of job duties for those already hired
	• Promoted re-employment after retirement (168 employees re-hired; total of 634 re-hired employees at Canon Inc.)	• Continue re-employment after retirement
	• Promoted employment of international students (2014 foreign employee hires of Canon Inc.: Technical: 6; Administrative: 2)	• Promotion of global hiring/utilization of human resources

No. of Female Managers

| 2009	2010	2011	2012	2013
55	56	59	61	64

* Canon Inc.

A participant from the women's leadership training program presenting a proposal to senior management

❸ Increase the **hiring of persons with disabilities**

Canon takes a proactive approach to hiring persons with disabilities and is committed to developing more employee-friendly workplace environments. An example of this is Oita Canon's special subsidiary Canon Wind, which is widening employment opportunities and job duties for persons with disabilities. As a result of our effort, the percentage of persons with disabilities employed by Canon has increased steadily to 2.07%, surpassing the 2% required by law.

▶ P.79

Number of Employees with a Disability

2009	2010	2011	2012	2013
341	365	367	374	382
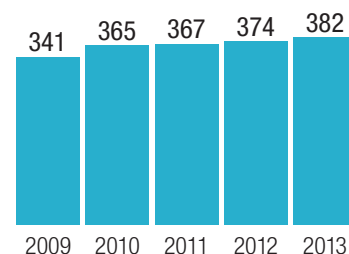
* Canon Inc.

Canon Wind

• I have high expectations for the future activities of women, persons with disabilities and seniors. I would like Canon to think about and help solve issues facing these demographics as well as provide a place where they can work. (Consumer in Asia)

• As globalization advances it will become more important to establish a solid system for resolving human rights issues. (Official from a civic organization in Asia)

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Concern for Human Rights Issues

Prohibiting Discrimination

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

Canon Inc. and its Group companies in Japan carry out collective readings of the Canon Group Code of Conduct as well as discussions concerning work-related risks at each workplace.

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

Preventing Harassment

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

Canon Inc.'s employment rules clearly stipulate our prohibition of sexual harassment and power harassment. In line with this, we formulated Sexual Harassment Prevention Provisions in 2008. These provisions have been made known throughout the Canon Group, and serve as a template for establishing similar rules at our Group companies.

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

As five years have now passed since the hotlines were established, in 2014 we plan to review the operations of each hotline and provide training at all operational sites, including Group companies, to build and refine the skills of employees manning the hotlines.

Educating Employees on Harassment Prevention

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

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

Canon Inc. continually conducts harassment prevention training for executive and managerial-level staff with the aim of developing measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. In 2013, in addition to training for management of four divisions, training was held 17 times for those not yet undergoing the course, 12 times for employees returning from overseas posts, and five times for newly appointed managers. A total of 733 participants completed the training program. To date, 4,860 employees, including those that have since retired, have participated in this training. As of 2013, 13 of Canon's 26 Group companies in Japan had also implemented similar training.

Pursuing our goal to have all management undergo this training, we intend to complete this goal during the first half of 2014.

Eliminating Child and Forced/Compulsory Labor

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

In 2013, we carried out an investigation of our manufacturing companies in Asia to confirm their compliance with laws pertaining to child labor and forced/compulsory labor. To date, no Canon Group company has violated laws relating to child labor or forced/compulsory labor.

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Respecting Diversity

Employment and Promotion of Diverse Human Resources

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

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

Promoting Success for Women

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

In 2012, Canon Inc. established VItal workforce and Value Innovation through Diversity (VIVID), a cross-company organization for the promotion of diversity, and formulated a three-year medium-term plan for 2013 to 2015. Designating 2013 as "problem awareness year," we carried out a variety of activities, mainly in-house, along this theme. Additionally, we launched a new management-training course for female employees with the aim of developing role models that will inspire others.

As of the end of 2013, the average length of employment at Canon Inc. was roughly equivalent for men and women: 16.7 years for men and 16.9 for women. There are now 199 women who hold positions at the level of assistant manager or higher, and among those 64 have achieved full managerial rank.

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

Major Policies in 2013 for Promoting Success for Women
• Company-Wide Survey

In March 2013 Canon Inc. conducted a company-wide survey, asking approximately 10,000 randomly selected employees for their opinion on the promotion of success for women, to find out how employees are conscious about this issue in the workplace and then reflect the feedback in future measures implemented by VIVID. During the seven-day survey period, 86% of those selected responded, indicating the high degree of interest in this issue.

Employee Data by Gender (Canon Inc.)

Category		2009	2010	2011	2012	2013	Definitions
Number of employees	Male	21,259	21,772	21,511	21,773	22,173	
	Female	4,424	4,247	3,938	3,923	3,941	
	Total	25,683	26,019	25,449	25,696	26,114	
Average age	Male	39.0	39.7	40.5	41.1	41.6	Employees (other than directors) at Canon Inc., not including employees dispatched within and outside Japan
	Female	37.3	38.3	39.5	40.2	40.7	
	Total	38.7	39.4	40.4	40.9	41.4	
Average years of service	Male	14.6	15.4	16.1	16.4	16.7	
	Female	13.2	14.4	15.9	16.5	16.9	
	Total	14.4	15.2	16.1	16.4	16.7	
Number of managerial staff	Male	4,029	4,129	4,159	4,142	4,205	Graded employees (mainly full-time or part-time employees) at Canon Inc., not including employees dispatched within and outside Japan
	Female	55	56	59	61	64	
	Total	4,084	4,185	4,218	4,203	4,269	Percentage of female managerial staff indicates the overall share of managerial positions held by females
Percentage of female managerial staff		1.3	1.3	1.4	1.5	1.5	
Number of hires	Male	985	335	320	360	332	Employees hired through regular recruitment (not including mid-career hires)
	Female	137	36	59	61	57	
	Total	1,122	371	379	421	389	

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• Panel Discussion

A panel discussion based on the results of the company-wide survey was held at our Shimomaruko headquarters in May 2013. A total of 542 employees, mostly managers and female employees from the Keihin district, took part.

• Selective Training

Twenty-six female employees were selected to take part in women's leadership training for the first time in March and April 2013. Between July and December, 21 participants from the previous year worked on more advanced challenges and made presentations to executive management, further building their knowledge and experience of professional leadership.

• Mentoring System

We have implemented a mentoring system in which managerial staff at the general manager level or higher from other headquarters serve as mentors to female employees that have completed the women's leadership training program. In 2013, 25 mentors joined the program.

• Seminar for Employees Returning from Childcare Leave

To help employees remain motivated and active during the childcare years, Canon Inc. has introduced a seminar for employees returning from childcare leave and their supervisors. In December 2013, 23 employees took part in the first seminar held at our Shimomaruko headquarters.

Promoting Employment of Persons with Disabilities

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

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

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

where employees with disabilities have been assigned.

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

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* The Ideal of Normalization

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

Number and Percentage of Disabled Employees (Canon Inc.)

	2009	2010	2011	2012	2013
Employees	341	365	367	374	382
Percentage (%)	1.83	1.93	2.00	2.05	2.07

Re-Employment after Retirement

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

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment for re-employment posts. Further, we raised the upper limit for re-employment to 65 in 2007, and in 2009 introduced a framework that provides re-employed staff more flexibility in selecting their work patterns. In April 2013, Canon Inc. made changes to its company systems based on revisions to the Act on Stabilization of Employment of Elderly Persons.

In 2013, 168 (67.2%) of the 250 employees who reached retirement age chose re-employment, with 634 working under this system by the end of that year. These veterans work effectively, putting their experience and expertise to good use in various ways, such as handing down their skills as "master craftsmen," or acting as prior-art technology examiners, promoters of intellectual property, career counselors, and quality or environmental inspectors.

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Hiring and Utilizing a Global Workforce

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

Promoting Localization at Group Companies

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

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

Ratio of Locally Hired Personnel in Canon Group Companies Outside Japan (As of December 31, 2013) (%)

	The Americas	Europe	Asia (excluding Japan)
Presidents	44.0	98.1	22.2
Managers	79.5	94.8	80.8

Promoting Employment of International Students

Canon Inc. welcomes applications from international students during its regular graduate recruitment. Eight international students joined the company in April 2014: six in technical positions and two in administrative positions.

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

	2011	2012	2013	2014
Technical	2	10	7	6
Administrative	0	4	2	2

Active International Personnel Exchanges

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

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

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

Employee from Océ in the Netherlands assigned to Canon Inc. via the C-GAP program

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Establishing a Proper Workplace Environment

In order for a company to grow continuously, it is essential that employees, who are the life force of a company's operations, be provided with a comfortable work environment and that their talents are fully utilized. At Canon, we offer skills training support and fair treatment to our employees. In addition, we give due consideration to promoting a healthy work-life balance and ensuring occupational safety and health, enabling our employees to work in security and with peace of mind.

Young employees taking part in overseas training

TOPICS 2013

Overtime Hours per Employee

128.5 (2009)
162.0 (2010)
145.6 (2011)
115.3 (2012)
116.3 (2013)
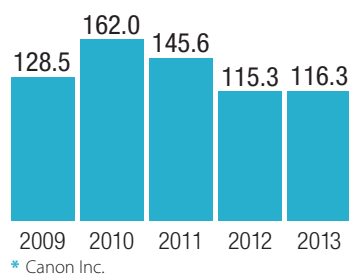
* Canon Inc.

❶ Overtime hours reduced by about 30%

Canon Inc. continues efforts to reduce overtime hours in order to sustain the goal of ensuring employees work less than 1,800 total hours in one year. Since introducing our Summertime System in 2011, we have promoted the improvement of productivity during working hours. As a result, the number of overtime hours worked by employees in 2013 was reduced by roughly 30% compared to the period before the introduction of the Summertime System.

▶ P.85

❷ Strengthen manufacturing personnel training

Canon Inc.'s Manufacturing Training Center is heading up efforts focused on overseas human-resource development in order to expand production at overseas factories. In 2013, we developed local instructors, provided training on production factory automation (FA) and implemented our Trade Skills Testing Program for overseas factories.

▶ P.88

Stakeholder Feedback

• We must not forget that work is just one part of our lives. For this reason, I believe it is important to promote a good work-life balance and prevent long working hours. (Shareholder/investor in Asia)

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Results of Major Efforts in 2013 and Future Plans

| Category	Results in 2013	Future Plans
Promoting A Good Work-Life Balance	• Promoted reduced overtime and use of paid leave…❶ (Canon Inc., total average working time per employee in 2013: approximately 1,740 hours, a reduction of 59 hours from 2010)	• Maintain total average working hours per employee at less than 1,800 hours
Supporting Personal Growth and Skill Development	• Held training programs to invigorate workplaces through improved communications Participants: 2,676 managers and 19,065 employees from Canon Inc.	• Continue training and program improvement
	• Focused on cultivating manufacturing personnel at manufacturing bases in Asia…❷	• Expand the initiative beyond Asia to include Europe and North America
	• Carried out training for Group company management outside Japan (Tokyo Seminar, Tokyo Seminar China Version and Tokyo Seminar Vietnam Version)	• Continue implementation of seminars
	• Promoted overseas training for young employees (Canon Inc.)	• Continue training programs, and increase number of globally active employees
Occupational Safety and Health	• Developed an evaluation tool for sites inside and outside Japan for the organizational safety and health management system and performed evaluations of sites in Japan	• Evaluate the safety and health management system used at manufacturing bases in Asia and standardize these systems with those used in Japan
	• Introduced activities to prevent occupational accidents based on the goals of eliminating latent risks and increasing safety awareness…❸ Accidents in 2013 requiring time off from work: 12 Number not requiring time off: 130 (Canon Group Companies in Japan)	• Promote accident prevention activities with the goals of eliminating occupational accidents caused by machinery and reducing damage by increasing safety awareness
	• Continued to hold safety inspections of manufacturing bases (Canon Group Companies in Japan)	• Raise safety and health standards
Health Management	• Promoted health improvement initiatives based on the medium-term vision (established in 2012) for employee health management (Canon Inc.)	• Implement systematic measures to counteract lifestyle diseases

Canon Bretagne

Canon Vietnam

## ❸ Steadily reduce the number of occupational accidents

Every year, themes are established and efforts continually promoted to eliminate occupational accidents. These efforts have helped to steadily raise safety and health standards and reduce the number of occupational accidents. In 2013, we were able to reduce the number of accidents requiring time off from work as well as the number not requiring time off compared to 2012, thanks to efforts made under the goals of eliminating latent risks and increasing safety awareness.

▶ P.91

Number of Accidents Requiring Time Off from Work

2009	2010	2011	2012	2013
30	21	16	13	12
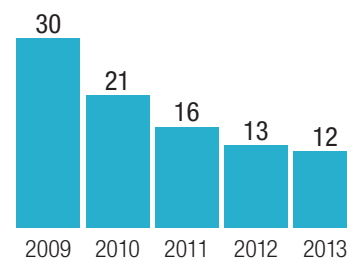
Number of Accidents Not Requiring Time Off from Work

2009	2010	2011	2012	2013
183	171	172	131	130
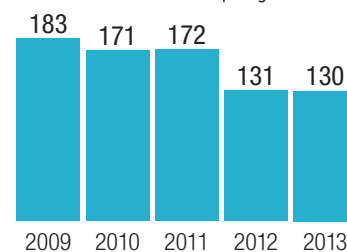
* Canon Group (within Japan)

• I believe creating safe workplaces will help give employees peace of mind, enable them to concentrate on work, build their skills and advance their career. (Local community member in Asia)

• Failure to uphold fair labor practices or labor safety will also bring about serious consequences to the lives of employees working on Canon's production sites. (Local community member in Asia)

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Hiring and Treatment of Human Resources

Basic Human Resource Policy

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

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

Guiding Principle of the Three Selfs Spirit

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

Canon encourages all Group employees to embrace the *San-ji* Spirit as they pursue their work with a positive and forward-looking attitude, and promotes this approach at Group companies worldwide.

Guiding Principles

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

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

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

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

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

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Hiring and Worker–Management Relations

Employment Figures

As of December 31, 2013, Canon had approximately 194,000 employees worldwide. Approximately 70,000 (36.0%) of these employees are employed within Japan. Employee retention is also high. For instance, at Canon Inc. the turnover rate in 2013 was only 0.8%.

Number of Canon Group Employees

Turnover Rate (Canon Inc.) (%)

	2009	2010	2011	2012	2013
Turnover rate	0.7	0.7	0.8	0.9	0.8

Worker–Management Relations

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

Every month, Canon Inc., Canon Marketing Japan, Fukushima Canon and Ueno Canon Materials convene a Central Worker/Management Conference with the Canon Workers' Union to exchange opinions and information spanning a range of subjects. The 2013 conference focused on recent developments at the company and within the workers' union. Additionally, special committees have been established to consider wages, working hours, safety and health issues, and welfare. Based on these conferences, new systems are established and policies are enacted. As of the end of 2013, combined employee membership in the Canon Workers' Union totaled 28,388.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference. In

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addition to management from 19 Canon Group companies in Japan, the conference is attended by representatives of 16 independent workers' unions in the Group. In 2013, reports were given on the current situation of both labor and management throughout the Group as a whole. As of the end of 2013, the number of employees in unions that are part of the Canon Group Workers' Union Conference totaled 51,429.

In accordance with the labor laws of each country in which we operate, Canon continuously maintains proper labor relations based on sufficient dialogue between labor and management at Group companies outside Japan.

Canon will continue to implement changes based on mutual understanding and trust with the Canon Workers' Union in its pursuit of continuous development.

Remuneration System

Salary Linked to Role and Performance

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

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

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

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

	2009	2010	2011	2012	2013
Average salary	716	752	766	759	756

Creating Local Employment and Revitalizing Economies at Production Bases

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

For example, Canon Prachinburi (Thailand), which started operations in April 2013 as a manufacturing site for multifunction devices, plans on employing a workforce of approximately 3,000 employees by the end of 2014.

Canon Business Machines (Philippines), which produces laser printers and other items, also started operations in April 2013, and plans to employ a staff of approximately 3,000 by the end of 2015.

Additionally, Canon Industria de Manaus (Brazil) began producing such products as digital cameras in July 2013, with plans to employ approximately 90 people by the end of 2014.

Canon Business Machines (Philippines)

Encouraging Work-Life Balance

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

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

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

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

Phase IV of the action plan was launched in April 2012 and runs through March 31, 2015. Our 2013 efforts based on this plan are outlined in the table below.

Reducing Overtime

Canon Inc. has striven to cut back on overtime to maintain an appropriate level of total work hours. Taking advantage of the changes in schedule offered by the Summertime System in 2011, overtime work is currently prohibited in principle, and efforts are in place to further improve work habits.

As a result, the average annual overtime hours per employee in 2013 worked out to 116.3, a roughly 28% reduction compared to 2010, before the Summertime System was implemented.

We have also taken other measures, such as encouraging employees to take their paid leave, which brought the total hours worked per employee in 2013 down to approximately 1,740, which was 59 hours less than in 2010.

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

Annual Hours Worked per Employee (Canon Inc.) (Hours)

	2009	2010	2011	2012	2013
Total hours	1,770	1,799	1,768	1,744	1,740
Overtime hours	128.5	162.0	145.6	115.3	116.3

Action Plan Phase IV

Action Plan	Measures	Results as of End of 2013
(1) Promote use of support system and raise overall participation rate.	• Confirm use of work-life balance programs (April 2012–March 2014) • Examine and implement concrete measures (through March 2015)	• Confirmed that, in addition to female employees, who have made up the majority of those taking advantage of these programs, the trend for use of these programs by male employees is on the upswing. • Currently, the consultation contact points are the Human Resources Management & Organization Headquarters at our corporate HQ, and the HR division at each operational site. Since there are virtually no obstacles to access the programs at any workplace, there are currently few cases of consultation. We will continue examining our in-house structures to maintain the consultation system.
(2) Continue efforts to reduce overtime work, promote use of paid leave, and maintain an appropriate level of total work hours.	• Confirm and analyze statistics on overtime work and redemption of paid leave (April 2012–March 2015) • Investigate and implement concrete measures (through March 2015)	• Prohibited overtime work, in principle, throughout the year. • Earlier work hours were implemented from July–September as promotion period of work-life balance. This change was continued as an opportunity to pursue further improvements to labor practices. • Yearly overtime work throughout the company decreased by approximately 28% compared to 2010 due to improvements in productivity and the promotion of work-life balance.
(3) Continuing from phase III, as part of our social contribution activities, carry out community contribution activities in which children—who are the future of our communities—can participate.	• Reach out to local regions and communities and implement appropriate initiatives (April 2012–March 2015)	• Continuously conducted throughout Japan the following community contribution activities in which children—who are the future of our communities—could participate. (1) Unique tutorial program for children including lessons on lens-crafting, camera construction and paper crafts (2) Junior Photographers photography classes (3) Canon Cup Junior Soccer (4) Tag rugby lessons

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Supporting the Dual Responsibilities of Work and Childcare

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs, including childcare leave for employees raising children up to the age of three, reduced work hours for employees with small children,[1] and a childcare leave support program,[2] which go beyond the legally stipulated minimum requirements. In 2007, Canon Inc. introduced various pregnancy-support systems, including maternity leave to protect the health of pregnant women, a fertility treatment cost-assistance program, and a fertility-treatment leave system. Additionally, we revised our reduced work hour system in 2010, lowering the basic work unit from one hour to 30 minutes, making it easier to use. In response to changes in the law as of June 2010, we also introduced a nursing care leave program. As part of our ongoing efforts to create an even more employee-friendly environment, in April 2014 we introduced a system in which paid leave can be taken on an hourly basis for such reasons as childcare, nursing care, or illness.

Consultation desks have also been set up at our Tokyo Shimomaruko headquarters and each of our operational sites to handle employee inquiries about how to use these systems. The most common topics of inquiry made to the Shimomaruko headquarters in 2013 included changes to the childcare leave period and childcare leave benefits.

To support the work-life balance of those in our local community, Canon Inc. established Poppins Nursery School Tamagawa. Located on our property adjacent to the Shimomaruko headquarters, the school is certified by the Tokyo Metropolitan Government and open to local residents. Approximately 50 children are enrolled at the school, with preference given to local children.

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

[2] **Childcare leave support program**
We provide support to employees who are returning to work after taking childcare leave through our Himawari Club Internet portal site.

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

	2009	2010	2011	2012	2013
Employees taking childcare leave	124 (8)	176 (16)	126 (17)	154 (15)	153 (14)
Employees using reduced work hours for childcare	116 (0)	137 (4)	144 (3)	147 (3)	169 (9)
Employees taking maternity leave	23	23	24	25	19
Employees working reduced hours due to pregnancy	3	1	1	2	4
Employees taking nursing care leave	13	12	14	7	12
Employees using reduced work hours for nursing care	9	7	2	4	5
Applications for childbirth support	266	215	225	261	263

[1] Number of employees in that year using the system for the first time
[2] ( ) Number of male employees

Return Rate and Number of Employees Returning from Child/ Nursing Care Leave

		2009	2010	2011	2012	2013
Number of employees returning from childcare leave	Number of returning employees (persons)	113	132	143	136	134
	Return rate (%)	98.4	100	100	100	96.3
Number of employees returning from nursing care leave	Number of returning employees (persons)	13	13	15	6	8
	Return rate (%)	100	100	100	100	100

Adopting Leave System for Volunteer Activities

Canon Inc. adopted a volunteer leave system in November 1994, in recognition of the growing interest in volunteer activities within the community and among our employees.

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

Every year, a number of employees make use of this opportunity, and as of the end of 2013, we had 10 employees taking leave for this purpose.

Supporting Personal Growth and Skill Development

Training System

Canon's Educational System

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

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

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

In 2013, in addition to our conventional training programs, we provided training programs to line managers and all general employees in order to promote better understanding of our position-based pay system and to foster better workplace communication skills. For line managers (evaluators), we carried out active leader's program (ALP) training on 101 occasions for 2,676 line managers. This training focused on not only fair and just evaluations, but also the importance of communicating in a convincing manner. For general employees (evaluees), we provided my action program (MAP) training on 364 occasions for 19,065 employees, with a focus on making improvements by reviewing communication with supervisors during interviews and day-to-day activities.

We aim to systematically cultivate the next generation at Canon, concentrating on the development of management-oriented, globally minded and technologically skilled human resources, and further strengthening our organizational capabilities.

Employee Training Time (Canon, Inc.)

(Hours)

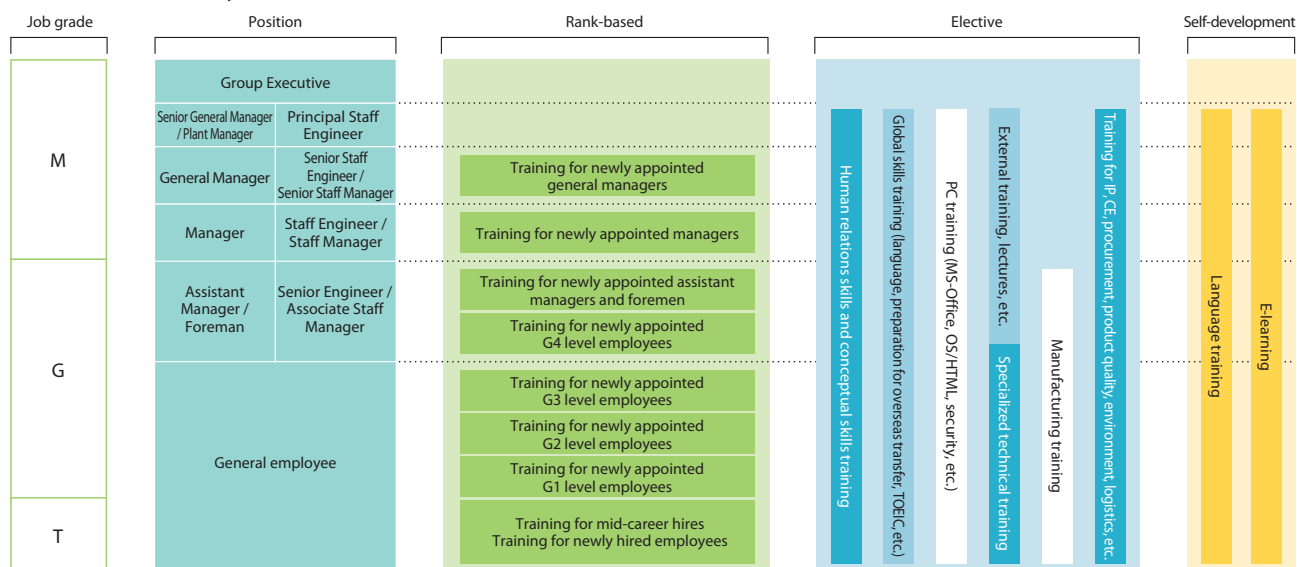|	2009	2010	2011	2012	2013
Total training time	836,445	601,168	529,517	618,364	726,612
Average hours per employee	32	22	21	24	28

Supporting Employee Career Development

In recent years, Canon Inc. has been focusing on the development of management-level employees through programs that include rank-based management training for all new line managers. We are diversifying our training format and content through the active use of various e-learning training programs.

Since 2005, Canon Inc. has also operated an internal career-matching system to support its employees in pursuing satisfying careers. The system aims to match the right people to the right jobs, promote internal mobility of human resources and bring greater vitality to the company. In 2013, 53 employees were transferred through this system.

Moreover, Canon has since 2001 conducted an employee career support program known as My Career Course. This course stimulates self-initiative for growth by having each employee reconsider his or her own goals and life plan. Employees from a variety of Canon Group company fields,

Canon's Educational System

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mostly in their 30s and 40s, attend this course. This course was held three times in 2013, with a total of 29 participants.

Development of Manufacturing Human Resources

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

TOPICS

Company-Wide Events to Support Employee Self-Development

As part of our efforts to support employee career development, Canon Inc. hosted self-development events after business hours between July and September 2013. These company-wide events were planned to coincide with a "work-life balance promotion campaign," which included the implementation of earlier work hours, enabling many employees to pursue self-development with the extra hours created.

These events also had the goal of providing learning opportunities to employees typically unable to receive training because their workplace is in a remote location or their work schedule does not allow for it. We endeavored to ensure that all sites had the same access to events by dispatching in-house instructors as necessary and other means. By enlisting the cooperation of each operational site to hold a program, we were able to make it a truly company-wide event.

Events Report

Theme	Name of Event	Number of sessions	Participants
Language skills	TOEIC-Bridge*	16	628
	Start-over Learning Method Seminar	11	838
Global awareness	Cross Cultural Exchange Seminar	1	46
Business skills	Meeting Facilitation Panel Discussions	1	186
	Business Skills Mini Seminar (dispatch)	8	400

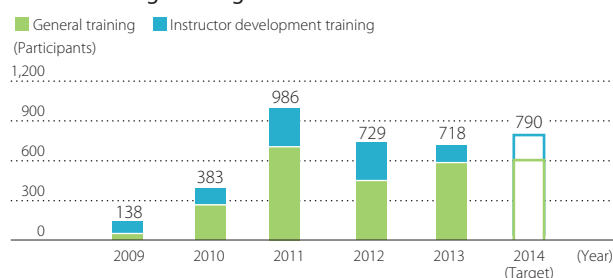* Simplified TOEIC exam that can be graded in about one hour

In 2013, as part of our core strategy to create and promote a system for the training of global human resources, we pursued initiatives focused on developing local instructors, coping with automization of production facilities being used more across Asia, and supporting staff training at new overseas sites.

Additionally, we continued to offer instructor development training, which was started in 2011. This program targets managers and plant engineers at our manufacturing companies in Southeast Asia and China, aiming to develop instructors for technological and technical skills training, production management training and other future local training programs. Instructor development training was held on 32 occasions in 2013, with a total of 140 employees participating.

A Trade Skills Testing Program has also been established at overseas sites with the goal of improving technical skill development. Injection molding, printed circuit board (PCB) assembly, product assembly, lens-polishing, precision measuring and factory automation (FA) technology is already being carried out at Canon Hi-Tech (Thailand), Canon Opto (Malaysia), Canon Vietnam, and Canon Dalian.

We plan to continue such initiatives, including the Global Skills Testing Program, not only in Asia, but also at our production bases in Europe and the United States to establish a truly global approach to human-resource development at Canon.

Manufacturing Training Center Courses

■ General training ■ Instructor development training
(Participants)

Year	Value
2009	138
2010	383
2011	986
2012	729
2013	718
2014 (Target)	790

Developing Globally Minded Personnel

With 268 operational sites* worldwide as of the end of 2013, the globalization of Canon's operations is proceeding apace.

Against this backdrop, one of the main strategies listed in Phase IV of our Excellent Global Corporation Plan is the development of personnel befitting a global company. In accordance with this, we are stepping up training to develop a globally minded workforce.

* The number of operational sites includes consolidated subsidiaries and equity-method affiliates.

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▌ Tokyo Seminars Improve the Level of Management at Group Companies

Canon has invited management-level employees from Group companies around the world to the Tokyo Seminar since 1980 with the aim of enhancing participants' awareness of their roles as Canon Group members and raising their level of management from a Group perspective. The 48th Tokyo Seminar was held in 2013, with 25 participants. A total of 1,079 employees have participated in the seminars to date.

In view of our business expansion throughout Asia, we launched a China version of the Canon Tokyo Seminar in 2009, and a Vietnam version in 2010. In 2013, the China seminar was held for the fifth time, with 20 participants, marking a total of 92 participants to date, while the Vietnam seminar was held for the third time, with 9 participants, for a cumulative total of 32.

Tokyo Seminar

Internationalization Training for Young Employees

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

The Asia Trainee Program, launched in 1995, enables recruits who are 30 years old or younger to engage in practical study at local companies in Asia. After receiving five months of language training at university, the employees dispatched as trainees spend about one year gaining practical experience at an Asian affiliate. Every year, about 10 employees make use of this program, and by the end of 2013 a total of 76 had participated. Trainees completing the program are employed at Asian affiliates.

In 2011, the dispatch of young employees to Europe and the US that had been carried out independently by each division was organized into the newly established Europe–US Trainee Program, which selects around 10 young employees each year to be sent to these regions. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program, and expect that they will play an important role at

Canon in those regions, which include Latin America and Russia.

Canon Inc. has also instituted a similar system for technical employees since 1984, called the Overseas Study Program for Technicians. The program is intended to develop technicians who can function internationally, as well as enable them to acquire technologies that could become essential to Canon in the future. In 2013, four employees studied abroad, bringing the total number of employees that have taken part in the program of overseas study at universities in the US and Europe to 85.

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

Certification and Award Programs

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

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

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

Certification and Awards in 2013

Canon President Award of the Year	9 (products), 2 (activities)
Invention Award	49 (378 award winners)
Quality Award	2 Excellent President's Awards, 5 President's Awards, 2 President's Incentive Awards
Production Innovation Award	3 Production Innovation Superiority Awards (President's Awards), 5 runners-up (Division Head's Awards including 2 Notable Awards)
Knowledge and Technology Award	A Grand Prize (President's Award), 6 runners-up (Division Head's Awards)
Canon Meister	5 Grade S recipients, 29 Grade 1 recipients (cumulative totals: 65 Grade S and 278 Grade 1 recipients)
Environment Award	2 President's Awards, 3 President's Honorable Mentions

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Occupational Safety and Health Management

Policy and Management System

Occupational Safety and Health Policy and Organization

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

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

Canon established the Central Safety and Health Committee as its supreme safety and health organ. This committee oversees all employees directly employed by Canon Inc. and Canon Marketing Japan, determining safety and health policies and measures for the entire Group as well as promoting the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire prevention, and the creation of a pleasant workplace.

During the meeting held in November 2013, the committee deliberated on policy for 2014 and shared examples of good practices. To ensure the smooth deployment of the policies and practices discussed in the activities of operational sites, top management responsible for general safety, health and human resources at each site, as well as safety and health managers at each site, including Group companies, were invited to attend.

Fundamental Ideas Underlying Central Safety and Health and Safety Policy Action

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

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

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

In 2013, Canon Machinery newly acquired OSHMS certification. Canon Inc.'s Toride Plant and two Canon Precision plants acquired their three-year certification renewals.

Operational sites that had yet to obtain certification at the end of 2013 are currently in the process of preparing to obtain certification based on their individual situation.

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

*2 **JISHA OSHMS Certification**
The Japan Industrial Safety and Health Association (JISHA) evaluates whether an operational site's OSHMS meets JISHA standards. Operational sites that meet this criterion are said to be OSHMS certified to JISHA standards. As of December 25, 2013, 363 sites had acquired this certification.

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

Status	Sites / Group Companies
Certified*	2 sites, 10 Group companies (13 operational sites)
Introduced*	3 sites, 1 Group company

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

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

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

In 2013, we provided educational resource materials related to occupational safety and health to Canon Industria de Manaus (Brazil) in conjunction with the launch of its operations, and we shared information with managers responsible for safety and health at our sites in Vietnam.

To pursue the goal set in 2012 of expanding Canon's safety and health management to our Asian production bases, we developed a proprietary safety and health management evaluation tool that can be used inside and outside Japan. We started off by carrying out an evaluation in Japan.

Reflecting on these results, we will also perform evaluations of our Asian production bases to help improve and standardize the level of occupational safety and health management in the region. At the same time, we plan to actively provide opportunities for information exchange and develop human resources that will be responsible for occupational safety and health management.

Efforts to Prevent Occupational Accidents

Occupational Accident Prevention

The number of occupational accidents in Japan has been on the rise since 2011. One reason for this is believed to be the deterioration of safety and health management systems associated with the worsening business environment. This has prompted the Ministry of Health, Labour and Welfare to issue

an urgent request to all companies to carry out comprehensive inspections of their safety and health management organizations and activities. In light of this situation, Canon is proactively carrying out activities with the recognition that occupational safety and health, disaster preparedness, and health support activities are priorities for maintaining stable corporate management.

In 2013 we carried out activities to prevent occupational accidents, with the goals of eliminating latent risks and improving safety awareness. Specifically, we carried out an assessment of risk in performing work during emergencies, implemented measures against the emergence of latent risk, and promoted the visualization of residual risk. There were 12 accidents in 2013 requiring time off from work (one fewer than the previous year), while accidents not requiring time off were down to 130 (one fewer than the previous year).

Pursuing our goals to eliminate occupational accidents caused by machinery and reduce accidents by improving safety awareness, in 2014 we will promote machine safety based on risk assessments, make known human error risk factors, and strive to eliminate accidents attributable to

tangible and intangible machinery-related factors. Additionally, we will focus on measures to prevent common occupational accidents, such as trips and falls, as well as accidents attributable to the older age of employees.

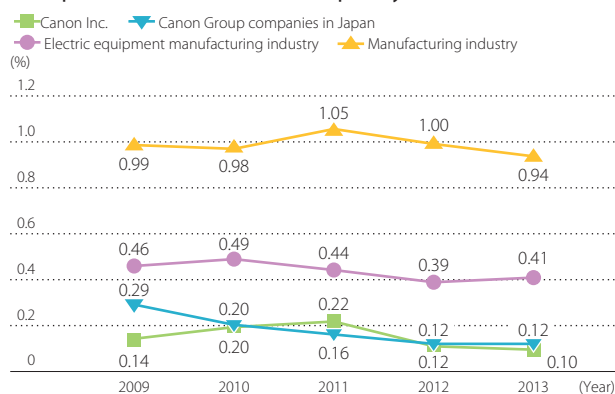## Improving Safety and Health through Safety Inspections

Canon has been carrying out safety inspections for all of its production sites in Japan since 2010 with the aim of helping reduce the number of workplace accidents. Specifically, inspectors from the Canon Inc. Headquarters Safety and Health Division visit production sites with the goal of strengthening safety communication by discussing safety issues with the staff, bringing to light any existing problem areas, and checking safety training plans and systems.

In 2013, we provided training for the employees in charge of safety and health and examined the management status of equipment requiring statutory checks at each site so as to reinforce compliance with laws and regulations.

Additionally, we carried out objective investigations of the operational activities and safety and health standards of each site in order to analyze and understand strengths and weaknesses. The findings will be utilized in future action policies to steadily advance the level of safety and health activities.

We will continue with these initiatives in 2014 to further raise safety and health standards at Canon.

Occupational Accident Rate (Frequency Rate*1)

- ■ Canon Inc.
- ▼ Canon Group companies in Japan
- ● Electric equipment manufacturing industry
- ▲ Manufacturing industry

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

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

Number of Occupational Accidents at Canon Group Companies in Japan

	2009	2010	2011	2012	2013
Accidents requiring time off from work	30	21	16	13	12
Accidents not requiring time off from work	183	171	172	131	130

Health Management

Recognizing that employee health always comes first, Canon focuses on creating a workplace environment in which employees can work healthily and energetically, reaching their full potential. By working to promote health and prevent disease, our goal is to minimize losses to both employees and the company caused by illness or injury.

In 2012 Canon defined a vision for 2015 underlined by a basic policy to support the health of its employees, establishing targets for key activities under the themes of mental healthcare, lifestyle disease prevention and early cancer detection.

We are carrying out initiatives across the entire Canon Group aimed at reaching these targets and improving the health of our employees.

Vision for 2015

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

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Key Activity Themes and Targets for 2015

Key Activity Themes	Targets
1. Mental health care	Reduce number of working days missed
2. Lifestyle disease prevention	Reduce percentage of employees considered susceptible to metabolic syndrome
3. Early cancer detection	Increase cancer screening rate (70% of employees over 40 years of age)

Promoting Mental Healthcare Initiatives

To promote a comprehensive mental health policy, Canon Inc. effectively conducts various programs that incorporate four care and three prevention guidelines.

In 2010, we established a mental health education system for employees who are in their first or second year of employment. This training educates employees about self-monitoring and lifestyle improvement methods, as well as approaches to stress reduction. Company support structures are also covered.

In 2012, we clarified our aim to promote both individual action plans and adjustments to workplace environment in pursuit of our 2015 goal of decreasing number of working days missed due to mental health issues. In line with this, in 2013 we established a system for conducting managerial training at all of our operational sites. We also developed in-house training

programs for improving the support capabilities of Canon's industrial health staff.

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

Measures for Lifestyle Disease Prevention

The Canon Group performs lifestyle checks during regular medical examinations with the aim of preventing lifestyle diseases. Based on these results, all Group companies have determined items for improvement in order to help employees to continually improve their health. Of the 10 improvement items pointed out in 2004, six were confirmed to have shown improvement in 2013, including a reduction in the number of smokers.

Measures against metabolic syndrome in 2011 included the introduction of a new health management system in which employees can use their own PCs to confirm diagnostic results from the past three years and numerical data from the past 10 years. Additionally, we launched the Light Exercise Campaign in 2013 to help employees establish an exercise routine.

We are committed to continuing our health promotion initiatives, which include health check follow-ups, specific health guidance,* poster displays for World No Tobacco Day and recommendations for outpatient treatment to quit smoking.

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

Mental Healthcare System

	Primary prevention (Preventing illness and improving health)	Secondary prevention (Early detection and treatment)	Tertiary prevention (Support for return to work)
Self-care	Training for newly hired employees / 1st–2nd year training / IKI IKI Book / Canon exercise routine	Stress self-check	
Care from managerial staff	Training for managers		
Care from on-site industrial health staff	In-house newsletters, awareness education activities via company Intranet / Health consultations and seminars / Consultations with industrial health staff		Return to work support program
Outside care		Stress self-check outside EAP* / Referral to medical institutions	Referral to occupational health centers

* **EAP**
Employee Assistance Program

Health Index Trends (Canon Inc.) (%)

	Target	2011	2012	2013
Percentage of persons with normal blood pressure (baseline= less than 140/90)	—	96.1	92.8	92.6
Percentage of smokers	Less than 31%	23.5	22.8	22.5
Percentage of persons with vegetable intake (350 grams or more per day)	More than 11%	12.2	12.8	13.1

Early Cancer Detection

Canon endeavors to raise awareness of cancer screening among employees in order to encourage the early detection and treatment of this disease.

In 2013, we stepped up our activities to raise awareness and organized cancer seminars and stamina checks by taking advantage of earlier work hours.

Fair Operating Practices

Aiming to achieve "sound business growth," Canon offers highly competitive products and services while also remaining committed to fair operating practices rooted in high ethical standards. To fulfill this commitment, not only do we strive to instill a proper sense of ethics in each and every employee, but we also pursue ethical business practices, which include the creation of reciprocally favorable trade relations with our suppliers as well as protecting and respecting intellectual properties.

All employees at Canon China carry the compliance card with them

TOPICS 2013

A poster to raise hotline awareness

❶ Make Compliance Hotline known to all

Recognizing the importance of our Compliance Hotline as an important tool for compliance management, Canon makes the existence of this communication route known to all employees through an intranet site, compliance training, and informative posters. Information regarding the hotline callers is kept secret and they are guaranteed not to suffer any negative consequences for reporting. Moreover, system reliability is ensured by active response to incoming reports.

▶ P.96

❷ Hold Legal Affairs Seminars

At Canon, we investigate and analyze domestic and international legal trends related to our products and formulate response measures as needed. We also issue various guidelines and white papers on legal affairs in addition to holding Global Legal Affairs Seminars.

▶ P.98

Stakeholder Feedback

- I would like Canon to carry out transparent and sound business activities based on compliance, fair operating practices and the trust of its business partners. (Consumer in Asia)

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Results of Major Efforts in 2013 and Future Plans

Category	Results in 2013	Future Plans
Compliance	• Continued to operate Compliance Hotline…❶	• Improve reliability of reporting systems
	• Held Compliance Weeks at each workplace to foster understanding of compliance	• Examine new initiatives for Compliance Weeks
	• Continued to hold compliance training Participants in 2013: newly appointed general managers, newly appointed managers, new employees (regular/mid-career), individual organizations, managers at Group companies, etc.	• Continue training programs and expand range of participants
	• Held Global Legal Affairs Seminars (6 times) and held information sessions on laws and regulations related to cloud services and big data at 3 divisions…❷	• Promote visualization of regulatory information through regular seminars
	• Held information sessions on security trade controls (37 times, with approximately 2,300 total participants) and offered guidance to Group companies inside and outside Japan (48 companies)	• Expand scope and strengthen guidance, focusing on Group companies outside Japan
Fair Trade	• Conducted business continuity management (BCM) survey of suppliers as part of CSR procurement promotion activities	• Issue CSR Promotion Guidelines for Suppliers
	• Began conducting full-scale investigations across the entire Canon Group on conflict minerals…❸	• Raise awareness in the supply chain and improve investigation accuracy
	• Established The Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement and held training sessions	• Rigorously enforce procurement compliance
	• Continued to conduct open procurement with suppliers based on Canon's own evaluation standards (80 proposals designated as candidates; currently 2 in the final evaluation process)	• Continue implementation of open procurement
Intellectual Property	• Held Intellectual Property Summit to facilitate information sharing and awareness (in 2013, 31 Group companies from Japan and overseas participated)	• Continuation of Intellectual Property Summits
	• Maintained approximately 90,500 patents/utility models worldwide (as of end of 2013) • Ranked third in U.S. Patent Office registrations	• Continue plans for effective patent acquisition

Global Legal Affairs Seminars in 2013

Theme	Times held
Information session on Security Trade Control Guidelines 4th Edition (held in Beijing and Shanghai)	2
Information session on white papers (IT Legislation White Paper, China Legislation White Paper)	1
Information session on Cloud-related Law Guidelines 2012	1
Information session for divisions on laws and regulations related to cloud services and big data	3
Information session on Open Source Software Guidelines 2013	1
Information session on international taxation (transfer pricing regulations)	1

❸ Step up response to conflict minerals regulations

Canon works with its business partners and industry groups to ensure that it avoids the use of minerals that fund armed forces in conflict-torn regions. In 2013 we began full-scale investigations into the compliance of products produced at manufacturing bases across the entire Canon Group.

Information session on conflict minerals

• I would like Canon to seriously consider and execute measures against child labor within its supply chain. This is also important from a risk management standpoint. (University in Japan)

• I hope that Canon's efforts to address conflict minerals can serve as an example for the rest of the industry. (Investor/analyst in Japan)

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Compliance

Policy and Structure

A Shared Compliance Awareness

At Canon, compliance activities form an essential foundation to become a "truly excellent global corporation."

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

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

Canon Group Code of Conduct Sections (Extract)

Management Stance

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

Code of Conduct for Executives and Employees

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

• Canon Group Code of Conduct

In 2001, Canon updated its 1992 "Canon Code of Conduct" from a global perspective and introduced the revised "Canon Group Code of Conduct." The "Canon Group Code of Conduct" has been translated into 13 languages, including English, French, and Chinese. Group companies worldwide enforce the "Canon Group Code of Conduct."

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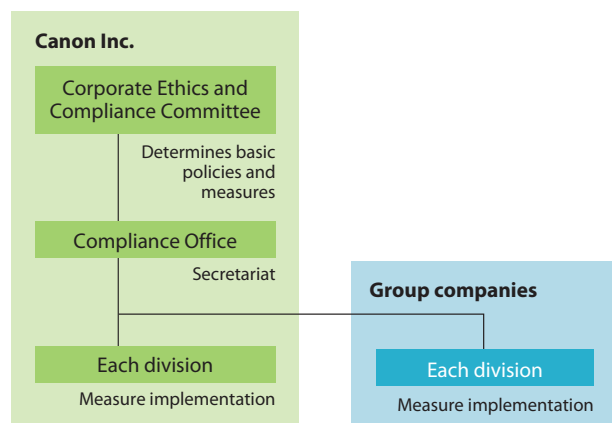
Compliance Promotion System

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

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

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

Structure to Promote Compliance

Canon Inc.

Corporate Ethics and Compliance Committee
— Determines basic policies and measures

Compliance Office
— Secretariat

Each division
— Measure implementation

Group companies

Each division
— Measure implementation

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• Global Legal Affairs Coordination Committee

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

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

Furthermore, in 2011 Canon established the Global Legal Affairs Coordination Conference to facilitate a more cross-functional response. This conference is attended by representatives from the Legal Affairs Coordination Division, Corporate Legal Center, Global Logistics Management Center, Quality Management Headquarters, and Corporate Intellectual Property and Legal Headquarters. It is mainly engaged in risk analysis and shares information on laws and regulations to enable prompt and accurate evaluations of how such laws and

regulations affect Canon's business. In 2013, Global Legal Affairs Coordination Conferences were held four times to share trends concerning the establishment of or revisions to laws, regulations and standards related to each of the above headquarters and centers, and to resolve legal issues.

In future, we plan to implement more proactive initiatives focused on improving and strengthening our trade secrets management system including rolling out measures outside Japan for the prevention of the outflow of important technologies, revising policies on security trade controls and international trade taxation, and investigating and analyzing legal and regulatory trends in emerging countries.

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

Mission

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

Principal Working Themes

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

Guidelines and White Papers issued in 2013

IT Legislation White Paper 2012[1]
China Legislation White Paper 2012[2]
Open Source Software Guidelines 2013[1]
Guidelines for Uniform Labeling in Measurement Units[1]
Cloud-related Law Guidelines 2012[1]
Guidelines for Management to Prevent Technology Outflow 2013[1] [2]
Product Labeling Guidelines for China 2013[2]

[1] Also published (or scheduled to be published) in English
[2] Also published in Chinese

Basic Activities of the Global Legal Affairs Coordination Committee

Operation of Compliance Hotlines

At Canon Inc., we have a Compliance Hotline system to receive information related to issues of compliance. Aiming for early detection and resolution of potential problems, these hotlines

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serve as an important tool in compliance management. We have worked hard to improve our system for promoting hotline use.

Information regarding the hotline callers is kept secret, and workers are guaranteed they will not suffer negative consequences should they use the hotline. We raise awareness of the hotline services by such means as an intranet compliance site, compliance training and informative posters.

Hotlines have been established at nearly all Group companies worldwide. The Compliance Office at Canon Inc. works in close coordination with divisions in charge at Group companies to continuously respond to incoming reports and increase system reliability.

Education and Awareness

Employee Compliance Awareness

• Compliance Weeks

Since 2004, Canon Inc., together with Group companies in Japan, has hosted Compliance Weeks, a biannual initiative held for three weeks in the first and second half of the year, providing an opportunity for individual employees to better understand how legal and ethical compliance is an issue of personal responsibility. Each year, compliance-related discussions are held at respective workplaces during this period.

Generally, the Compliance Weeks initiative involves group discussion of each workplace's efforts related to compliance. By discussing issues and working together toward progressive solutions, employees help to improve the work atmosphere.

Additionally, through workplace discussions on current topics related to compliance and corporate ethics, employees are kept aware of the changing times.

The first Compliance Weeks in 2013 focused on thinking about disparities between the rules and actual situations while the second addressed information leakages caused by personal carelessness.

Compliance Weeks poster

• Compliance Card

To reinforce the importance of demonstrating high ethical standards and a strict sense of compliance among employees of Group companies worldwide, Canon produced a portable Compliance Card in 17 languages and distributed it to executives and employees of Group companies worldwide, including full-time, part-time and temporary employees. The card carries a reminder of the *San-Ji* (Three Selfs) Spirit and a

test section that employees can use to check their actions and to reflect on the role of compliance in their everyday activities.

Additionally, Canon Inc. is working to raise employee awareness through such measures as a compliance check page that automatically appears on the screen of employees' computers once a month.
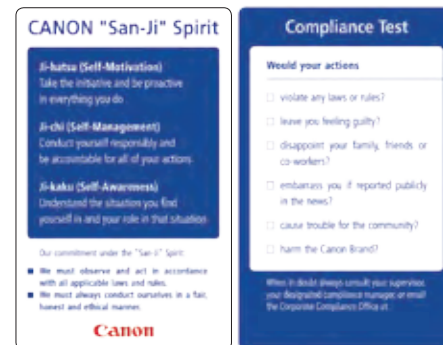
Compliance Card

Compliance Education

• Compliance Training

A strong sense of ownership on the part of each employee is the basis of compliance. Canon conducts compliance training designed to foster compliance awareness for newly appointed general managers and managers, as well as new employees.

Since 2007, we have also conducted separate training for managers of each organizational unit within Canon Inc. as well as at each Group company. Training for managers reaffirms the importance of compliance and the conduct expected of managers, while also deepening awareness of compliance issues at individual companies and organizations as well as understanding of related measures.

Compliance training

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• Global Legal Affairs Seminars

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

Along with raising interest in legal affairs, actively sharing product legal information in line with business needs, and facilitating a direct communication approach that includes opportunities for Q&A, these seminars promote a deep understanding of compliance.

In 2013, a total of six company-wide seminars were held, while separate briefings on laws and regulations related to cloud services and big data were held for related staff at three divisions that had requested such briefings.

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

Global Legal Affairs Seminars

Security Trade Controls

Thorough Compliance with Export Control Regulations

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

To achieve full compliance with these export control regulations, Canon Inc. created a security trade control framework headed by the president in 1988. In the framework,

the Foreign Trade Legal Division within the Global Logistics Management Center works as an administration division and the framework includes the general managers of all division headquarters, except for divisions such as the Finance & Accounting Headquarters or Human Resources Management & Organization Headquarters. Specifically, each related division and the Foreign Trade Legal Division double-check such issues as whether commodities and technologies for export are controlled by regulations, and whether trading parties are engaged in the development of weapons of mass destruction.

We also hold regular briefings and various training sessions for employees to increase awareness of the importance of security trade controls. Briefings and training sessions were held 37 times in 2013, with a total of 2,278 employees attending. One such session, the Serious Accident Prevention Seminar, which has been held since 2011, with a total of 311 employees attending over the three years, fostered greater awareness by using specific case studies.

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

Group Company Security Trade Controls

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

In 2013, we responded to requests for assistance from 48 companies inside and outside Japan, providing relevant documents and the like, and also visiting seven of them to give direct guidance. Additionally, two liaison meetings for affiliates in Japan were held in which representatives from Canon's affiliates in Japan attended. As a result of this guidance and other thorough management efforts, no infractions of export control laws took place within the Group during 2013.

We will continue to work to strengthen and expand the range of our guidance, especially for Group companies outside Japan, to keep infractions for the Group at zero.

Fair Dealing

Fundamental Procurement Policies

Basic Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept[*1], which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide while taking the environment into consideration.

Accordingly, Canon has formulated and widely published its Procurement Policy, and is endeavoring to build good relations with suppliers by deepening their understanding of Canon's basic stance toward procurement.

In addition, Canon has promoted a policy of green procurement[*2] since 1997. In keeping with our corporate philosophy of *kyosei*, we will continue to progress with this policy, giving due consideration to social as well as environmental issues as we carry out our procurement activities.

[*1] **The EQCD concept**
This is Canon's basic product development policy. "E" stands for environment: Companies are not qualified to manufacture goods if they are incapable of environmental assurance. "Q" stands for quality: Companies are not qualified to market goods if they are incapable of providing quality products. "C" and "D" stand for cost and delivery: Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

[*2] **Green procurement**
Favoring the procurement of materials and products that have a lower environmental impact.

Promoting CSR Procurement

Canon strives to ensure that suppliers understand our procurement standards in order to be certain that social responsibilities are not only being fulfilled by Canon itself, but also throughout the supply chain. As part of this effort, we posted a page entitled Requests to Suppliers on our website in 2009. This is a list of items concerning our suppliers' responsibilities in regard to the environment, human rights, labor, compliance, and other matters.

These requests and their purpose are explained to our suppliers at the procurement policy briefings held at locations around the world every year.

Additionally, since the Great East Japan Earthquake in 2011 we have been strengthening our approach to risk response. As part of this process we have been inspecting business continuity management (BCM[*]) at our suppliers, investigating such issues as flood countermeasure in Thailand, and electricity conservation measures.

As part of our commitment to strengthening CSR procurement in the future, we plan on publishing Supplier CSR Procurement Guidelines in 2014 that will provide detailed guidance for suppliers to follow with regard to CSR promotion.

[*] BCM inspections investigate a supplier's level of readiness for disaster and the stability of the supply chain.

Procurement Policy

Based on its corporate philosophy of *kyosei*, Canon, aiming to be a truly global company, strives to develop, manufacture and market useful products, boost profits, and achieve corporate growth and development, and thus contribute to the prosperity and well-being of the world.
The Procurement Division adopts a global perspective in purchasing quality, appropriately priced merchandise in a timely manner. This facilitates improvements in product quality and reductions in prices, and positions us to work with our suppliers to meet customer needs.

1. We comply with all applicable laws and regulations as well as corporate ethics, and operate in a manner that is protective of the environment.
2. We are open to any and all suppliers, and promote fair and free competition in accordance with the principles of faith and trust.
3. We improve manufacturing by mutual growth with reliable, quality suppliers, which are selected through a fair evaluation process.

Requests to Suppliers

1. Comply with all applicable laws and regulations (for example human rights, labor, safety and health).
2. Contribute to the growth of society as a good corporate citizen.
3. Promote fair, honest and highly transparent business practices along with the implementation of corporate ethics by prohibiting actions that violate corporate social responsibility (such as abuse of dominant positions) and eliminating antisocial forces.
4. Construct a production system with due consideration of environmental conservation by observing Canon Green Procurement Standards and promoting activities to reduce CO_2 emissions.
5. Secure personal and customer information, and strictly manage the information obtained through business.
6. Promote persistent improvement in order to maintain strong financial standing for continuous business and a high level in quality, cost, delivery and technical aspects.

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Addressing the Issue of Conflict Minerals

Seeking to ensure that customers can use Canon products with peace of mind, the Canon Group works together with business partners and industry entities to address the issue of conflict minerals.

Since 2012, Canon has held briefing sessions for domestic and overseas business partners at 16 locations to gain their understanding of the issue and request cooperation with related inquiries and, since 2013, the Company has been conducting full-scale investigations targeting products produced at manufacturing bases across the entire Canon Group.

Although tracing the complicated supply chain to confirm the origins of four types of metals used in products is no easy task, the Company has newly constructed a conflict minerals information management system and is accumulating essential data to enable the verification of conflict-free minerals at the parts and materials level.

Based on procedures performed through February 2014, no specific parts or materials have been found that have funded armed groups in conflict regions as defined by U.S. legislation. Because, however, there remain many parts and materials for which the smelters located upstream in the supply chain have not been identified, Canon continues working to increase the accuracy of inquiries and determine whether the supply chain is conflict-free.

The Company is also cooperating with the industry, including efforts to standardize investigation methods and activities supporting the examination of smelters, as a key member of the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA), which supports the Electronic Industry Citizenship Coalition (EICC).

In accordance with the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, Canon reported to the U.S. Securities and Exchange Commission in May of 2014 on the progress the Canon Group was making to address the conflict minerals issue and also disclosed the information on the Company's website.

Reinforcing Compliance in Procurement

In 2004, Canon established the Canon Group Procurement Code of Conduct to ensure fair and transparent business transactions with suppliers and strict compliance with laws and regulations on procurement from a global perspective. This code stipulates that employees of the procurement division of each manufacturing subsidiary inside and outside Japan abide by the code's content, maintaining compliance with all applicable laws and ordinances at all times while upholding corporate ethics.

We have taken a number of other steps to reinforce procurement compliance, establishing special internal controls sections within procurement divisions in 2007, and publishing a Procurement Ethics Reader in 2008 to ensure compliance with the Canon Group Procurement Code of Conduct. Furthermore, in 2012 we carried out a procedure inspection of the procurement division at each Group company, including those located outside Japan, and reconstructed our compliance system.

In September 2013, we updated the Canon Group Procurement Code of Conduct and changed the name to The Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement. This code was distributed not only to employees of procurement divisions from Canon Inc. and its Group companies in Japan, but also to the executive officers and employees that may in the future submit procurement orders. In conjunction with this, we offered Procurement Compliance Training, primarily for managers at divisions that received the code, to thoroughly inform and educate persons in charge of procurement on the proper compliance mindset and other important points for consideration.

Partnership with Suppliers

Development of Procurement Information Infrastructure

Canon aims to rationalize and boost the efficiency of its business and that of its suppliers through the introduction of ICT systems, which digitalize the formerly paper-based work of ordering and cost estimation. With regards to production materials, we launched an electronic ordering system at all of our production bases in Japan in 2006. This same system, which provides suppliers with order information, including delivery dates, volumes and unit prices, was also implemented at our production bases outside Japan before the end of 2009.

We introduced the same system for the procurement of indirect materials for sites in Japan in 2009, but since then we have developed and introduced a Global General Commodity Purchasing System that is designed to unify business processes inside and outside Japan. This new system was launched in Japan during the first half of 2013, and by the end of the year, all Canon Inc. sites, plus 21 Group companies in Japan and 12 Group companies outside Japan had implemented the system. We plan to introduce this system at all of our operational sites worldwide by 2015.

In addition to this, we are introducing an electronic quotation system that is used to send diagrams and other such materials to suppliers and receive quotes (unit prices). Installation of this system was completed at 30 sites inside and

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outside Japan by the end of 2013, with plans calling for installation at one site inside Japan and two sites outside Japan in 2014.

Communicating with Suppliers

Canon holds regular information sessions for suppliers at its operational sites and Group manufacturing companies to gain their understanding of the company's business plans and procurement policies. Communicating in this way allows us to share information with suppliers, strengthen coordination and grow our businesses together.

Deepening dialogue and strengthening ties with suppliers

Fair and Transparent Dealings

Promoting Open Procurement

As stated in our Procurement Policy, we open our doors equally to all suppliers worldwide and conduct business in a fair and impartial manner, and have instituted an Open Procurement policy to make a broad appeal to suppliers not already in our network.

Canon launched the Suppliers Proposal Site within its main company website in 2001 with the purpose of soliciting marketing information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

Out of the proposals submitted in 2012, one proceeded to the final evaluation process. Of the 80 proposals newly received in 2013, two are under consideration.

We will continue to give careful consideration to all future proposals based on established rules.

Supplier Evaluation Structure

Before initiating transactions with a new supplier, Canon assesses whether it satisfies the company's independent criteria with respect to such areas as global environmental

protection, parts supply system and financial position.

In the environmental field in particular, satisfying the Canon Green Procurement Standards is a condition for doing business, ensuring that green procurement of the parts and materials used in our products is practiced.

Canon also conducts regular evaluations of existing suppliers, with objective evaluations made relating to quality, cost, finances, the environment, supply capacity, technical ability, and response capability in the previous fiscal year. The results are reflected on our Supplier List, with highly ranked suppliers receiving preferential selection. And, we offer suggestions for improvement and training to suppliers with low scores.

Reference: How to become a supplier
http://www.canon.com/procurement/procedure.html

Reference: Green Procurement
http://www.canon.com/procurement/green.html

Supplier Evaluation Flow

New supplier (candidate)

New evaluation
- Financial
- Parts/materials supply structure
- Environment

Regular evaluation
- Quality
- Cost
- Financial
- Environment
- Supply capacity
- Technical ability
- Response capability

Improvement

Feedback

Pass

Supplier List
Existing supplier
Order/procure parts
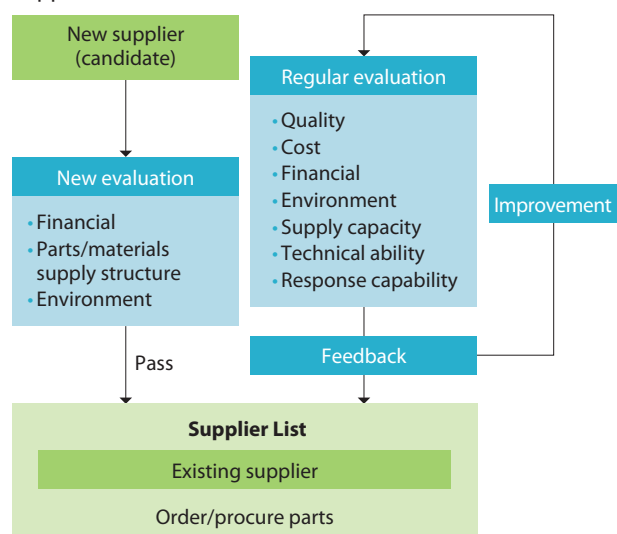
Fostering Supplier Evaluators

To ensure fair, impartial and transparent assessments of suppliers, Canon has carried out training to cultivate supplier evaluators since 2005.

Centering on evaluator assessments that compensate for variations among evaluators, the training program aims to foster knowledge using samples of hypothetical suppliers.

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Intellectual Property Activities

Canon's Intellectual Property Approach

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins the company's belief that the achievements of R&D activities are products and intellectual property. At Canon, the purpose of intellectual property activities is to support business development. As such, we promote effective utilization of intellectual property rights on all aspects of business including entry into new business areas, business diversification, and global expansion of production and marketing operations.

Basic Policies on Intellectual Property Activities

- Intellectual property activities are vital to supporting business development.
- The results of R&D activities are products and intellectual property.
- In addition to protecting its own intellectual property rights, Canon respects the intellectual property rights of other companies and handles related issues appropriately.

Respecting Intellectual Property Rights

Canon is thorough in responding to product copying and intellectual property infringement. Canon has devised and implemented thorough safeguards and policies to guard against such threats. At the same time, clear rules have been established to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others.

More specifically, thorough investigations of third-party patents are conducted to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

By thoroughly instilling these rules throughout the company, Canon smoothly and appropriately enters into partnerships with other companies and outside research institutions for cross-licensing or joint research projects. This makes it possible for Canon to achieve greater results than it could attain by using only its own patents.

A Corporate Culture that Supports Intellectual Property Activities

Canon encourages the creation of draft patents (invention proposals) rather than reports, and the reading of patent bulletins rather than research literature as part of day-to-day R&D activities.

To draft an invention proposal, a researcher needs to compare his or her own R&D activities with prior art technologies, understanding them objectively and summarizing them systematically. This leads to the acquisition of higher-value patents. Patent bulletins inform researchers about technical issues and solutions in relevant fields, knowledge of prior art technologies, competitors' activities and other trends. They are also useful for alerting researchers when rights holders need to be taken into consideration during business development.

Having such concerns firmly in mind, researchers and engineers involved in R&D are helping to foster a corporate culture of consistently setting high development objectives.

Intellectual Property Management System

To carry out Canon's business activities consistent with its intellectual property strategy, intellectual property rights management has been centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. The intellectual property rights of the entire Group are managed from the standpoint of optimizing the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting merits for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

Intellectual Property Management Structure
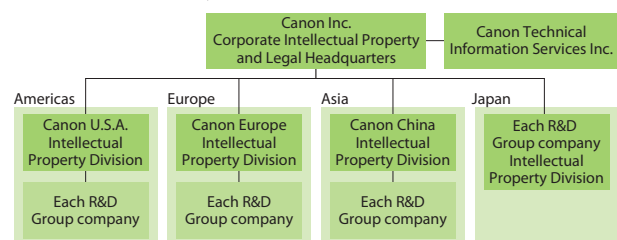
Group Company Management Structure

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the intellectual property divisions at each Group company, along with the formulation process for policies on other shared activities and issues are determined by Canon's management rules.

An Intellectual Property Summit is periodically held to

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facilitate information sharing throughout Group companies inside and outside Japan. This summit serves as a forum to communicate information and perspectives on trends in society as well as intellectual property initiatives being undertaken by Group companies. It also ensures that prompt action can be taken when an intellectual property issue arises. The summit was held in October 2013, with intellectual property division staff gathering from 31 Group companies worldwide.

Moreover, persons in charge at the Corporate Intellectual Property and Legal Headquarters have been posted to or sent to visit Canon Group companies to bolster global intellectual property activities and develop human resources.

Promoting More Innovative Inventions Leading to Patent Rights

As the cycle from product development to marketing becomes shorter, it is more difficult for researchers to closely study technologies that lead to inventions and to accurately stay abreast of a broad range of related technological trends.

One approach we have taken in this regard is to appoint Patent Portfolio Managers (PPMs) within each products operations. A PPM is a veteran technician with rich knowledge and experience concerning technological and patent application trends. PPMs select useful inventions and link the types of patents that tend to be overlooked amid the company's busy development operations to effective patent applications.

Prior Art Searches to Improve the Quality of Patent Applications

Even if R&D culminates in a patent application, a patent cannot be granted if a third party has submitted an application for a similar invention. Accordingly, we conduct prior art searches for previous publications to ensure that we assess the validity of applications and that we pursue originality in development.

When filing patent applications, each inventor uses Canon's search system, P/Net SR to investigate the existence of similar prior art. In 2006, we incorporated an English-Japanese translation function into the system to allow efficient searches of U.S. patents as well. In addition, Canon Technology Information Services Inc.—a Group company specializing in technology search services—performs more detailed prior art searches.

The thoroughness of such screenings raises the quality of patent applications, while utilization of the Japan Patent Office's Super-Accelerated Examination System*1 and Patent Examination Highway*2 speeds up the patent process worldwide.

*1 Super-Accelerated Examination System
This system is offered by the Japan Patent Office to provide an even faster route than the existing accelerated examination process. A pilot program was introduced in October 2008.
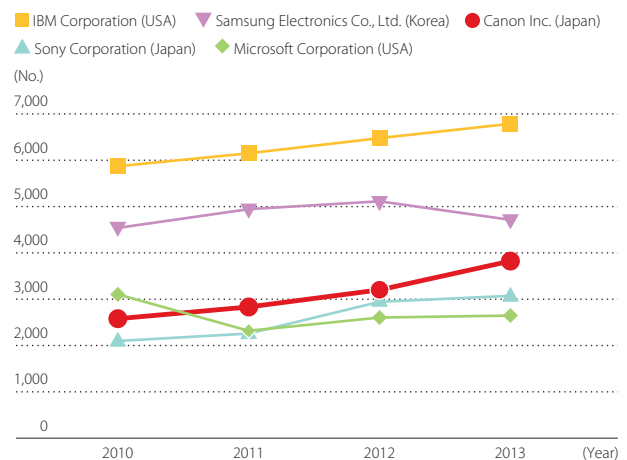
*2 Patent Examination Highway
This is an arrangement between the Japan Patent Office and various other countries and regions. It enables an application that has been determined to be patentable in the Office of First Filing (OFF) to undergo an accelerated examination in the Office of Second Filing (OSF) with a simple procedure following a request from an applicant.

Patent Application Status

Canon emphasizes patent applications outside of Japan, and as of the end of 2013, Canon possessed approximately 90,500 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess the countries/regions where patents are necessary. Filing of patent applications in the United States in particular has been emphasized, as the United States has many high-tech companies and a large consumer market. As a result, patent registration has increased in recent years; in 2012 Canon became the first Japanese corporation to obtain over 3,000 US patents, and in 2013 this number increased to 3,800 US patents.

Top 5 Companies Acquiring U.S. Patents

IBM Corporation (USA) ▼ Samsung Electronics Co., Ltd. (Korea) ● Canon Inc. (Japan) ▲ Sony Corporation (Japan) ◆ Microsoft Corporation (USA)

* Canon survey based on United States Patent and Trademark Office data as of December 31, 2013.

* IBM is an acronym for International Business Machines Corporation.

Cooperating with Intellectual Property Policies

In order to strengthen international competitiveness through the use of intellectual properties, the creation of a Japan-wide intellectual property strategy is absolutely imperative. Having served in a variety of roles on intellectual property in Japan, Canon has advanced a variety of proposals to Japan's Patent Office and other government agencies.

In particular, currently the Group Executive of Canon Inc.'s

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Corporate Intellectual Property and Legal Headquarters serves as a member of the Evaluation, Planning and Verification Committee of the Government's Intellectual Property Strategy Headquarters, while the Deputy Group Executive acts as the Managing Director of the Japan Intellectual Property Association, where they both actively engage in lobbying Japanese intellectual property policy.

The Group Executive also serves as the Vice President of the International Association for the Protection of Intellectual Property Japan. In this capacity he is able to proactively exchange views with the Commissioners of Patents in the United States, China, South Korea and Europe, thus allowing him to lobby international intellectual property policy.

Brand Management

Brand Management Approach

The Canon brand is the symbol of Canon's commitment to its customers. Under this brand, Canon is responsible for fulfilling the following mission:
- As a manufacturer, to deliver high-quality, convenient products that provide customer satisfaction and are a pleasure to use.
- As a marketing company, to provide optimal solutions and services that meet customer needs.
- As a corporation, to gain the confidence and trust of society.

Proper brand management is vital to ensure that customers and society are not adversely affected by unauthorized use of trademarks within the Group and improper use of Canon's corporate logos by third parties.

Based on this understanding, Canon established the Brand Management Committee as a deliberative body charged with establishing rules for raising the value of the Canon brand and resolving conflicts. The Brand Management Division was established to serve as the secretariat for the committee and is comprised of relevant persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

Brand Management Rules

Canon has formulated a set of Brand Management Rules, including the Canon Mark Basic Rules, in 2003 to ensure that employees use the Canon brand in compliance with regulations and raise the value of the Canon brand through the trust of customers and society. These rules govern the use of trade names, brand names, the Canon logo, and other corporate insignia.

Canon plans on making fundamental changes to these rules by 2015 based on the current climate as well as feedback

concerning its brand received from inside and outside the Group. In advance of this, partial rule changes were made during 2013.

Promoting Awareness of the Canon Brand

While implementing rules and management systems, Canon carries out brand education programs across all Group companies in the regions where it operates to ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand."

For example, Canon Inc. is incorporating brand education programs into its employee-training curriculum. In addition, we are using our corporate intranet to disseminate information that helps to raise awareness of the Canon brand among employees at Group companies, including direction on how to use the Canon logo properly.

An increasing number of companies have been joining the Group in recent years through M&A, making it important for everyone within the Group to share the same culture and goal awareness. In light of this situation, we will focus on internal branding so as to increase Group vitality through a shared recognition of the Canon brand.

Measures to Tackle Counterfeiting

Canon's stance on counterfeit products has always been strict. Such products cannot be overlooked as they not only damage the brand, but may also lead to economic losses arising from malfunctions and inferior quality and, in the worst case, cause injury to or endanger the lives of customers who trust the Canon brand.

Accordingly, we are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while cooperating with customs authorities to stop their importation. Moreover, in recent years the number of counterfeits distributed through the Internet, where the authenticity of products can not be confirmed, has dramatically increased. We are putting great efforts into fighting against such activities. The sale and distribution of counterfeit goods is increasingly borderless. Accordingly, Canon will continue its crackdown activities in current markets, while bolstering customs enforcement measures throughout the world, and monitoring and deterring transactions on the Internet.

Customer Care

Canon's mission, first and foremost, is to enrich our customers' private and professional lives, and to contribute to cultural growth through the development and sale of more convenient products and services. As part of this mission, we diligently work to offer full service and support to ensure complete product safety and maximum customer satisfaction.

In-store customer support

TOPICS 2013

Basic quality training

❶ Rigorously providing quality training across the entire Canon Group

To ensure all employees belonging to product-related divisions are continually mindful of quality in their work, we updated the *Canon Quality Introductory Guide* and the *Canon Quality Guidebook* as well as reinforced the basic training on quality. We are also continuing e-learning programs for all employees to raise awareness about the Voluntary Action Plan for Product Safety.

❷ Excellence Award in the Japan Manual Contest

Together with improved product usability, Canon has also been working to increase the quality of its instruction manuals. In 2013, the quick guide for the Canon VIXIA HF R42 HD video camcorder won the Excellence Award and Jury Award at the 2013 Japan Manual Contest in the category of paper-based operation manuals.

Stakeholder Feedback

- A company's quality assurance and response to quality problems are what determine the level of trust it has among consumers. I expect Canon to create even easier-to-use products based on a customer-centric standpoint. (Shareholder/investor in Japan)

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Results of Major Efforts in 2013 and Future Plans

Category	Results in 2013	Future Plans
Ensuring Product Safety	• Updated the *Canon Quality Introductory Guide* and the *Canon Quality Guidebook*…❶	• Promote initiatives that raise employee awareness about quality
	• Stepped up basic training on quality for newly hired employees and others…❶ • Continued e-learning to raise awareness about the Voluntary Action Plan for Product Safety…❶	• Ongoing implementation of employee training
	• Became the first in Japan to receive GLP conformity certification for in-vitro mammalian cell micronucleus tests for evaluating the safety of chemical substances under the Chemical Substances Control Law	• Expand the range of chemical substances that can receive in-vitro mammalian cell micronucleus tests
Pursuing Universal Design	• Promoted the development of usability- and accessibility-conscious products, and were selected as a leading example by a United Nations publication	• Create new product value by developing products that can be used easily
	• Canon product quick guide received excellence award in a user manual contest…❷	• Improve the quality of user manuals to make them easy-to-understand even for beginners
Strengthening Customer Support	• Implemented new services at QRC in China, including a pick-up service for products in need of repair…❸	• Expand service network and improve service level in all regions

Plaque from the Japan Manual Contest

Awards ceremony

❸ Expanding after-sales services in the growth market of China

Canon is focusing on expanding its after-sales service network through its Quick Response & Repair Center (QRC) and accredited service centers. In 2013, new services, including a pick-up service and E-tracking System, which greatly improve customer convenience, were introduced at the QRC.

QRC in China

• Today companies need to make multifunction and high-performance products as easy to use as possible. I hope that Canon will create products with universal design and safety in mind based on consumer feedback. (Consumer in Asia)

• I believe it will be important for Canon to deliver high-quality products as well as to engage consumers to identify their needs and requirements. (Analyst in Americas)

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Basic Quality Assurance Policy

Realizing Canon Quality

Approach to Quality

Our corporate objectives include creating the world's leading products, offering the highest level of quality and service, and contributing to the betterment of culture throughout the world.

Confirming and maintaining product safety is the foundation of our quality-assurance activities. These actions also represent the basis of the trust that we have earned from customers and society in general. Our basic quality policy is to achieve "no complaints, no trouble," and we have dedicated ourselves to achieving this goal. To affirm and publicize our commitment to quality, we promote our motto of 'Canon Quality' to stakeholders both inside and outside the company.

To offer customers products that are safe while also providing peace of mind and satisfaction, we implement stringent quality control measures at every stage, from planning, development and production to sales and after-sales service.

Canon Quality
Safety+Smartness+Satisfaction

Product quality slogan

Making a Total Commitment to Canon Quality

In order to maintain outstanding quality, all employees belonging to product-related divisions must always be mindful of quality in every aspect of their work. At Canon, we strive to educate and foster greater awareness of quality among all employees through our efforts to share our basic philosophy and motto on quality.

In 2013, we bolstered basic training on quality as well as revamped the *Canon Quality Introductory Guide*, which provides an introduction to Canon's approach to quality, and the *Canon Quality Guidebook*, which provides a broad overview of the company's quality-assurance activities, as part of our efforts to raise awareness about quality.

Canon is committed to continuing such initiatives as we strive to build a corporate culture that collectively and continually seeks out ways to enhance quality.

Continual Improvements to Quality Assurance Systems

In order to fully realize 'Canon Quality,' Canon has established a quality management system,* which combines the requirements of ISO 9001, an international quality management system standard, with features unique to Canon, such as means for responding to problems when they occur. Canon Inc.'s Quality Management Headquarters works in close cooperation with various products operations, and holds regular meetings with Group manufacturing bases and marketing companies throughout the world in order to implement quality assurance systems tailored to each region and business in accordance with the legal and regulatory standards of each country and region.

In 2007, Canon Inc. introduced the Quality Innovation Strategy Committee under the umbrella of the Management Strategy Committee. The committee has been responsible for company-wide efforts focused on quality improvement from product planning to development and design, production, sales and service. Building on those results, the committee concluded its activities in February 2013, and a new Quality Improvement Expert Committee was established to take our efforts to the next level.

Organized into five sub-committees, the Quality Improvement Expert Committee takes part in vertically integrated activities to resolve challenges faced by individual products operations as well as horizontally integrated activities that address company-wide issues.

Supported by the activities of this committee, and its sub-committees, Canon will continue to pursue "quality first."

* Canon's quality management system is recognized by The International Register of Certified Auditors as an alternative standard to ISO 9001.

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Ensuring Customer Safety

Ensuring Product Safety

Establishing a Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon views providing safe products that deliver peace of mind and satisfaction to be our mission as a manufacturer to contribute to the creation of a richer society.

Following this belief, in 2007 we formulated the Basic Policy on Product Safety. Based on this policy, Group companies in Japan* develop and execute a Voluntary Action Plan for Product Safety that accommodates their business field. Under the plan, the companies endeavor to be customer-oriented and focus on product safety.

Since the revision of the Consumer Product Safety Act in 2007, which made mandatory the notification of serious product accidents to Japan's Ministry of Economy, Trade and Industry (currently these are made to the Consumer Affairs Agency), there have been no serious accidents involving Canon products requiring such notification.

* **Group companies with an established Voluntary Action Plan for Product Safety:** Canon Inc.; Canon Marketing Japan; Canon System & Support; Canon Electronics; Canon Finetech; Canon Machinery; Canon ANELVA; Oita Canon; Canon Chemicals; Nagahama Canon; Fukushima Canon; Canon Precision; Oita Canon Materials; Hita Canon Materials; Nagasaki Canon

Canon Inc. Activity Topics for 2013

- Management review by the president based on the Voluntary Action Plan for Product Safety (continued from 2008)
- Enactment of Chemical Safety Standard (general rules and detailed rules)
- Revision of Basic Quality Standards (8 items)
- Continued to raise awareness among consumers about smoke emissions from counterfeit batteries and safe handling of electric cords and plugs
- Continued to implement product safety education and emphasized the importance of product safety during basic training on quality, which was enhanced in 2013
- Updated version of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety (implemented from December 2012) was taken by 7,500 employees during 2013.

Product Safety Based on Product Safety Technical Standards

Canon regards the prevention of product safety issues and quality issues as the most fundamental and important mission for a manufacturer.

Therefore, we have established our own Product Safety Technical Standards that not only meet legally stipulated product safety standards, but also take into account customer perspectives on product use. For example, we employ plastics that are more flame resistant than the law requires and

implement double-protection schemes for important safety-related components. Based on these technical standards, we strictly enforce safety management at the design, evaluation and manufacturing stages. Items not meeting these exacting standards are withheld from the market to ensure that all products meet our requirements for substantial safety.*

* **Substantial safety**
An approach to ensuring product safety by taking into account anticipated customer usage, going beyond what is prescribed in legal and regulatory frameworks.

Canon's Main Approaches to Safety Technology

- Hypothesize abnormalities, such as component failure, and conduct stricter safety evaluation testing than is required by the laws of each country and region
- Attempt to assess injury, which hypothetically might occur in a variety of operations performed by customers, taking into perspective usability, human error, etc.
- Engage in joint development with manufacturers of essential safety-related components, such as non-combustible parts and non-fail protective components, and employ those meeting the requirements of Canon's Component Certification System
- Conduct safety confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed in regions around the world where products are sold

Product Safety Education

We conduct quality and safety training based on our quality education system, encouraging employees to make thorough efforts to ensure product safety and prevent product accidents.

In 2013, a total of eight courses were held on such issues as product safety regulations, chemical safety regulations, product liability laws, and practical safety techniques. A product safety lecture was also conducted during new employee training targeting electrical and mechanical engineers, while basic training on quality was strengthened, emphasizing the importance of safety.

E-learning activities from the previous year to promote thorough understanding of the Voluntary Action Plan for Product Safety were also continued as mandatory training for all employees of Canon Inc.

In addition to the above employee training, we also continuously provide safety information, such as items of safety concern involving repairs or parts exchange, to our sales, repair and service partner companies.

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Responding to Product Safety and Quality Issues

Although Canon strives to prevent product safety and quality issues, in the event that a safety or quality problem does arise, we have in place a framework that ensures a prompt and appropriate response, including causal investigation, free repairs and information disclosure.

We keep our customers informed about product safety as well as quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

In 2013, no product advisory statements were placed on our website, but seven quality-related notices were posted as support information. Free exchanges, repairs, or firmware were offered to address these quality issues.

Flowchart of Countermeasures to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as the contact point for the customer, file a report with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then analyzes the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, as well as the Quality Management Headquarters, legal division and public relations division are consulted concerning response measures. When necessary a report is made to the president.

When notification is made to customers via a company notice or the website, we provide instructions to each marketing company in the regions where the product is sold, and as a general rule release the information worldwide at the same time.

Creating Sites to Provide Safe and Secure Products

Canon Inc. has installed test facilities at its development sites that comply with public standards and related regulatory statutes. Such facilities are used to make high-precision measurements that allow us to deliver products that customers can use safely and with confidence.
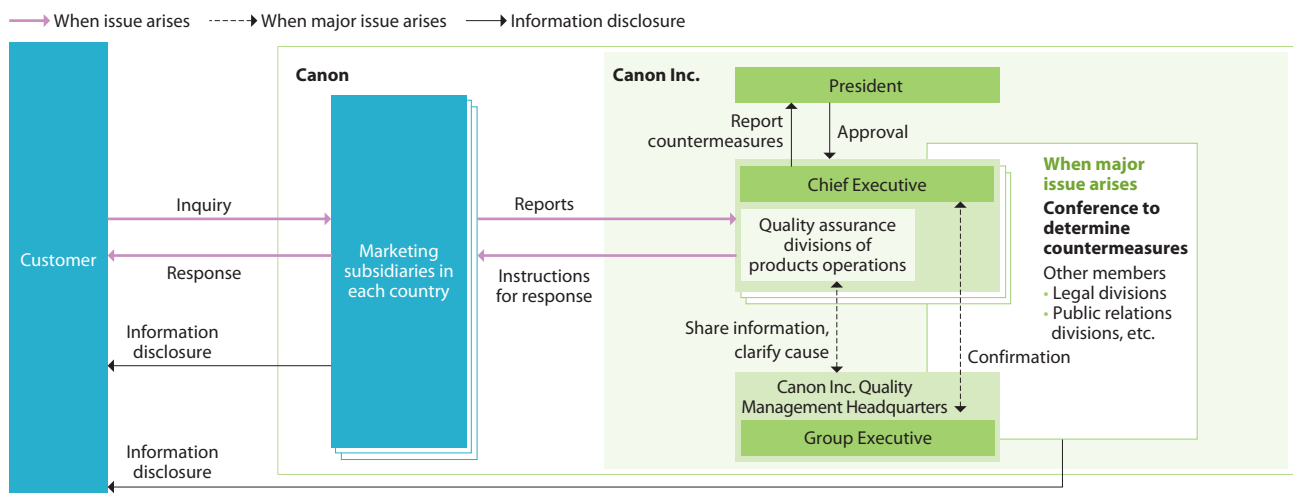
At each of these development sites, we have set up necessary facilities to measure and test electromagnetic radiation (EMI), noise, flame resistance ratings, volatile organic compounds (VOCs), genetic toxicity and electrical safety. Certain development sites also have testing laboratories certified in public standards such as ISO/IEC and UL[*1], enabling publicly certified testing of electromagnetic radiation, VOCs, genetic toxicity and electrical safety.

In particular, the Tamagawa Testing Laboratory, established in 2009, is equipped with the industry's leading testing technology, including anechoic chambers, shielded rooms, and semi-anechoic chambers. In addition to EMC testing[*2], the

EMI measurement of products in an anechoic chamber

Flowchart of Countermeasures to Product Safety and Quality Issues

→ When issue arises ----→ When major issue arises ⟶ Information disclosure

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laboratory has acquired public certifications such as ISO/IEC 17025 for noise testing and plastics flame resistance testing, which was not achieved at other sites. As a result, all testing necessary to apply for Blue Angel certification***3** can now be carried out in-house.

The Tamagawa Testing Laboratory is located near our development sites, making the latest testing facilities easily accessible to those sites in their product development efforts and providing an efficient development environment.

*1 UL: Underwriters Laboratories Inc.; established in the USA in 1894 for the independent testing and certification of product safety.

*2 EMC Electromagnetic Compatibility Testing
This consists of testing for electromagnetic interference emitted by the product or its power sources that affects the operations of other equipment, as well as electromagnetic susceptibility testing, which tests the susceptibility of the product itself to malfunctioning caused by electromagnetic interference in the vicinity.

*3 Blue Angel
Blue Angel was launched in 1978 as the world's first eco-labeling system and is monitored by Germany's Federal Environmental Agency, the German Institute for Quality Assurance and Certification and the Environmental Label Jury, an independent decision-making body.

Safety Assessment Initiatives

Safety Assessments of Chemical Substances Released from Products

In order to ensure that our customers can use our products in complete confidence, Canon assesses the chemical emissions from its printers, multifunction devices, projectors and other products.

Our assessments include measurements necessary for acquisition of Germany's Blue Angel environmental label, such as benzene, styrene, ozone and dust, as well as of VOCs for which exposure limits have been set within Japan or internationally. We verify that emission levels meet in-house standards, which are as stringent as or more so than exposure limits set worldwide. In 2012, we carried out a general review

Gas chromatograph mass spectrometer used to measure chemical substances emitted from products

of set values, releasing new company standards.

The in-house testing laboratory carrying out these assessments has been certified as a fair and impartial test facility for applications for the Blue Angel mark and has received ISO/IEC 17025 certification from the Japan Accreditation Board for Conformity Assessment, carrying out measurements in compliance with ISO/IEC 28360.

In 2012 the scope of certification was expanded in response to additions to the Blue Angel (RAL-UZ 171) criteria calling for the measurement of UFPs (UltraFine Particles), as well as to ISO standards.

Blue Angel is also considering adding standards for CMRs.***** Canon responds in a timely manner to all strengthened standards.

* CMR: Carcinogenic, Mutagenic, Reproduction toxins. CMR standards would govern the level of CMRs emitted by a product.

Safety Assessments on Ink, Toner and Other Consumables

Canon assesses the safety and ensures the quality of its ink, toner and other consumables, enabling customers to use our printers and MFDs with confidence. In addition to complying with laws and regulations, we verify an array of safety issues from the earliest stages of development.

With regard to the materials for ink and toner, for example, we carry out assessments related to genotoxicity, which is thought to be closely linked to carcinogenicity. In addition to our conventional bacterial reversemutation tests, we introduced in-vitro mammalian cell micronucleus tests in 2011. Compared to in-vitro mammalian chromosome aberration tests, these tests can easily use human cultured cells, which is expected to help enhance the ability to predict the occurrence of cancer in the body.

Currently, we are also working on expanding the range of substances for testing to enable testing of the distinctive water-insoluble materials used in Canon products.

In-vitro mammalian cell micronucleus test

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Canon's testing laboratories are highly reliable and have been certified by Japan's Ministry of Health, Labour and Welfare as in compliance with the Good Laboratory Practice (GLP)* standards in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law). Canon's laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD).

Furthermore, in 2013 Canon's testing laboratories became the first in Japan to have their in-vitro mammalian cell micronucleus tests certified as in compliance with the GLP standards in the Chemical Substances Control Law.

* Good Laboratory Practice (GLP)
The standard for the management, testing and reporting of facilities and organizations that operate as testing agencies conducting chemical substance safety assessments. Testing according to GLP standards ensures reproducibility and data reliability. GLP standards set by the OECD were enacted in 1981 and since then member countries have developed domestic laws and regulations based on these standards. Facilities certified as compliant under Japan's GLP standards in the Chemical Substances Control Law must have their certification renewed every three years, which involves receiving a new conformity screening prior to the expiration of the certification's validity period.

Electronic Parts Quality Certification System to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component to provide customers with products of consistent quality and a high margin of safety. We operate a quality certification system for the electronic parts, such as integrated circuits and other semiconductors, resistors and capacitors, used in our products.

When selecting parts under this system, we evaluate reliability and structural soundness in accordance with standards for each category of parts, ultimately using only electronic parts that meet these standards of quality.

In recent years, the market for electronic parts has

undergone significant changes, including the consolidation of semiconductor manufacturers, plant relocations, and changes in suppliers. Despite this upheaval, Canon has been able to maintain consistent quality levels by utilizing quality certification systems.

We will continue to take advantage of these systems and endeavor to enhance our reliability testing and analysis techniques to accommodate advancements in semiconductors and other electronic parts.

Response to Software Vulnerability

In recent years, network compatibility has been a standard feature of MFDs and other office products. However, incidents of personal and confidential information leaks via networks and other information security problems are increasing. These stem from software vulnerability, whereby a defect enables a third-party intruder or program to gain unauthorized access to data.

In response to such risks, we conduct various vulnerability tests on software for network-compatible products during development, as well as strive to standardize approaches toward and tests for vulnerability risk company-wide.

In addition, if a weakness is discovered after product shipment it is vital to minimize its impact on customers by issuing an advisory statement or taking other measures as necessary. Accordingly, we created a framework to facilitate quick sharing of information related to vulnerability issues throughout the company and drafted market response rules to address vulnerability issues. We are currently using the draft as we continue efforts to establish formal rules.

In order to respond to new network-attack techniques, we monitor vulnerability-related market trends for Canon products as well as those of other companies. In addition, we use the aforementioned information-sharing network to share information in a timely fashion so we can respond promptly.

In 2012, we began expanding network and software vulnerability prevention efforts to Group companies and now we are working on the establishment of an information-sharing network and the sharing of testing techniques.

Reliability testing of electronic parts

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For Customer Satisfaction and Peace of Mind

Pursuing Universal Design

Universal Design Approach

Canon strives to create people-friendly products by pursuing functionality, operability and convenience from the customer's perspective in actual usage situations. As part of this drive, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability.

At Canon, we approach product design and development from the perspective of what we can do for our customers, that is "make customers look like a natural." For example, we conduct user-centric testing of display characters, audible alerts and voice guidance in our product controls, and check the extent to which terminology, icons and other features match the perceptions of customers, so as to evaluate usability, accessibility, safety, comfort and other criteria. This is valuable in the development of more user-friendly products.

The Universal Design Project

Canon incorporates universal design as an aspect of our policy of "making user-friendly products."

We launched a company-wide Universal Design Project

(UDP) in 2009 with the goal of further encouraging this effort. We followed up with the drafting of a universal design policy. Information on our policy was later shared throughout the company and with the public. A booklet addressing the physical characteristics of users as well as various issues that arise during product use was distributed throughout the development division, while customer-oriented pamphlets and websites were created to introduce the UDP initiatives underway at Canon.

We will continue to work to develop products that all of our customers can use with ease, as well as generate new product value with the aim of increasing the satisfaction of a broader range of users.

Analyzing the usability of products based on the physical conditions of users
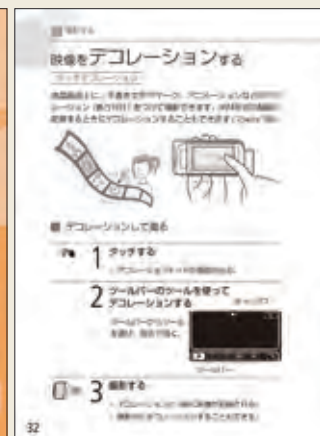
TOPICS

HD Video Camcorder Quick Guide Wins Award in Japan Manual Contest

Together with improved product usability, Canon has also been working to increase the quality of its instruction manuals.

The quick guide for the VIXIA HF R42 HD video camcorder won the Excellence Award and Jury Award in the 2013 Japan Manual Contest in the category of paper-based operation manuals.

The contest has been held by the Japan Technical Communicators Associations since 1997, and is the most prestigious contest of its kind in Japan.

The award-winning manual was recognized for its compact size and functional layout that combined illustrations and explanations, making it easy to follow even for beginners. The manual was also nominated as one of three candidates for Manual of the Year 2013.

The layout uses illustrations to make it easier to pinpoint specific information

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Product Accessibility

Canon is working to increase the accessibility of its products.

Accessible products are those designed for easy use by all, including persons with disabilities or the elderly. For instance, the imageRUNNER Advance series of office multifunction devices feature voice guidance and voice recognition for basic commands, allowing for easier use by the visually impaired.

Section 508 of the United States Rehabilitation Act requires that agencies of the federal government only purchase products that meet stipulated accessibility standards. The results of Section 508 accessibility evaluations of Canon products are collected into a "Voluntary Product Accessibility Template" (VPAT), which is made available on the Canon U.S.A. website and has also been registered with the United States Federal Government General Services Administration's database.

As the trend for greater accessibility expands worldwide, Section 508 Standards are expected to be revised in the future and similar standards released in Europe as well. Canon will continue to improve product accessibility while keeping abreast of legal adjustments in these various countries.

Pursuing Beauty and Comfort

To provide higher-quality images and videos, Canon has formulated methods for quantitatively evaluating and measuring the beauty and comfort that people feel. We are using these methods to develop practical tools to consistently achieve uniform, high-quality color reproduction from input to output.

Moreover, to make Canon products more comfortable to use, we have established evaluation and measurement methods to reduce the physical and mental burden on the consumer when using our products. As part of the assessment process, we carry out user tests under our in-house monitor program.

In addition, we have researched the auditory impact on users of sounds from product operations and ambient noise, with the aim of creating the most pleasing sounds. We are also developing quiet products that generate minimal operating noise.

Testing the amount of strain on muscles during product use

Customer Support

Online Support Service

In order to facilitate troubleshooting, Canon provides worldwide customer-support services through its company website.

Customers can access support information, including FAQs, product specifications and user guides, and can download the latest software and drivers from our website. Support information and software that are common worldwide, as well as local content that has been added by marketing affiliates, are published through our company websites in their respective languages.

Customer usage is continuously monitored and survey information analyzed, with feedback going to the departments that created the relevant content. We continuously update the content based on frequently searched keywords, making it easier for customers to find what they are looking for.

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Enhancing After-Sales Service Worldwide

After-sales service is critical to enabling customers to enjoy long-term use of Canon products with confidence. We are therefore expanding our after-sales service network on a global scale in order to offer the same level of prompt, reliable support in every market worldwide.

For instance, in the fast-growing Chinese market, Canon is building a prompt and reliable support network centered on Quick Response & Repair Centers (QRC), where customers can take Canon products to be serviced quickly, and on Canon certified service partners. In 2013, Canon launched a pick-up service that enables customers to have their Canon product needing repair picked up from their home. We also implemented an E-tracking system that makes it possible to check the status of repair work and make payments online.

Furthermore, Canon and its network of certified service partners also provide a host of other services for copying machines and production printers tailored to customer needs, including extended warranties and after-hours servicing. Currently, this network of certified service partners is being expanded throughout China to also include smaller regional cities.

We are also strengthening our services in South and Southeast Asia, where the number of customer repairs, requests and inquiries is growing rapidly. Improvements include the introduction of on-site repairs, pick-up and delivery services, and an Express Service for quick repair after drop-off, as well as expansion of call centers to respond to customer calls and e-mails.

At toner-cartridge manufacturer Canon Virginia, meanwhile, we established the Marketing Engineering Technology Center. Concentrating repair facilities at the center allows us to provide high-quality repairs to the North and South American market that are backed by our production technologies.
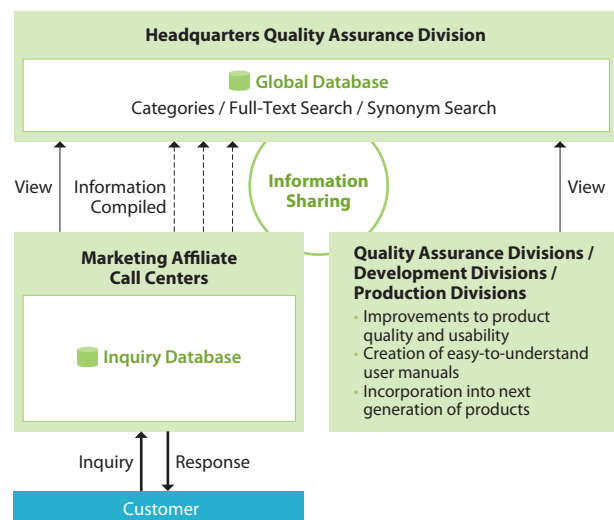
Improving Products by Reflecting Customer Opinions

Utilizing Feedback from Market Data Analysis in Product Improvements

In order to achieve the highest level of customer satisfaction, Canon incorporates user feedback as well as customer requests into product improvement during the development stage.

One method by which we do this is the collection of customer feedback and requests received by call centers at our worldwide marketing subsidiaries via our Call Analysis Tracking System. Divisions such as development, production or sales can view this information at any time, which helps them to improve quality, revise user manuals and develop better products.

Call Analysis Tracking System

Headquarters Quality Assurance Division

■ Global Database
Categories / Full-Text Search / Synonym Search

View — Information Compiled — Information Sharing — View

Marketing Affiliate Call Centers
■ Inquiry Database

Quality Assurance Divisions / Development Divisions / Production Divisions
· Improvements to product quality and usability
· Creation of easy-to-understand user manuals
· Incorporation into next generation of products

Inquiry / Response

Customer

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Regional and Community Contributions

With operational bases throughout the world, Canon values the relationships of trust it builds with local communities. As a global corporation, we hope to contribute towards realizing solutions to the issues faced by the global society. To this end, we focus on a broad range of social contributions in six areas; namely, humanitarian aid and disaster relief, conservation of the environment, social welfare, local communities, education and science, and art, culture and sports.

Volunteers for the Furusato Project planting rice in Yamanashi Prefecture.

TOPICS 2013

Smile for the Future Project participants

❶ Continuing to provide support to areas affected by the Great East Japan Earthquake

Canon is using the power of photography to continually support areas affected by the Great East Japan Earthquake through such initiatives as the Smile for the Future Project and the Community Support in Fukushima, which aims to build communities through photography classes, and the Michi no Café event.

❷ Continuing to support NPOs helping to find missing children

Canon U.S.A. continues to support the activities of NCMEC, an NPO that helps find abducted or missing children. Canon donates equipment necessary for distributing photographs of the missing children and also sponsors a charity golf tournament to raise money for the NPO.

Stakeholder Feedback

- I expect that Canon can contribute more to education and local government organizations through the use of visual information, such as photographs and camera images, and the sharing and storage of documents on business machines. (Supplier in Japan)

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Results of Major Efforts in 2013 and Future Plans

Category	Results in 2013	Future Plans
The Canon Institute for Global Studies	• Carried out studies, research and dissemination of information and policy proposals in the fields of macroeconomics; natural resources, energy and the environment; and foreign affairs and national security.	• Continued research efforts in various domains, as well as sharing information and policy proposals as necessary
Canon Foundation	• Selection and presentation of 17 research grants (fiscal 2014)	• Continued implementation of research grant program
Humanitarian/ disaster relief	• Continued to provide support to areas affected by the Great East Japan Earthquake…❶	• Continued support for areas affected by disaster throughout the world
	• Supported areas in the Philippines affected by Typhoon Haiyan	
Environmental conservation	• Continued support for WWF conservation efforts in the arctic (Canon Europe)	• Continued equipment loans and financial support for WWF conservation efforts
	• Promoted the Furusato Project for environmental restoration and donated 10 million yen to fund the activities of environmental NPOs (Canon Marketing Japan Group)	• Continue the project
Social welfare	• Donated proceeds from a charity event, in the sum of 430 thousand dollars, to NCMEC (Canon U.S.A.)…❷	• Contribute to the rescue of missing children through support for NCMEC
Regional community activities	• Carried out community tree-planting activities and school repairs after forming a local volunteer network (Canon Vietnam)…❸	• Contribute to community development through network expansion and application
Support for education and science	• Visited three Hope Schools that Canon helped to build and donated paving blocks made from plastic (Canon Dalian)	• Continued support for Hope Schools
	• Increased the number of instructors dispatched to the Utsunomiya University Center for Optical Research & Education, which Canon helped establish	• Continue with activities that support the Center for Optical Research & Education
Support for arts, culture and sports	• Held the Canon Junior Photographers contest for elementary school students in 33 locations across Japan	• Continue to hold the contest across Japan
	• Provided support to Canon's rugby team and women's track and field team	• Contribute to sports promotion and youth development

Donations received at a charity golf event

Presentation ceremony at Yankee Stadium
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❸ Building volunteer networks with youth in the community

Canon Vietnam has been running the Canon Social & Cultural Volunteer Network led by employees and local youth since 2010. In 2013, nearly 2,000 people took part in tree-planting activities, environmental education outreach programs, local clean-up activities, and school repairs.

Canon Vietnam employees put together bookshelves

Tree-planting activities

• There have been a number of natural disasters around the world and I think it is very important for companies and people that can provide assistance to lend a hand to relief efforts. (NGO in Asia)

• I believe that employees, instead of the companies themselves, should lead social contribution efforts because this will have a positive impact on companies. (Government official from the Americas)

Social Contribution Activities

Canon's Approach to Social Contribution

The range of Canon's social contribution activities has expanded to cover such areas as humanitarian aid and disaster relief, conservation of the environment, social welfare, local communities, education and science, and art, culture and sports.

In the past several years, many parts of the world have suffered natural disasters. In response, Canon actively pursues timely relief efforts, including donations and fundraising for those affected.

In such activities, Canon focuses on long-term recovery support as well, providing ongoing assistance to people and organizations in need. Our aim is to provide wide-ranging support by working in partnership with groups that have a broad outlook and wide knowledge.

Canon will continue to make the best possible use of the resources it has built up over many years, such as its personnel, capital, technologies and infrastructure, working as a good corporate citizen to tackle problems and contribute to an enriched society.

Humanitarian Aid and Disaster Relief

Monetary Donations for Disaster Relief Around the World

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

For those whose lives have been impacted by disaster, Canon's greatest wish is that they may return to normal life as quickly as possible. To aid this process, Canon made the following contributions in 2013.

Contributing to Society through Two Organizations

To commemorate Canon's 70th anniversary, in December 2008 we established the Canon Institute for Global Studies and the Canon Foundation, both of which are dedicated to contributing to society within Japan and worldwide.

The Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Mankind

Amid the age of globalization, the Canon Institute for Global Studies approaches the Japanese economic issues associated with the global economy and plots out Japan's future positions in the world. It also aims to draw up strategic policy proposals based on the analysis of the world's present conditions. The institute brings together researchers with diversified background including businesses, academia and governmental organizations in order to exchange ideas and knowledge and to expand its global activities.

Focused on three main research areas of "macroeconomics," "natural resources, energy and the environment" and "foreign affairs and national security," the institute disseminates information and policy proposals based on scientifically valuable research.

The institute also promotes academic exchange with the United States, Europe and developing nations (especially China), and analyzes the trilateral relationship between Japan, the United States and China.

Contributing to Scientific Advancements in Learning and Culture through the Canon Foundation

The Canon Foundation aims to contribute to the ongoing prosperity and well-being of mankind through a wide range of support activities for both organizations and individuals engaged in research, projects and education in various academic fields, beginning with science and technology. Since 2009, the Canon Foundation has offered two research grant programs, known as the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, both of which are open to researchers working at universities, postgraduate research institutes, or other public research institutes located throughout Japan.

In 2013, we held the Pursuit of Ideals symposium in June and the Creation of Industrial Infrastructure research results presentation in July, providing opportunities to present achievements made to date. Thirteen projects were selected for Creation of Industrial Infrastructure grants in 2014, while four were chosen for Pursuit of Ideals grants on the theme of oceanic research.

* A list of research grant program can be found on the Canon Social Contribution Activities website:
http://www.canon.com/scsa/index.html

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Period	Purpose	Amount
April 2013	Sichuan Province earthquake relief	3 million renminbi
October 2013	Philippines earthquake relief	1.3 million pesos
November 2013	Philippines typhoon relief	10 million yen
November 2013	Southeast Asia flooding relief	About 4.5 million yen (including supplies)

Supporting Recovery Efforts Following the Great East Japan Earthquake

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

In 2013, we continued our involvement in the Smile for the Future Project which started in 2012, holding photography classes for children from Miyagi, Iwate and Fukushima prefectures on five occasions. These activities are helping to rebuild communities in disaster-stricken areas through the concept of enjoying photography and having fun with nature.

In June and November, Canon Inc. and Fukushima Canon held an event called Community Support in Fukushima at which people still living in temporary housing were given the chance to participate in a photo shoot using interchangeable-lens digital cameras.

In October, we partnered with Starbucks Japan and the Matsushita Institute of Government and Management to organize the Michi no Café in Koriyama City, Fukushima Prefecture. The Michi no Café is an ongoing earthquake recovery assistance project that was started in 2011.

Participants enjoy taking photos during the Smile for the Future Project

Supporting the Relief Effort for the Philippines Typhoon

In November 2013, the central region of the Philippines was struck directly by Typhoon Haiyan and suffered extensive damage.

To help the relief effort, Canon donated a sum of 10 million yen to the Japanese Red Cross Society. In addition, three of

Canon's subsidiaries located in the Philippines donated approximately 4.5 million yen worth of emergency relief supplies, including food, water and clothing, through local NPOs to help those in need. Employees of these subsidiaries also volunteered to help pack these relief supplies for delivery.

Conservation of the Environment

Support for WWF Conservation Projects

Canon Europe has been a conservation partner of WWF International since 1998, using the power of images to raise awareness of the state of the environment and support WWF's conservation efforts. This includes the WWF–Canon Global Photo Network digital photo database.

From 2012 to 2014, we are supporting three research expeditions in the Arctic. In 2013, researchers travelled to the Laptev Sea in Russia to discover whether walruses found there are a separate species. Canon sponsored a Russian photographer to accompany and record the expedition.

Promoting the Furusato Project

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

Through this project, Canon stakeholders, including employees, their families, customers and business partners, forge regional links with environmental NPOs located across Japan to revitalize nature by preserving terraced rice fields, planting forests, and protecting tidal flats. We promote initiatives that are closely linked with our business activities, such as donating funds according to the number of used ink cartridges we collect or the volume of photocopy paper we sell.

In 2013, Canon Marketing Japan donated approximately 10 million yen to fund the projects of environmental NPOs. Thirty-five volunteer activities were carried out in 14 regions nationwide in 2013, with more than 800 participants from the Canon Group.

An employee and his sons volunteer to plant rice

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Social Welfare

Support for the National Center for Missing and Exploited Children

Since 1997, Canon U.S.A. has supported the National Center for Missing and Exploited Children (NCMEC), an NPO engaged in the recovery of missing children in the United States. When a child goes missing, one of the most important tools for locating them is an updated photograph. Canon U.S.A. has donated more than 2,000 digital cameras, scanners, printers and other equipment to help law enforcement agencies quickly disseminate photographs and information regarding missing children.

Canon sponsored a charity golf tournament in January 2014 and donated approximately 430,000 dollars in proceeds to the NCMEC.

Organizing a Mother's Day Photo Contest for Children with Autism

In March 2012, Canon UAE organized a photo contest for autistic children from the Dubai Autism Center.

Autistic children from the Dubai Autism Center and their mothers were invited to take photographs and participate in other fun recreational activities on Mother's Day in Dubai. Winners of the photo contest received prizes and a letter of commendation from Canon UAE.

Canon also supports the Dubai Autism Center by donating cameras.

Winner of the Mother's Day photo contest

Local Communities

Developing Volunteer Work in Vietnam

Canon Vietnam established the Canon Social and Cultural Volunteer Network in 2010. The network mobilizes Vietnam's young citizens to contribute towards local development and the building of a brighter future.

The network consists of over 1,000 young adults, including employees from Canon Vietnam and other companies as well as university students. Members take part in many of Canon's social contribution initiatives, including tree-planting activities, cleanup drives, environmental education, repairs to schools, and relief for flood victims.

A variety of activities and events were held across the country in 2013. In addition to a local tree planting event called Green Journey that drew approximately 700 participants (including about 180 participants from Canon Vietnam) and the Planting Forest Festival 2013, which was attended by approximately 170 people (including 60 Canon Vietnam employees), the event calendar also featured an environmental education outreach program and local clean-up activities that brought out approximately 800 people (including 200 Canon Vietnam employees), and school repairs that brought out approximately 300 volunteers (including 100 Canon Vietnam employees).

Canon Vietnam plans on expanding this local volunteer network further to contribute more to the development of local communities.

Education and Science

Support for Hope Schools in China

Canon has been offering continuous support for the China Youth Development Foundation's Hope Schools project since 1995. Support includes backing for the building of new Hope Schools, enabling disadvantaged children from rural areas to attend school. Currently, Canon China, Canon Dalian and Canon Suzhou participate in the program, which has to date built a total of nine schools across China.

In addition to support for school construction, Canon also holds photography lessons at Hope Schools and carries out a photography exchange program with other elementary schools in Asia.

In 2013, Canon Dalian visited three Hope Schools to present each school with a donation and also instruct the children on the importance of environmental protection. Canon Dalian has also donated more than 35,000 paving blocks made from plastic derived from the parts molding process.

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Donation of paving blocks made from recycled plastic

Support for Industry/Academia Partnerships to Develop Japanese Optical Technologies

Optics technology is essential to a variety of major industries. Opportunities for the systematic study of optics in Japan, however, have been on the decline. To remedy this situation, Canon actively supported Utsunomiya University, which has a strong relationship with our Utsunomiya Office where the Optics R&D Center is located, to successfully establish the Center for Optical Research & Education at the university in 2007.

In 2013 Canon increased the number of lecturers from six to eight, and Professor Toyohiko Yatagai, Director of the Center, was selected as the first person from Asia to serve as Vice President of SPIE, one of the world's largest international societies for advancing an interdisciplinary approach to the science and application of optics.

Canon will support the Center in developing optics technologies in Japan.

Art, Culture and Sports

Holding Canon Junior Photographer Classes Nationwide in Japan

Canon Junior Photographers is a photography class for elementary school students based on the theme of nature. The goal of this project is to raise children's awareness about the environment and foster a deep sensitivity. Since its inception in 2004, more than 10,000 elementary school students in Japan nationwide, have taken part in Canon Junior Photographer classes.

Canon Junior Photographer classes were held in 33 locations in 2013. Participants first took part in a digital photography class led by professional photographers and Canon employees, after which they were able to take their own pictures while enjoying the beauty of nature. Following the photo shoots, participants were able to print out and present their photographs to the group as well as showcase their works in photo exhibitions held at participating schools.

Promoting Community Sports through Company Sports

Through the management of company sports teams, such as rugby and track and field, Canon aims to contribute to the education of children and to raise interest in sports within Japan.

Our rugby team, the Canon Eagles, gives guest lessons in tag rugby to elementary schools in several areas including Ota Ward, where our company headquarters are located. The team also supports the local community in a variety of other ways, including opening its home field and hosting rugby classes.

Based out of the Canon Group companies in Oita Prefecture, our women's track and field team, Canon Athlete Club Kyushu, has been working to contribute to society through sports promotion in Kyushu region since its founding in 2009. In 2013 the team took part in civic marathons across Kyushu as guest runners, while in Oita Prefecture the team organized a clinic for track and field team members from local junior highs and high schools. As part of our recovery assistance following the Great East Japan Earthquake, the team sponsored a track and field clinic for elementary school students in Miyagi Prefecture.

Tag rugby class for third graders in Ota Ward, Tokyo

Participants in a family jogging marathon organized in Nagasaki Prefecture

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Organizational Governance

Strengthening corporate governance and enforcing transparent, well-regulated management is the foundation behind all operations. Following this philosophy, Canon imposes a strict internal auditing system and makes yearly efforts to improve auditing systems and contents. Additionally, in accordance with management risks, we also pursue other measures, such as working to strengthen information security and improving Business Continuity Plans (BCPs).

New Year's policy briefing

TOPICS 2013

❶ Strengthening internal audits at Group companies outside Japan

Aiming to increase corporate value through internal audits, Canon conducts audits covering all aspects of its business without reserve. In 2013, we carried out audits on 131 themes, yielding upwards of 1,800 recommendations for improvement. Strengthening the internal audit system at Group companies outside Japan, we audited 10 companies in China, Malaysia, Hong Kong, Taiwan, Thailand and Vietnam.

❷ Holding information security training for new threats

Canon holds ongoing group training sessions and provides e-learning opportunities in order to maintain and improve information security. In 2013, training curriculum focused on constantly evolving information security threats, including targeted email attacks and information leakage risks posed by social networking sites.

Stakeholder Feedback

- Corporate scandals have caused society to demand more transparent management practices. This is why companies need to reinforce their internal control system. (Supplier in Japan)

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Results of Major Efforts in 2013 and Future Plans

Category	Results in 2013	Future Plans
Corporate Governance	• Strengthened internal audits by expanding and intensifying scope (over 1,800 proposals for improvement based on audit results for 131 themes)…❶	• Strengthen internal auditing system and expand audit items
Security	• Expanded on-site inspections by regional marketing headquarters on the information security status of each Canon Group company (28 companies in Japan and 21 companies outside Japan)	• Continue implementation of on-site inspections, including locations outside Japan
	• Held training on ways to protect official websites from illegal modifications and guard against targeted e-mail attacks	• Strengthen measures for maintaining the three elements of information security
	• Held group training sessions and e-learning for information security training, with approximately 26,000 participants (Canon Inc.)…❷	• Improve training system and curriculum
	• Published Guidelines for Management to Prevent Technology Outflow 2013 in Japanese, English and Chinese	• Promote efforts to prevent technology outflow consistently at products operations and manufacturing companies outside Japan
Business Continuity Plans for Disaster Response	• Prepared the Canon Group Disaster Preparedness Guidelines and created necessary manuals to implement these guidelines…❸	• Implement practical drills • Strengthen first-response system • Maintain disaster prevention stockpiles, evacuation areas, etc.
Appropriate Information Disclosure and Return to Shareholders	• Held corporate strategy conference and financial results conferences	• Continue holding various conferences

2013 Information Security Training (Canon Inc.)

Targets	Participants	Training content
New employees (regular hiring, mid-career)	All	• Group training • E-learning (basics, review)
Existing employees, Dispatched employees	All	• E-learning
Employees going to or returning from abroad	All	• Group training

❸ Preparing *disaster preparedness guidelines*

Canon has reinforced its disaster preparedness framework and continues to hold practical disaster preparedness training at each of its sites following the lessons learned from the Great East Japan Earthquake. In addition to preparing the Canon Group Disaster Preparedness Guidelines in 2013, persons in charge for each type of disaster, including earthquakes, typhoons, and flooding, coordinated action plans and prepared practical manuals.

Disaster preparedness training at our Shimomaruko Headquarters

• With a spate of troubles caused by information leakages, I would like Canon to improve employee awareness of information security. (Consumer in Japan)

• Business continuity plans are more important than ever after the Great East Japan Earthquake. (Supplier in Japan)

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Corporate Governance

Governance Structure

In addition to the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board and accounting auditors required by law, Canon Inc. has further strengthened its corporate governance through deployment of executive officers and the adoption of our own internal auditing structure.

As a horizontal organization that covers worldwide Group companies, various committees are established to address important management issues, and serve a mutual-check function complementing our management system by business unit.

Board of Directors

Important management decisions are discussed and ratified based on active deliberations held at meetings of the Board of Directors. As of April 1, 2014, Canon Inc.'s board consists of 19 members, including two outside directors.

Decisions regarding the selection of directors are made with consideration given to maintaining an optimal corporate management structure while also balancing diversity and expertise.

Canon's two outside directors have been noticed as independent executives to each stock exchange in Japan where Canon Inc. stock is listed.

Corporate Governance Structure (As of April 1, 2014)
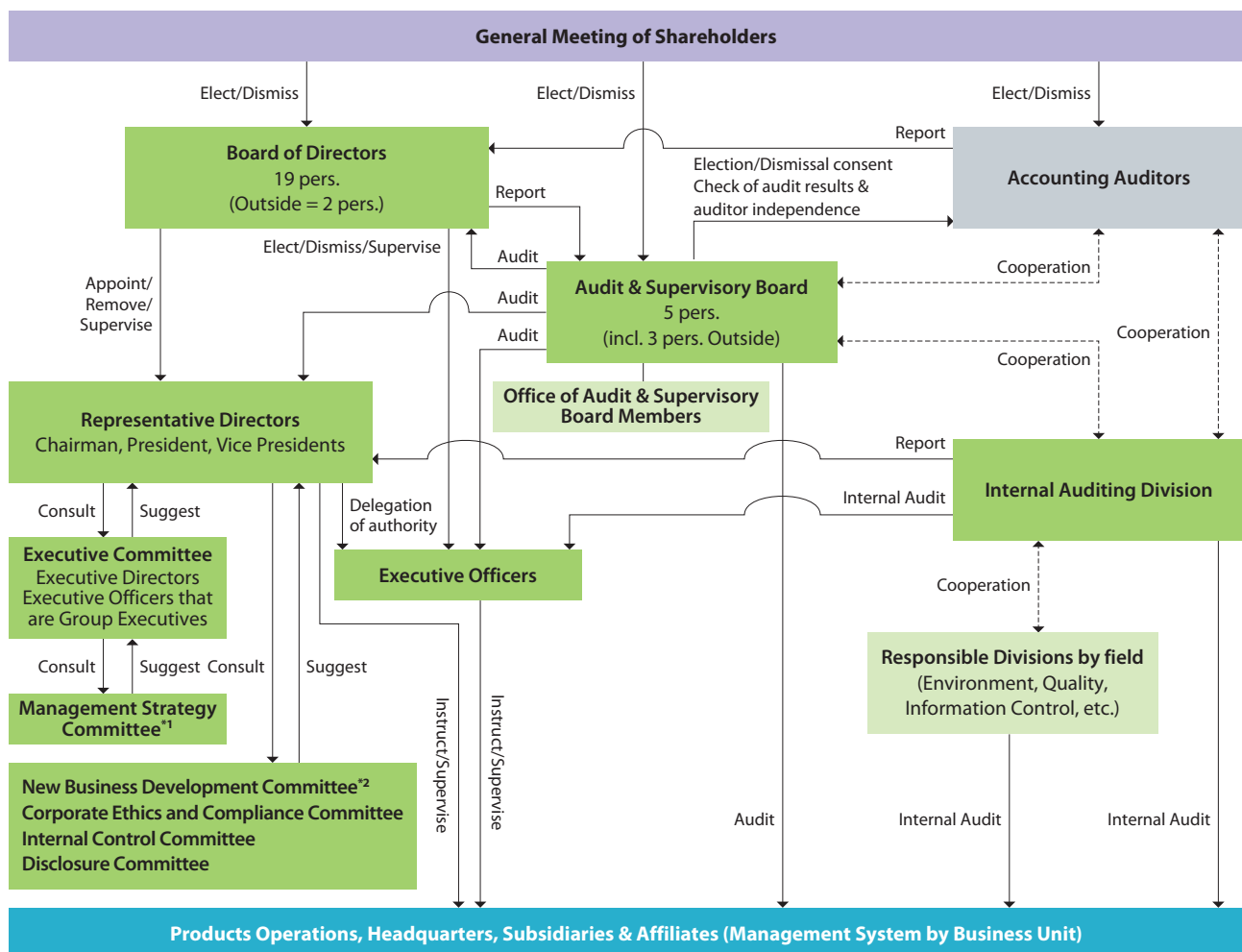
*1 Management Strategy Committee
Deliberates on capital investment, business expansion and other key issues by receiving reports from executives on the current status of their operations and discussing problems, solutions, and future directions.

*2 New Business Development Committee
Meets to approve or reject new business proposals and monitor newly formed business while also deliberating business continuation, including continuation of existing business.

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Executive Officer System

Timely, appropriate decision-making and efficient business activities are vital issues for Canon as it pursues its basic strategies of diversification and globalization.

To this end, Canon Inc. introduced an executive officer system in 2008 to maintain an adequately scaled Board of Directors while allocating the execution of duties to executive officers appointed for their significant knowledge of the business. The objective is to create a managerial structure that can respond appropriately to business expansion and globalization through strengthened executive functions. As a result, we have created a system in which directors can focus more attention on management and supervision than before. We currently have 17 executive officers (as of April 1, 2014).

Audit & Supervisory Board

As of April 1, 2014, there are five members on Canon Inc.'s Audit & Supervisory Board, three of whom are outside auditors. In accordance with the rules of the stock exchanges in Japan where Canon Inc. is listed, we have noticed the three outside Audit & Supervisory Board members as independent auditors.

In addition to auditing the execution of duties by directors, the Audit & Supervisory Board members audit the execution of duties by the executive officers and the presidents of Group companies inside and outside Japan. To verify that decision-making is being conducted in an appropriate manner, the Audit & Supervisory Board members attend meetings of the Board of Directors, the Executive Committee and the Management Strategy Committee. They also verify the execution of duties through on-site auditing, inspect resolution and approval documents, and otherwise fulfill a broad range of duties relating to corporate governance.

In addition, the Audit & Supervisory Board supervises the appropriateness of audits by the accounting auditors and the compliance system in accordance with pertinent Japanese laws. Moreover, as Canon Inc.'s shares are listed on the New York Stock Exchange, the Audit & Supervisory Board is also obligated to monitor the independence of the accounting auditors in accordance with the Sarbanes-Oxley Act.*

To support the activities of the Audit & Supervisory Board members, including the outside Audit & Supervisory Board members, Canon has established an Office of Audit & Supervisory Board Members and placed the necessary number of dedicated staff at their disposal.

* **Sarbanes-Oxley Act**
  Passed into U.S. law in July 2002 following a series of corporate accounting scandals, the law aims to restore investor trust in the stock markets by strengthening the effectiveness of corporate governance and reinforcing the independence of the Audit Committee and independent auditors, while adding new penalties for corporate management in the event of accounting misconduct.

• Cooperation with the Accounting Auditors and the Internal Auditing Division

The Audit & Supervisory Board works closely with the accounting auditors and the internal auditing division to ensure the effectiveness of auditing and supervision.

At the beginning of the year, the accounting auditors submit summaries of the auditing plans and reports on the main auditing items to the Audit & Supervisory Board, which examines them and comments on their validity. The Audit & Supervisory Board also engages in discussions with the accounting auditors concerning the audit results, as well as such matters as risk evaluation and the operation of the internal control system from the standpoint of the accounting auditors. Furthermore, in addition to conducting on-site audits, attending audit reviews, and taking accounting audit and internal control audit reports from the accounting auditors, the Audit & Supervisory Board also receives detailed explanations of the audit quality control system so as to determine its validity. Also, pre-approval regulations are stipulated relating to contracts between Group companies and the accounting auditors, and such pre-contract discussions and approval system is strictly enforced.

At the beginning of the year the internal auditing division submits the internal auditing plans and reports on the main internal auditing items to the Audit & Supervisory Board for preliminary confirmation. After the internal auditing has been conducted, the internal auditing division reports to the Audit & Supervisory Board on such items as the internal control system, quality control, environmental conservation, and security. In addition, the chief of internal auditing division (Corporate Audit Center) holds monthly meetings with Audit & Supervisory Board members, reporting on auditing finds as necessary.

External Audit

Canon Inc. contracts accounting auditors to conduct external audits of the company's financial statements in accordance with the Companies Act and the Financial Instruments and Exchange Law of Japan. An external audit of internal controls is also conducted in accordance with the Financial Instruments and Exchange Law and the Sarbanes-Oxley Act.

In 2013 (the 113th term), the accounting auditor expressed unqualified opinions on Canon's financial statements and its internal control.

Internal Audit

• Upgrading and Expanding the Internal Auditing Structure

The Corporate Audit Center, which comes under the direct supervision of the president, was established more than 60 years ago, in 1951. In accordance with management's recognition of the importance of strengthening the internal audit structure and increasing the effectiveness of governance, Canon has since 2002 been working to strengthen and expand the internal auditing structure.

The Corporate Audit Center comprises knowledgeable members drawn from a broad range of fields, spanning planning and development through production and marketing, and as of January 1, 2014, the center consists of five departments with 74 employees in total. Aiming to expand the quality and scope of audits, the Corporate Audit Center is in the process of bringing the number of staff to 100. Education and training programs for new members are being enhanced, and plans call for the addition of six more staff members, bringing the total to 80, by the end of 2014.

While focusing primarily on Canon Inc. and Group manufacturing/R&D companies worldwide, the Corporate Audit Center has authority to audit all areas of business without exception, including Group companies both inside and outside Japan. The center took particular care concerning Group companies outside Japan in 2013, conducting audits of 10 Group companies in total, including four companies in China, two companies in Malaysia, and one each in Hong Kong, Taiwan, Thailand and Vietnam.

• Internal Audit Implementation Status

In its bid to link internal auditing with increased corporate value, the Corporate Audit Center conducts an array of audits, including management audits, operations audits, accounting audits, IT system audits and compliance audits, and undertakes improvements based on its findings. To confirm the actual implementation of these improvements, a series of follow-ups have been carried out, using a combination of document and field auditing methods. Additionally, auditing plans are drafted by the chief of the Corporate Audit Center and approved by the president before execution.

During 2013 the center carried our audits on 131 themes. With a particular focus on improving the effectiveness of operations and contributing to improvements in operational efficiency, audits newly focused on management and operacional conditions, such as production controls, production equipment operations and logistics operations. More than 1,800 improvement recommendations representing various perspectives were proposed based on the results.

All audit results are reported directly to the chairman, president, executive vice president, Audit & Supervisory Board, and the chief of the division being audited with the aim of facilitating improvements.

Audits related to such fields as product quality, environmental conservation, and security are carried out by the Corporate Audit Center in cooperation with the relevant control division.

• Strengthening Internal Control Auditing

In addition to the above-mentioned themed audits, the Corporate Audit Center annually conducts internal control audits for compliance with the Sarbanes-Oxley Act to ensure the reliability of financial reporting. During the execution of internal control audits, each division conducts a self-assessment, which is followed by a supplementary audit by the Corporate Audit Center to verify its conclusions, leading to the realization of "self-contained internal control."

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

Canon has continued with Expanded Range Internal Control Audits, conducting such audits at one Canon Inc. division headquarters, as well as at three Group companies, in 2013. In addition, entity-level audits were conducted at one Group company.

Divisions Responsible for Internal Audits and Internal Checks

Corporate Audit Center	Auditing of management functions, operations, accounting, IT systems, compliance, and internal controls to comply with the Sarbanes-Oxley Act
Global Logistics Management Center	On-site diagnosis of security trade control at Canon Group companies located inside and outside Japan
Global Environment Center	Examination of operation status of environmental management systems
Facility Management Headquarters	Examination of safety management structures, such as premises security, hazardous materials and chemical substance management
Human Resources Management & Organization Headquarters	Auditing of the introduction and operational status of the occupational safety and health management system
Information & Communication Systems Headquarters	Internal checks to ensure security of information, including internal IT
Quality Management Headquarters	Examination of quality assurance activities based on the Quality Management System
Global Procurement Headquarters	Examination of compliance, effectiveness and efficiency in procurement

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Committees

Corporate Ethics and Compliance Committee

The Corporate Ethics and Compliance Committee, comprising Canon Inc. board members and executives, convenes every quarter to determine basic policy and measures concerning corporate ethics and compliance. Audit & Supervisory Board members attend these meetings as observers.

At one of the quarterly meetings each year, the committee invites the presidents of Canon's regional marketing headquarters worldwide as well as Group manufacturing companies worldwide to attend an Expanded Corporate Ethics and Compliance Committee Meeting with the aim of improving compliance awareness throughout the Group. There were 90 participants at the 2013 Expanded Corporate Ethics and Compliance Committee Meeting, which focused on broadening understanding of Canon's stance toward corporate management.

Internal Control Committee

The Internal Control Committee, chaired by the president and attended by all directors and Group company presidents, oversees the internal control structures and activities for the Group.

The committee ensures reliable financial reporting in accordance with Article 404 of the Sarbanes-Oxley Act and Article 24 and193 of the Financial Instruments and Exchange Law of Japan. It also pursues effectiveness and efficiency in business, including compliance to related laws, regulations and internal rules with the objective of promoting a sustainable Group internal control structure.

During 2013, the eighth year under the Sarbanes-Oxley Act and the fifth year for the Financial Instruments and Exchange Law, we attained a positive assessment on the validity of internal controls with relation to ensuring the reliability of financial reporting. The Internal Control Committee, in cooperation with Group companies, will continue to strengthen and improve internal controls across the Canon Group including those in response to the Sarbanes-Oxley Act and the Financial Instruments and Exchange Law.

Disclosure Committee

The president of Canon Inc. chairs the Disclosure Committee, which is responsible for making decisions regarding the necessity, content and timing of disclosure. Its objective is to achieve the timely, accurate and comprehensive disclosure of the company's material information in accordance with related laws, regulations and the rules of stock exchanges.

Financial information (earnings summaries, etc.), occurrences (occurrences significant in terms of their relationship to the company's business operations or properties), and other details requiring timely disclosure are reported to the committee by the person in charge of the disclosure working group at each division headquarters.

Executive Remuneration

Remuneration for directors at Canon Inc. comprises basic compensation, which is based on fulfillment of duties, and an "executive bonus," which is tied to company performance each year. Additionally, directors may be presented with stock options as a medium- to long-term incentive. Remuneration for Audit & Supervisory Board members, however, consists only of basic compensation and is not tied to company performance.

The maximum limits of basic compensation for directors and Audit & Supervisory Board members are set by vote at the general meeting of shareholders. Remuneration for individual directors and Audit & Supervisory Board members is decided by meeting of the Board of Directors or by meeting of the Audit & Supervisory Board members, respectively.

Bonuses are calculated according to company performance, with the total amount presented to the general meeting of shareholders for approval. Once the total amount is determined, bonuses for individual directors are decided by the board of directors based on rank and individual achievement.

Stock options are issued without compensation in order to enhance director's motivation and morale to improve Canon's performance. Proposals are tendered to the general meeting of shareholders and, if approved, stock options are issued.

Total Compensation Paid in 2013 by Executive Division, Category of Compensation, and Number of Executives

(Millions of yen)

	Directors	Audit & Supervisory Board members (exc. outside Audit & Supervisory Board members)	Outside Audit & Supervisory Board members
No. of officers	21	2	3
Basic compensation	1,008	47	65
Bonuses	206	–	–
Retirement allowance* (Retirement allowance for termination)	1,865	–	–
Stock options	50	–	–
Total	3,129	47	65

* The retirement allowance system for directors was abolished as of the close of the 112th general meeting of shareholders, held on March 28, 2013.

* No. of officers include those retiring midterm.

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Security

Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Canon Group and carries out training to raise employee awareness and to prevent external threats and leaks of confidential internal information.

Management Structure

Canon has established the Global Information Security Committee as a decision-making body for information security measures. This committee is made up of experts from information security departments and is responsible for the information security management of the entire Canon Group.

We have also drawn up the Canon Group Information Security Rules in order to maintain the same level of and approach to information security across the entire Canon Group. These rules apply to Canon Group companies worldwide. Each Canon Group company creates regulations and guidelines on information security based on these rules that are in tune with its needs, and then carries out training and promotional activities.

Based on these rules, regional marketing headquarters conduct regular inspections to confirm how information security is being implemented at each Group company, using the data to review and improve information security controls.

If an information security incident occurs, the matter must be reported to the Global Information Security Committee via the respective regional marketing headquarters. In turn, the

committee will issue instructions based on the details of the incident.

In 2013, Canon Inc.'s Information & Communication Systems Headquarters carried out on-site inspections of 28 Group companies in Japan and 21 Group companies outside Japan. These inspections found that each company's systems remain sound and in good working order.

Canon will maintain an expedient and smooth communication channel with its Group companies and make every effort to ensure that its mechanisms can identify and remedy issues based on regular on-site inspections.

Prevention of Information Leaks

Canon implements measures that safeguard the three elements of information security, namely, confidentiality[1], integrity[2], and availability[3] of corporate information.

Valuable information is stored using a specialized system with reinforced security. By controlling access and recording usage, we guard against external attacks and prevent internal information leaks.

In addition, Canon has established an environment in which employees can safely access their company's information assets while away on a business trip, and also placed restrictions on email attachments and taking company computers or recording media offsite.

In 2013 we continued with these efforts while also instituting measures to protect our official websites from illegal modifications and guarding against targeted email attacks to respond to newly emerging threats. Canon is committed to continually bolstering its measures to safeguard the three elements of information security.

[1] **Confidentiality**
Only authorized personnel can access the information.
[2] **Integrity**
Ensures the data and processing methods are accurate and cannot be modified without authorization.
[3] **Availability**
Data is accessible to authorized personnel when needed.

Conceptual Diagram of Management Structure

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Protecting Personal Information

Canon recognizes that personal information is an important asset, and protecting this asset is one of its social responsibilities. In 2002, Canon Inc. established the Personal Information Protection Policy and the Personal Information Protection Rules, with the Corporate Audit Center performing internal audits.

In 2012, the personal information management system was rebuilt, with the new system launched. The new system organizes the previously complicated management flow into more logical methods and also revises employee education and awareness efforts according to the level of importance of the information being handled.

In 2013, Canon continued with its initiatives from the previous year as well as made changes to information categories and management levels to ease the administrative burden while also maintaining a rigorous information management system in accordance with the Personal Information Protection Law and other government guidelines.

As in the previous year, there were no incidents of loss or leakage of personal information in 2013. Additionally, following 2012, implementation of the new system was confirmed for all departments, without incident.

Canon will continue to bolster its management system while also stepping up training to ensure that all employees that handle personal information consistently abide by the rules.

Information Security Training

In order to maintain and improve information security, Canon is focusing on raising awareness among those accessing information systems, namely, employees.

New employees are thoroughly trained on Canon's information security measures and rules through group training held for both regular and mid-career hires. In addition, training is also provided annually for all employees, including temporary employees, using our e-learning system.

In 2013, roughly 26,000 employees, the equivalent of Canon Inc.'s total workforce, received information security training. The training curriculum incorporated the latest examples of information security issues being reported in society, including information leakages caused by targeted email attacks and posting of business information on social networking services (SNS).

We also prepared and distributed the Information Security Guidebook, which provides easy-to-understand examples highlighting the importance of information security, and launched an Information Security Site on our company intranet. These tools allow employees to confirm various company rules at any time.

Canon is committed to improving the contents of its training programs in order to raise employee understanding and awareness of information security matters.

2013 Information Security Training (Canon Inc.)

Targets	Participants	Training content
New employees (regular hiring, mid-career)	All	• Group training • E-learning (basics, review)
Existing employees and dispatched employees	All	• E-learning
Employees dispatched overseas or returning from abroad	All	• Group training

Trade Secrets and Technology Outflow Prevention Management

As a global company involved in wide-ranging development, production and sales activities, Canon recognizes the importance of taking appropriate measures to protect and manage trade secrets and technological information. The company is making various efforts in this area.

• Trade Secrets Management

In accordance with the Trade Secrets Management Guideline drawn up by Canon Inc. in 2004, trade secrets management rules have been drawn up for each division headquarters. We are promoting PDCA activities, in accordance with each division's operational characteristics. Moreover, Group companies inside and outside Japan have formulated their own rules based on the above-mentioned guideline and are progressing with the same framework of measures.

We updated our Trade Secrets Management Guideline in 2011 to reflect revisions made to legislation in Japan. We also issued procedures for handling information on four sensitive subjects critical to manufacturers: new product planning, production planning, product cost, and drawings. Checks of the trade secrets management situation were carried out along with employee training based on these procedures.

Continuing with initiatives from the previous year, in 2013 trade secrets management was also made a theme of discussion for the meeting of presidents, both inside and outside Japan. Our goal is to approach trade secrets management as a Group-wide issue.

In 2010 we introduced i-Library, a standardized company-wide confidential-document management system, at our corporate headquarters as well as each Group company, facilitating thorough compliance with trade secrets management guidelines.

Hereafter, we plan to continue strengthening our trade secrets management systems through regular checks,

e-learning and other training, and close cooperation between the Legal Affairs Coordination Division, the Information & Communication Systems Headquarters, the Global Procurement Headquarters and other related divisions.

● **Technology Outflow Prevention Management**

Canon recognizes technology as a critical asset and has been working since 2002 to prevent inappropriate technology outflow.

Canon's Guidelines for Management to Prevent Technology Outflow, formulated in 2004, form the foundation of this drive. Each products operations group has drawn up its own rules in line with these guidelines to manage the prevention of technology outflow in accordance with its own operational characteristics.

To strengthen management for the prevention of technology outflow in countries and regions where the legal provisions for the protection of intellectual properties are still insufficient, in 2002 we established the Confidential Information Management Committee for Overseas Manufacturing Companies in China and Asia. The committee comprised key executives from Canon Inc. and the presidents of 11 manufacturing companies in Asia. In 2006, this body issued the Confidential Information Management Guidelines 2006 for Manufacturing Companies in China and Asia. Each subsidiary has implemented a management system based on these guidelines and is following strict regulations. Additionally, we began holding confidential information management training for employees dispatched outside Japan as of 2005, and issue alerts related to the handling of information at manufacturing companies in China and Asia.

In 2013 we released the Guidelines for Management to Prevent Technology Outflow 2013, an updated version integrating the previous guidelines with a new set of guidelines on technology outflow prevention management for products operations and manufacturing companies outside of Japan. English- and Chinese-language versions of these guidelines were also published to promote close cooperation with related divisions and manufacturing companies in Asia and further strengthen efforts to prevent technology outflow.

Furthermore, Canon established a project team comprising relevant staff members within the company to begin discussions on measures to prevent the outflow of important technologies to foreign companies through retired employees.

Physical Security

Basic Physical Security Measures

Aiming to strengthen physical security, Canon has been working to establish physical security systems at each of its operational sites since 2000 based on the following three policies:

1. Establish and put into practice at operational sites an overall design from the viewpoint of disaster prevention, crime prevention, and safety and health to optimize entry and exit routes for all persons.
2. Fully implement strict internal and external security measures to comprehensively prevent company assets (physical objects, information, etc.) from being removed, suspicious objects from being brought in, and suspicious individuals from entering.
3. Limit entry to certain areas to people who have been authorized by area managers, and integrate management of room entry and exit logs.

Physical Security Promotion System

In 2002 Canon established the Canon Group Physical Security Guidelines, which outlines the policies and rules regarding room entry and exit management and other kinds of physical security. We have since then been actively promoting security measures according to these guidelines. In 2013 the guidelines were completely revised to reflect the changing nature of security risks. Each Canon site is now responsible for drafting a security policy document that complies with these new standards and also takes into account the unique security risks of each region.

In addition to the Integrated Entry and Exit Management System, a control system that comprehensively manages surveillance cameras and various sensors has been implemented as part of Canon's efforts to strengthen physical security across the entire Group.

Due to the serious risk to society posed by toxic materials, we have implemented a particularly thorough audit system, covering all Canon Group sites since 2007. Improvements and revisions to physical security measures are implemented based on the results of these audits. In 2013, audits were carried out for all sites with toxic storage, with no problems found.

Additionally, to raise employee awareness, education on physical security has been included in the program for new employees and in rank-based training sessions. We continued this training for new-employee and mid-career hires, as well as information security training for general employees, in 2013. Canon will continue to educate its employees going forward.

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Post-Disaster Business Continuity Plan

Promoting Business Continuity Planning

Canon actively promotes post-disaster business continuity planning. Following the directives of the Canon Group Medium-Term Plan for Disaster Prevention Structure Enhancement, instituted in 2006, we are proceeding with phased improvements, such as upgrading the earthquake resistance of older buildings, establishing disaster prevention agreements with local communities, and implementing systems to collect and disseminate information.

Due to the critical importance of our Shimomaruko headquarters in Tokyo, Japan, as the home base for all Group operations, we have rebuilt all on-site buildings, established a crisis control center, installed backup generators, stockpiled fuel, equipment, and supplies, and established a multiplex communication system. Moreover, we set up the Disaster Recovery Center*¹ in Toride, Ibaraki Prefecture, to back up information systems to ensure that the mainframe system will operate securely in the event of a disaster.

We have also updated all Group company facilities, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training.

Also, in regard to our business continuity plan (BCP)*², the Facilities Management Headquarters has jurisdiction in creating a plan for the initial post-crisis response, while each of the products operations is responsible for creating their own follow-up BCPs.

As a result of these efforts, we achieved 100% of the goals of the Medium-Term Plan by the end of 2009. Taking that into account, we set about strengthening the disaster prevention system at each site and in each division from 2010 onward. Our activities included emergency communications drills using mobile phone messaging, and creating evacuation plans at shift-work sites.

*1 Disaster Recovery Center
A facility prepared for data backup in the event of a system breakdown due to a disaster.

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

Reinforcing Disaster Prevention by Learning from the Great East Japan Earthquake

Since the Great East Japan Earthquake of March 2011, Canon has promoted a variety of initiatives following a theme of "reinforcing disaster-prevention systems by learning from the Great East Japan Earthquake." In addition to working to improve disaster response through the provision of Earthquake

Measure Guidelines in September 2011, we have sought to improve disaster-prevention awareness through practical drills, including nighttime evacuation drills and cleanroom evacuation drills.

In 2012, Canon Inc. and Group companies in Japan continued with these practically focused drills at each of our operational sites. Through such exercises as triage drills*¹ and nighttime drills, we aimed to raise awareness in each individual employee. We also introduced a simultaneous unlocking system*² for buildings and facilities.

Based on these initiatives, we compiled the Canon Group Disaster Preparedness Guidelines in 2013. The guidelines contain detailed instructions on actions to be taken by employees put in charge of measures for each type of natural disaster, including earthquakes, typhoons and floods, and also serve as a practice guide.

Disaster preparedness managers from all Canon sites in Japan meet during the Canon Group Disaster Preparedness Conference to share information and educate one another on the details of these guidelines.

In addition to ensuring the safety of our employees through implementation of practical drills, we also hope to improve the first-response system of our company fire brigade, and to continue with proper outfitting of disaster prevention stockpiles and evacuation areas, aiming for a balanced disaster prevention system which accounts for individuals, the organization and facilities.

*1 Triage drill
Training to determine the priority of rescue, treatment and transport, according to severity and immediacy of injuries, in the event of a tragedy resulting in mass injuries.

*2 Simultaneous unlocking system
A system for automatic unlocking of electronic doors in the case of emergency, allowing for quick evacuation.

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Appropriate Information Disclosure and Returning Profits to Shareholders

Dialogue with Shareholders and Investors

Prompt and Appropriate Information Disclosure

As of December 31, 2013, Canon Inc. was listed on the Tokyo, New York, Nagoya, Fukuoka and Sapporo stock exchanges, with approximately 1,334 million issued shares and some 249,000 shareholders. With an eye to disclosing information on its management strategy, business strategy and performance to shareholders, investors and securities analysts in an accurate, fair and timely manner, Canon Inc. holds regular briefings and other IR events, and posts the latest information and various types of disclosure materials, including audio and video information, on its website.

To ensure fair and prompt information disclosure, Canon created Disclosure Guidelines for capital markets, which detail appropriate disclosure standards, procedures and methods. The company formed a Disclosure Committee to ensure strict compliance with the disclosure rules laid down by stock exchanges, thereby implementing a framework for comprehensive and accurate disclosure.

Through these efforts, Canon endeavors to gain the trust of the capital markets and enable proper assessment of its corporate value and stock price.

We also feed back to products operations and the accounting division quarterly to relay concerns from institutional investors and securities analysts about the company's quarterly financial results and forecasts. Furthermore, we distribute a monthly IR bulletin to executive officers of Canon Inc. and the presidents of major Group companies presenting opinions expressed by shareholders and investors, helping us improve management and business operations throughout the Group.

Dialogue with Individual Investors

Canon Inc. has adopted various measures to encourage a broader range of people to invest in its shares.

Aiming to increase the number of long-term individual shareholders, we have added an individual investor portal site to the Canon website, with information on Canon's operations, finances, technologies, environmental initiatives and more.

The number of individual shareholders as of December 31, 2013, was approximately 246,000, up approximately 42,000 from the previous year.

Dialogue with Investors outside Japan

The percentage of Canon Inc. shares owned by non-Japanese investors is high, at 32.2% as of December 31, 2013.

Canon Inc. maintains close communication with institutional investors around the world. For institutional investors outside Japan, we host meetings focused on corporate strategy and hold conference calls to explain financial results. We also established IR bases in Europe and the United States. Additionally, the IR information posted on Canon's English-language website contains the same level of detail as that posted on our Japanese-language website, ensuring that our information disclosure system functions at the same level in both languages.

In 2013, we travelled once to Europe and once to the United States to meet with institutional investors to discuss our corporate strategy.
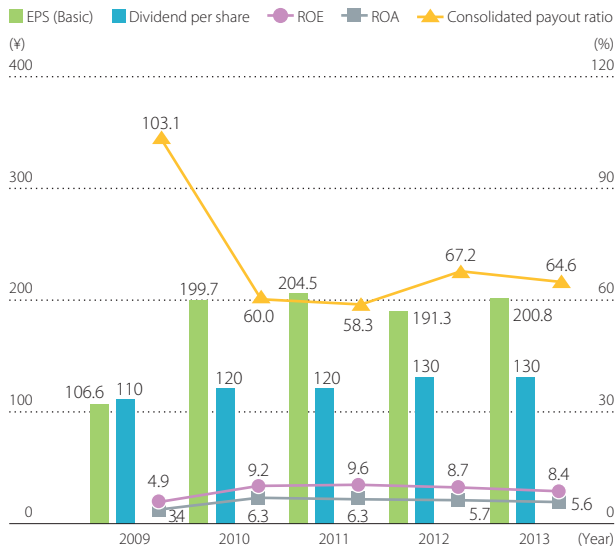
Return to Shareholders

Dividend Policy

Canon Inc.'s basic policy is to provide stable returns and actively return profits to shareholders, mainly in the form of dividends.

Despite adverse conditions, such as the prolonged economic downturn in Europe, in the period ending December 31, 2013, we improved operational efficiency through comprehensive cash flow management, allowing us to generate an adequate level of cash on hand.

Taking the above into account, we set our full-year dividend at 130 yen per share. This was the same full-year dividend as the previous year, which included a commemorative dividend amount.

Main IR Activities

Main Events	• Corporate strategy conference hosted by a representative director for institutional investors and analysts (annually, about 100 participants) • Financial results conference for institutional investors and analysts (quarterly, about 150 participants) • Financial results conference calls for institutional investors outside Japan (quarterly) • Business conferences for institutional investors and analysts (ad hoc) • Small meetings of investors hosted by securities companies (ad hoc) • Visits to institutional investors outside Japan to discuss management policy (North America, Europe) • Company briefings for individual investors (ad hoc)
Daily Activities	• Responding to institutional investor and analyst inquiries in separate meetings (about 250 a year) • Responding to institutional investor and analyst phone inquiries • Responding to surveys inquiring about Canon's socially responsible investment (SRI)

EPS and Dividends

■ EPS (Basic) ■ Dividend per share ━●━ ROE ━■━ ROA ━▲━ Consolidated payout ratio

(¥)
(%)

External Corporate Assessments

Credit Rating

Canon Inc. is rated by two credit rating agencies in the United States and one in Japan. Credit ratings are one of many indicators subject to close external scrutiny. Canon continues to maintain a very high credit rating, once again receiving strong marks for maintaining and continuing to strengthen its financial condition in a severe economic climate marked by downgrades across the world.

Ratings by Key Agencies (As of December 31, 2013)

Credit Rating Agencies	Long Term	Short Term
Standard & Poor's	AA	A-1+
Moody's	Aa1	–
Rating and Investment Information, Inc.	AA+	–

Acquisition of Own Shares

Canon Inc. has been acquiring its own shares to raise capital efficiency and allow for a flexible capital strategy for mergers and acquisitions. In 2013, Canon Inc. acquired approximately 16 million of its own shares, for a total of approximately 50 billion yen.

Our policy is to continue to implement measures as circumstances demand, taking into account investment and capital plans.

Canon's Inclusion in SRI Indexes

Canon Inc. has received high marks from socially responsible investment (SRI) evaluation agencies for responding to their questionnaires and surveys and for disclosing CSR information through various reports. As a result, the company is included in SRI indexes.

In the future, we will continue efforts to respond to the needs of society and strive to disclose CSR information in a more easily understandable manner.

Dividend Per-Share Trend

(¥)
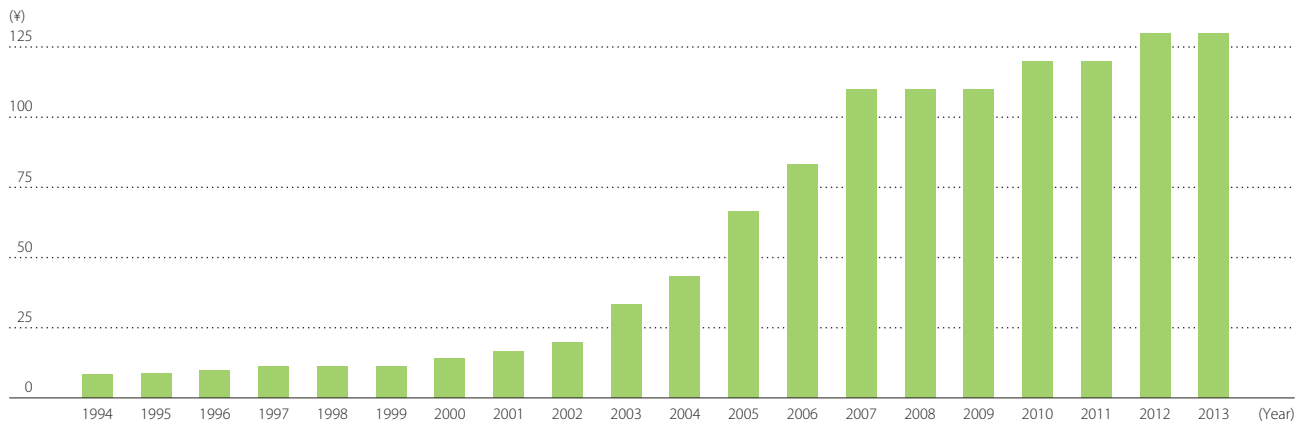
* Figures have been adjusted to reflect a three-for-two stock split made on July 1, 2006.

1. Strategy and Analysis

	Index	Data
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	pp. 3-4
1.2	Description of key impacts, risks, and opportunities.	pp. 3-4, 31-32, 75-76, 81-82, 93-94, 105-106, 115-116, 121-122

2. Organizational Profile

	Index	Data
2.1	Name of the organization.	p. 1
2.2	Primary brands, products, and/or services.	pp. 5-6
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	pp. 5-6, 7-8, Canon Fact Book
2.4	Location of organization's headquarters.	p. 1
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	pp. 7-8
2.6	Nature of ownership and legal form.	p. 1
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	pp. 5-6, P7-8
2.8	Scale of the reporting organization, including:	pp. 5-6, P7-8
	Number of employees;	
	Number of operations;	
	Net sales (for private sector organizations) or net revenues (for public sector organizations);	
	Total capitalization broken down in terms of debt and equity (for private sector organizations); and	
	Quantity of products or services provided.	
	In addition to the above, reporting organizations are encouraged to provide additional information, as appropriate, such as:	pp. 5-6, P7-8
	Total assets;	
	Beneficial ownership (including identity and percentage of ownership of largest shareholders); and	
	Breakdowns by country/region of the following: • Sales/revenues by countries/regions that make up 5 percent or more of total revenues; • Costs by countries/regions that make up 5 percent or more of total revenues; and • Employees.	
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	Not applicable
	The location of, or changes in operations, including facility openings, closings, and expansions; and	
	Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	
2.10	Awards received in the reporting period.	pp. 14, 44, 50, 112

3. Report Parameters

	Index	Data
REPORT PROFILE		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	p. 1
3.2	Date of most recent previous report (if any).	p. 1
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions regarding the report or its contents.	Back cover
REPORT SCOPE AND BOUNDARY		
3.5	Process for defining report content, including: Determining materiality; Prioritizing topics within the report; and Identifying stakeholders the organization expects to use the report.	pp. 9-10
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	pp. 1, 73-74
3.7	State any specific limitations on the scope or boundary of the report.	pp. 1, 73-74
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	pp. 39-40
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	p. 1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable
GRI CONTENT INDEX		
3.12	Table identifying the location of the Standard Disclosures in the report.	This page
ASSURANCE		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	pp. 141-142

4. Governance, Commitments, and Engagement

	Index	Data
GOVERNANCE		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	p. 123
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	pp. 123-124
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	p. 123
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	p. 123
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	pp. 126
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	p. 123
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	Canon Annual Report, An overview of Corporate Governance at Canon Inc.

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	pp. 10, 33-34, 83, 95, 99, 107
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	pp. 10, 35, 123
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	pp. 123-124

Commitments to External Initiatives

4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	pp. 37, 95-98, 124-125, 127-129
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	pp. 1, 37, 47, 85
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:	pp. 43, 103
	Has positions in governance bodies;	
	Participates in projects or committees;	
	Provides substantive funding beyond routine membership dues; or	
	Views membership as strategic.	

STAKEHOLDER ENGAGEMENT

4.14	List of stakeholder groups engaged by the organization.	pp. 2, 10
4.15	Basis for identification and selection of stakeholders with whom to engage.	pp. 2, 10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	p. 10
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	pp. 10, 13-28

5. Management Approach and Performance Indicators

Economic

Index	Data
Management Approach	
Disclosure on Management Approach	FORM 20-F, Canon Annual Report
Goals and Performance	
Policy	
Additional Contextual Information	
Economic Performance Indicators	
ASPECT: ECONOMIC PERFORMANCE	

EC1.	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	pp. 5, 84, 132
EC2.	Financial implications and other risks and opportunities for the organization's activities due to climate change.	p. 34
EC3.	Coverage of the organization's defined benefit plan obligations.	FORM 20-F
EC4.	Significant financial assistance received from government.	

ASPECT: MARKET PRESENCE

EC5.	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	
EC6.	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	

EC7.	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	p. 80

ASPECT: INDIRECT ECONOMIC IMPACTS

EC8.	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	pp. 21-22, 115-120
EC9.	Understanding and describing significant indirect economic impacts, including the extent of impacts.	

Environmental

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 31-32, 33-38, 39-40, 41-42
Goals and Performance	pp. 31-32, 41-42
Policy	pp. 33-34, 41-42
Organizational Responsibility	p. 35
Training and Awareness	p. 36
Monitoring and Follow-Up	pp. 36, 43-44, 46-47
Additional Contextual Information	p. 34, FORM 20-F
Environmental Performance Indicators	
ASPECT: MATERIALS	

EN1.	Materials used by weight or volume.	p. 40
EN2.	Percentage of materials used that are recycled input materials.	p. 65

ASPECT: ENERGY

EN3.	Direct energy consumption by primary energy source.	pp. 40, 49
EN4.	Indirect energy consumption by primary source.	
EN5.	Energy saved due to conservation and efficiency improvements.	pp. 38, 48-49
EN6.	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	pp. 15, 38, 62-63
EN7.	Initiatives to reduce indirect energy consumption and reductions achieved.	pp. 48-49

ASPECT: WATER

EN8.	Total water withdrawal by source.	pp. 40, 51
EN9.	Water sources significantly affected by withdrawal of water.	
EN10.	Percentage and total volume of water recycled and reused.	

ASPECT: BIODIVERSITY

EN11.	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	
EN12.	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	pp. 70-71
EN13.	Habitats protected or restored.	pp. 70-71
EN14.	Strategies, current actions, and future plans for managing impacts on biodiversity.	
EN15.	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	

ASPECT: EMISSIONS, EFFLUENTS, AND WASTE

EN16.	Total direct and indirect greenhouse gas emissions by weight.	pp. 39-40, 48-49, 56-57
EN17.	Other relevant indirect greenhouse gas emissions by weight.	pp. 39-40

EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	pp. 39-40, 48-49, 56-58, 59-60
EN19.	Emissions of ozone-depleting substances by weight.	pp. 40, 52-53
EN20.	NO, SO, and other significant air emissions by type and weight.	
EN21.	Total water discharge by quality and destination.	p. 51
EN22.	Total weight of waste by type and disposal method.	pp. 50-51
EN23.	Total number and volume of significant spills.	pp. 54-55
EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	
EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	

ASPECT: PRODUCTS AND SERVICES

EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	pp. 59-63
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	pp. 64-69

ASPECT: COMPLIANCE

EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	p. 37

ASPECT: TRANSPORT

EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	pp. 56-58

ASPECT: OVERALL

EN30.	Total environmental protection expenditures and investments by type.	p. 38

Labor Practices and Decent Work

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 75-76, 81-82
Goals and Performance	pp. 75-76, 81-82
Policy	pp. 83, 90
Organizational Responsibility	pp. 77, 83, 90-91
Training and Awareness	pp. 78, 87-89, 91-92
Monitoring and Follow-Up	
Additional Contextual Information	pp. 77, 83, 90-92
Labor Practices and Decent Work Performance Indicators	

ASPECT: EMPLOYMENT

LA1.	Total workforce by employment type, employment contract, and region, broken down by gender.	pp. 78, 83
LA2.	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	pp. 78, 83
LA3.	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	
LA15.	Return to work and retention rates after parental leave, by gender.	p. 86

ASPECT: LABOR/MANAGEMENT RELATIONS

LA4.	Percentage of employees covered by collective bargaining agreements.	pp. 83-84
LA5.	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	

ASPECT: OCCUPATIONAL HEALTH AND SAFETY

LA6.	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	p. 90
LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	p. 91
LA8.	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	pp. 91-92
LA9.	Health and safety topics covered in formal agreements with trade unions.	p. 90

ASPECT: TRAINING AND EDUCATION

LA10.	Average hours of training per year per employee by gender, and by employee category.	p. 87
LA11.	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pp. 87-89
LA12.	Percentage of employees receiving regular performance and career development reviews, by gender.	

ASPECT: DIVERSITY AND EQUAL OPPORTUNITY

LA13.	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	pp. 78-79

EQUAL REMUNERATION FOR WOMEN AND MEN

LA14.	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	

Human Rights

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 75-76
Goals and Performance	pp. 75-76
Policy	pp. 77, 95
Organizational Responsibility	
Training and Awareness	p. 77
Monitoring and Follow-Up	p. 77
Additional Contextual Information	
Human Rights Performance Indicators	

ASPECT: INVESTMENT AND PROCUREMENT PRACTICES

HR1.	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	
HR2.	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	
HR3.	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	p. 77

ASPECT: NON-DISCRIMINATION

HR4.	Total number of incidents of discrimination and actions taken.	

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	

Left Column

ASPECT: CHILD LABOR

HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	p. 77

ASPECT: FORCED AND COMPULSORY LABOR

HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	p. 77

ASPECT: SECURITY PRACTICES

HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	

ASPECT: INDIGENOUS RIGHTS

HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	

ASSESSMENT

HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	

REMEDIATION

HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	

Society

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 93-94
Goals and Performance	pp. 93-94
Policy	p. 95
Organizational Responsibility	pp. 95, 123
Training and Awareness	pp. 97-98
Monitoring and Follow-Up	pp. 95, 124-125
Additional Contextual Information	pp. 95-104
Society Performance Indicators	

LOCAL COMMUNITY

SO1.	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	
SO9.	Operations with significant potential or actual negative impacts on local communities.	Not applicable
SO10.	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Not applicable

ASPECT: CORRUPTION

SO2.	Percentage and total number of business units analyzed for risks related to corruption.	
SO3.	Percentage of employees trained in organization's anti-corruption policies and procedures.	pp. 95, 97
SO4.	Actions taken in response to incidents of corruption.	

ASPECT: PUBLIC POLICY

SO5.	Public policy positions and participation in public policy development and lobbying.	p. 103
SO6.	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	

ASPECT: ANTI-COMPETITIVE BEHAVIOR

SO7.	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not applicable

Right Column

ASPECT: COMPLIANCE

SO8.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Not applicable

Product Responsibility

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 105-106
Goals and Performance	pp. 105-106
Policy	pp. 107, 108
Organizational Responsibility	p. 107
Training and Awareness	p. 108
Monitoring and Follow-Up	pp. 101, 107
Additional Contextual Information	pp. 107-114
Product Responsibility Performance Indicators	

ASPECT: CUSTOMER HEALTH AND SAFETY

PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	pp. 107-111
PR2.	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	p. 109

ASPECT: PRODUCT AND SERVICE LABELING

PR3.	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	pp. 60-62
PR4.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Not applicable
PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	pp. 113-114

ASPECT: MARKETING COMMUNICATIONS

PR6.	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not applicable

ASPECT: CUSTOMER PRIVACY

PR8.	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not applicable

ASPECT: COMPLIANCE

PR9.	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not applicable

Reference:

FORM 20-F
http://www.canon.com/ir/library/index.html

Canon Fact Book
http://www.canon.com/media/index.html

An Overview of Corporate Governance at Canon Inc.
http://www.canon.com/ir/strategies/governance.html

Canon Annual Report
http://www.canon.com/ir/library/index.html

Dr. phil. Justus von Geibler

Project Co-ordinator,
Sustainable Production and Consumption Department,
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Stakeholders ask for more detailed sustainability information, and will continue to do so, both at the company and product level. The reasons for this include growing knowledge of sustainability issues, improving methodological harmonisation in sustainability assessment and accounting, but also increasing information processing capacities, e.g. through barcode-based information at the point-of-sale. In this light, I deeply appreciate this continuing opportunity to be involved in the commentary process for Canon´s sustainability report. It is a great chance to support Canon´s reporting process, and to foster the dialogue with its stakeholders.

Based on discussing the report themes with Canon and reviewing the report draft, my overall judgement of the changes made in the 2014 report is very positive. From my point of view the overall quality and relevance of the report as a whole has again improved compared to previous years´ reports. I think that the content selected for the report is more relevant from the sustainability perspective. For example, within the section "Contributing to Society through Business Activities", Canon's work in the area of healthcare with regard to its contribution towards a safer and more secure society is presented more prominently. New relevant management initiatives have been taken up, such as the establishment of a biodiversity policy and the reviewing of new CSR Supplier Guidelines, both important conditions for improving the sustainability performance of Canon and its supply chains. Furthermore, from my point of view, the quality of the presentation and level of detail provided on individual topics in this report have improved. For example, the section "Reporting in Accordance with ISO 26000" provides more concise lists of annual plans and performance for the core subjects. Also, the role of this report section is presented more clearly than in previous reports. I especially welcome that a third-party institution has verified the data on greenhouse gas emissions of Canon group companies all over the world, which emphasises the reliability of the report.

In order to further increase Canon´s accountability through the sustainability report, I still see some areas for further improvements. One opportunity could be to further strengthen the coverage of issues along the value chain and life cycle — specifically the use phase of its main products. For example, the consumption of printing paper is linked to significant environmental impact in the lifecycle of printers. Another use-phase-related issue is the protection of personal data, a topic of growing concern for companies and private consumers. Even if scope for action is limited, what can Canon do to support improvements regarding such effects in the use phase of its products? For me, it is indisputable that Canon needs to continue its dialogue in all business areas engaging both internal and external stakeholders to find answers to this question. Promising steps have been taken, e.g. by recent product design innovations or the Green Navi Website development.

Considering Canon´s advances in its recent sustainability reports, I believe that Canon´s business units, and especially the CSR Division, are well prepared to further use this dialogue to jointly contribute to the realization of a better society.

About the Third-Party Opinion

Canon has received third-party opinions from Dr. phil. Justus von Geibler, an expert from the Wuppertal Institute, every year for six years since 2008. As a result, Dr. von Geibler is able to offer opinions from a medium- to long-term perspective on how well this report (summarized version) meets expectations regarding the information included in the report, the quality of performance it conveys, and its usefulness for substantial engagement.

We held a dialogue session via phone regarding the composition and contents of the report so as to ensure a meaningful exchange of views with Dr. von Geibler and reflected his suggestions in the report to the greatest extent possible. (See the table below for details.)

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

Note: This third-party comment is the personal view of the author and no verification of the report contents or data. The comment does not imply any endorsement from his organization.

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

Main Suggestions	Main Reflections (New Content in the 2014 Report)	Pages Posted
Commentator praised Canon's use of third-party verification of its GHG scope 1, 2 and 3 data from among its environmental performance data. This greatly improves the credibility of the company's published data.	With it now receiving third-party verification, Canon will look to expand the scope of this verification and strive to further improve the credibility of its environmental measures.	pp. 141-142
Important revisions were made to GRI's G4 Guidelines released last year that include identified material aspects and disclosure of boundaries for each aspect. Commentator believes Canon should take steps to comply with these changes.	Canon continues to disclose information based on the GRI's current G3 Guidelines for the time being. At the same time, Canon is conducting research and making the necessary preparations for the GRI's new G4 Guidelines.	–
Commentator appreciated that Canon had introduced its Biodiversity Policy. While Canon is working on revising the guidelines for its suppliers, Canon should also include biodiversity in it.	Canon will examine including biodiversity as part of its procurement guidelines. As for other items, Canon will revise the whole of the guidelines after referencing other internationally-accepted standards.	–
In general, the impact of paper on carbon dioxide emissions over the printing lifecycle is quite large. Canon should also focus attention on paper as an environmental impact from the use of its business machines because of its consumable nature. This can be correlated to the boundaries, materiality and biodiversity required of the GRI's G4 Guidelines.	Copy paper with the Canon logo used in Canon's business machines is manufactured from the raw materials from FSC-certified forests for which the source of supply is clear and environmentally-friendly. Canon will take a positive stance toward examining the significant impacts paper usage has on the environment, as was pointed out here.	p. 46

About the third-party review process

Over the many years that Canon has been providing sustainability reports to its stakeholders, the company has worked to develop its approach to reporting and its relationship with stakeholders. Since 2003, Canon has invited various external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Dr. von Geibler has provided comment to Canon's reporting every year since 2008. Via a telephone dialogue session and written comments, Dr. von Geibler provided input at several points during Canon's report preparation process. The dialogue provides the basis for a degree of stakeholder engagement with Canon on reporting, on the company's performance, and on Canon's relationships with stakeholders.

• Basis for the commentator's opinions

For the sixth year running, Canon has welcomed external comment using a portion of the Global Reporting Initiative Sustainability Reporting Guidelines (G3.1) as the basis for the commentator's opinions, namely four Reporting Principles relating to Defining Report Content : [1]

- **Materiality.** Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness.** Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context.** Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness.** Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

Using these principles as a guideline, Dr. von Geibler was asked to assess the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2014
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Judy Kuszewski has provided advice and support to Canon with regard to the third-party opinion section, by defining terms of reference for the third-party opinions, facilitating relationships with the commentator and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Judy Kuszewski nor the external commentator functions as an assurance provider, but as well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting.

* Detailed information on the four principles can be found at https://www. globalreporting.org/reporting/guidelines-online/G31Online/ DefiningReportContentQualityAndBoundary/Pages/DefiningReportContent. aspx

• What the commentator and Canon discussed

Through the telephone conference process, Dr. von Geibler and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included:

- Considerations related to Canon's use of the GRI Sustainability Reporting Guidelines and eventual transition to the most recent version (G4), to be studied over the coming year.
- Canon's efforts to report on and reduce product lifecycle impacts, including carbon and biodiversity impacts, with further studying of use-phase impacts related to paper, and incorporating social issues into lifecycle assessment.
- Canon's new guidelines for suppliers, which are currently under review, including biodiversity-related questions, and harmonizing the process of engaging with suppliers to make it more consistent with various external initiatives.
- The structure of Canon's report into two separate sections, and how this decision can be refined and clarified for readers.
- The need for a balanced, transparent discussion of challenges and results in Canon's report, to show how the company deals with problematic issues and aspects of sustainability that encompass consumers, other companies and sectors beyond Canon alone.

Dr. von Geibler's full statement can be seen at "Third-Party Opinions."

The Canon Group CSR (Sustainability) Report

Canon Inc. began publishing environmental reports from 1999, following the Ecology booklet, a preliminary report toward the Environment Report published in 1994. In 2003, the scope of content was expanded to include economic and social issues, and a yearly Sustainability Report replaced the previous Environmental Reports.

Canon (Schweiz) was the first Group company, in 1994, to begin publishing its own environmental reports. Currently, other regional Group companies also publish environmental or CSR (sustainability) reports. For example, Canon Europe, our regional sales headquarters located in the U.K., publishes a report that covers Europe, the Middle East and Africa. Certain Canon Europe Group companies also publish localized versions with original content. These reports are published in 20 regions and 15 languages. Such reports can be viewed on the websites of each individual company.

We will continue to expand the scope of reporting as we report on Canon's global measures towards the achievement of a sustainable society.

Canon Marketing Japan CSR Report
http://cweb.canon.jp/csr/csr-report/index.html

Canon Europe Sustainability Report
http://www.canon.co.uk/About_Us/sustainability/index.aspx

Canon China CSR Report
http://www.canon.com.cn/corp/csr/index.html
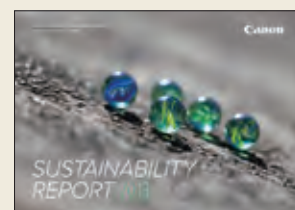
Canon Oceania Sustainability Report
http://www.canon.com.au/About-Canon/Sustainability-Environment/Sustainability-Report

Lloyd's Register
LRQA

Assurance Statement

Terms of engagement
This Assurance Statement has been prepared for CANON INC.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by CANON INC. (30-2 Shimomaruko 3-Chome, Ohta-ku, Tokyo 146-8501, Japan) to assure CANON Group's greenhouse gas (GHG) inventory for the calendar year 2013, that is, 01 January to 31 December 2013 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions (Scope 1[1]), energy indirect GHG emissions (Scope 2[1]) and other indirect GHG emissions (Scope 3 – Categories[2] 1, 4 and 11).

Our terms of engagement excluded the GHG emissions data and information associated with CANON Group's small-sized member companies and sites in Japan and overseas, for example, sales companies and distribution sites.

Management responsibility
CANON INC.'s management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with CANON INC.

Ultimately, the Report has been approved by, and remains the responsibility of CANON INC.

LRQA's approach
Our verification has been conducted in accordance with ISO 14064–3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG data as presented in the Report have been prepared taking into consideration ISO14064–1:2006 *Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.*

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:
- Conducted site visits to CANON INC.'s head office in Tokyo, Canon Components, Inc. in Saitama Prefecture, and CANON INC. Utsunomiya Optical Products Plant in Tochigi Prefecture, Japan;
- Interviewed key personnel responsible for the management of GHG emissions data and information and for the preparation of the Report at the above sites;
- Reviewed processes for the management of GHG emissions data and information included in the Report;
- Verified GHG emissions data and information at an aggregated level made available at the head office and back to the original sources at the above sites visited.

[1] Scope 1 and 2 emissions are as defined in The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.
[2] The categories of Scope 3 emissions are as defined in the Greenhouse Gas Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Table 5.3.

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Lloyd's Register
LRQA

Level of assurance & materiality

The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at the professional judgment of the Verifier.

LRQA's opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total direct GHG emissions and energy indirect GHG emissions and other indirect GHG emissions as presented in the Report summarized in Table 1 below are not materially correct and the Report has not been prepared taking into consideration ISO 14064-1:2006.

LRQA's recommendations

CANON INC. should:

- Consider quantifying the GHG emissions data associated with its small-sized member companies and sites in Japan and overseas, for example, sales companies and distribution sites, to improve the completeness of the Report, unless their contribution to the total GHG emissions are not material or the quantification is not technically feasible or cost effective as stipulated in ISO 14064-1:2006; and
- Further improve the QA/QC system for data management with internal self-verification controls at both at the corporate and member company levels.

Signed   Dated: 25 March 2014

Takahiro Iio, Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
Japan Business Centre, Queen's Tower A10[th] Floor, 2-3-1 Minatomirai
Nishi-ku, Yokohama 220-6010, Japan

LRQA Reference No: YKA4005113

Table 1. Summary of CANON Group's GHG Inventory 2013

Scope	Tonnes CO_2e
Direct GHG emissions (Scope 1)	128,068
Energy indirect GHG emissions (Scope 2)	939,990
Other indirect GHG emissions (Scope 3)	4,923,422
Total GHG Emissions	**5,991,480**

About the Cover Photo

Since 2007, Canon has been involved with the Cultural Heritage Inheritance Project, commonly known as the Tsuzuri Project, through cooperation with the Kyoto Culture Association (NPO). The program combines Canon's cutting edge digital technology with the traditional arts and crafts of Kyoto to create unique high-resolution facsimiles of Japan's ancient cultural assets. While the original assets are preserved in a controlled environment, their facsimiles are exhibited to the general public, with the ultimate goal of allowing people around the world to view these important pieces of Japan's cultural heritage.

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