# Canon
# Sustainability
# Report
# 2010

Canon

# Contents

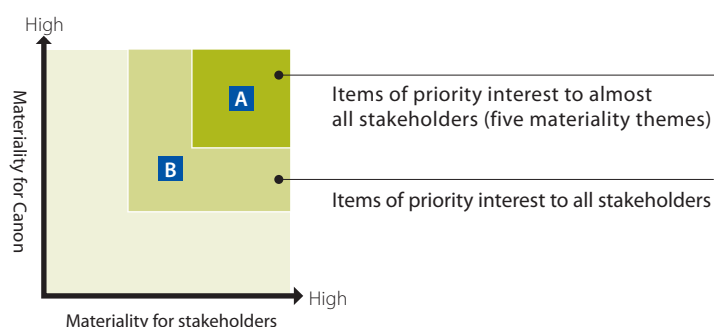## Editorial Policy

### Basic Approach

**To report on Canon's efforts toward the realization of a sustainable society**

The *Canon Sustainability Report* comprises two parts: a paper-based brochure and information posted on Canon's website. It is published annually to fulfill the Company's responsibilities to its stakeholders by providing an explanation of its efforts toward the realization of a sustainable society, and to promote two-way communication with stakeholders as a means of further raising the level of its activities.

### Approach to Media Use in Sustainability Reporting

**Information of prime importance is included in this brochure, while more extensive coverage of our activities is provided on our website.**

In response to readers' requests to be informed of Canon's priorities in its business activities, this brochure presents material of high importance from two perspectives: materiality for Canon and materiality for stakeholders. Our website includes systematic and comprehensive data on our CSR activities, including the content of this brochure (see page 33).



**A** — Items of priority interest to almost all stakeholders (five materiality themes)

**B** — Items of priority interest to all stakeholders

**Brochure**
Includes both **A** and **B**

**Website**
Presents all of Canon's CSR endeavors, including **A** and **B**

**canon.com/environment**

### Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2009 (January 1 to December 31, 2009).

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 lifecycle, including raw materials and parts manufacturing by suppliers, as well as product usage by customers.

Supplemental information on important targets and initiatives prior to 2008 and beyond 2010 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.

**Disclaimer**

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

# Realizing *Kyosei*

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

*Kyosei* envisions the achievement of a sustainable society in which all people, regardless of race, religion or culture, live harmoniously and work together into the future.

Canon will continue to pursue sustainability in order to contribute to global prosperity and the well-being of mankind.

Customers

NGOs/NPOs

Shareholders and Investors

Universities and Research Institutes

Suppliers

**Corporate Philosophy**

# *Kyosei*

**Living and working together for the common good**

Employees

National and Local Governments

Other Companies

The Local and Global Community

The Global Environment

---
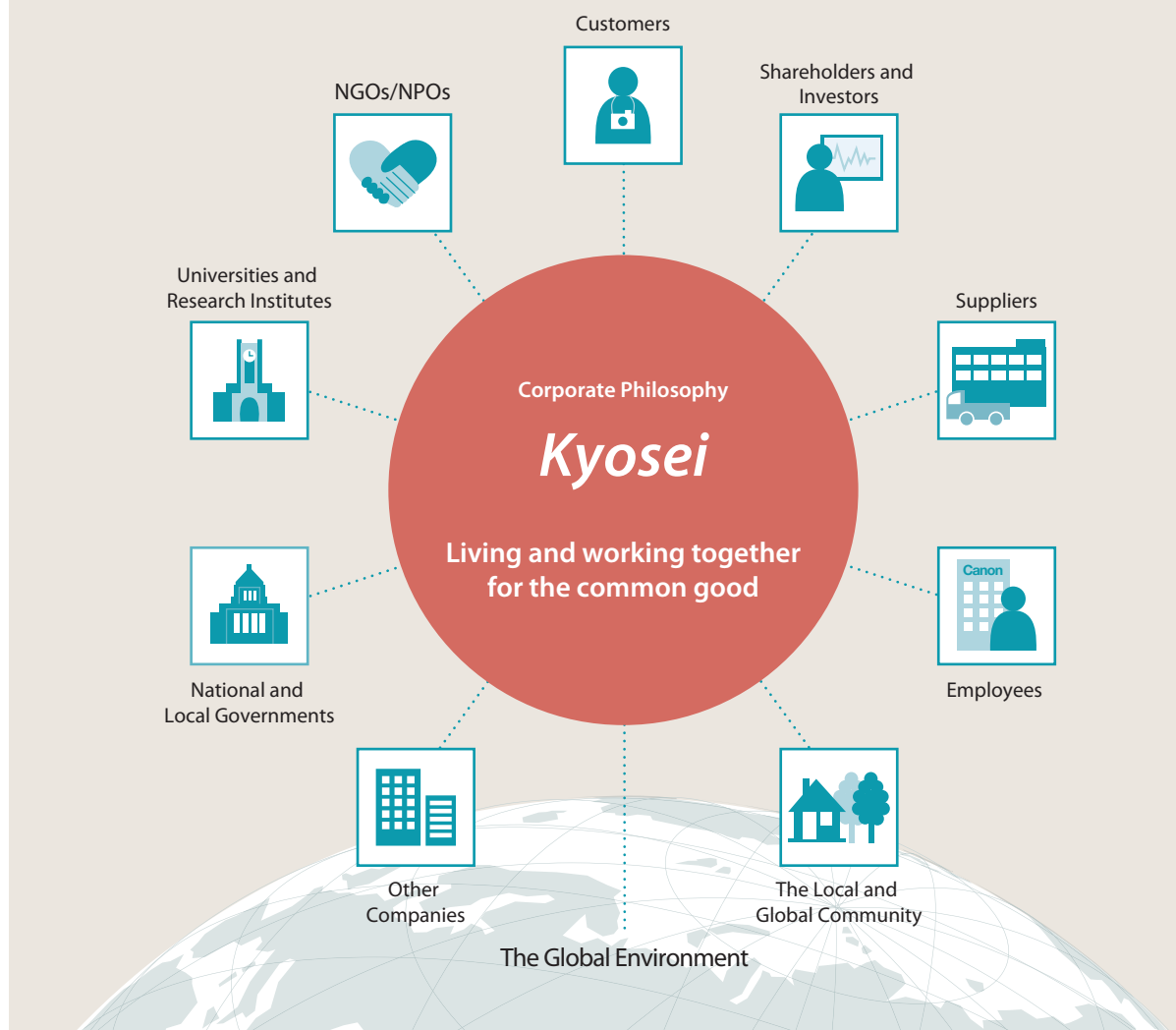
**Company Overview** (As of May 15, 2010)

| | | | |
|---|---|---|---|
| **Name:** | Canon Inc. | **Capital:** | ¥174,762 million (As of December 31, 2009) |
| **Established:** | August 10, 1937 | **Group Companies:** | 241 consolidated subsidiaries, |
| **Headquarters:** | 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan | | 15 companies accounted for under the equity method (As of December 31, 2009) |
| **Chairman and CEO:** | Fujio Mitarai | | |
| **President and COO:** | Tsuneji Uchida | | |

**Fujio Mitarai**
Chairman and CEO
Canon Inc.

**Tsuneji Uchida**
President and COO
Canon Inc.

# As we advance along a new growth path, we will continue to fulfill our social responsibilities, as befits a truly excellent global corporation.

### Heading into the Final Year of Phase III of the Excellent Global Corporation Plan

The harsh management environment, stemming from the global recession, continued during 2009. We responded with a major shift in direction for Phase III of the Excellent Global Corporation Plan—our medium- to long-term management plan, which we launched in 2006— moving from a focus on sound growth to that of improving management quality. Based on the achievements of management reforms to date, we promoted the unification of information, from planning and design to sales and after-sales service, through IT reforms to achieve total optimization and management efficiency. In addition, Canon boosted the in-house production of core parts, implemented structural reforms, upgraded product lineups and reinforced its global sales network. Despite unavoidable decreases in sales and profits, we maintained our sound financial structure while preparing to take the offensive in the face of challenging conditions.

In 2010, we will close out the final year of Phase III of our Excellent Global Corporation Plan by again setting the Company on a new growth path, following through with various measures and policies in pursuit of our goal to become a truly excellent global corporation.

In order to ensure that Canon continues to develop over the next 100, and even 200, years, and takes its place as a corporation worthy of admiration and respect worldwide, we have adopted a longer-term perspective in our efforts involving matters related to our corporate management foundation and themes aimed at contributing to the realization of a sustainable society. We are making steady progress in this regard in several areas, including our environmental activities along with measures to maintain and improve compliance, quality and safety, and implement employment initiatives.

### A New Start with 2010 as Our First Year of Renewed Growth

We have set 2010 as the first year of a new era of growth. Important steps toward achieving this goal include the formulation and implementation of policies and measures to overcome the global recession.

By bolstering our R&D efforts, we aim to create innovative products and services and cultivate new business areas. Moreover, the Company is improving its foundation in terms of development, production and sales networks toward the realization of its Three Regional Headquarters system.

In addition, we are placing greater emphasis on raising management quality, while promoting IT system reforms and the elimination of every form of waste from our operations.

### Renewing Our Pledge to the Environment, Compliance and Quality

In addition to formulating growth strategies, fulfilling our social responsibilities is a key objective for 2010. We are further strengthening our foundation toward becoming a truly excellent global corporation.

We launched our "Action for Green" environmental vision in 2009 as a statement of our environmental consciousness, currently standard practice in the corporate world. This vision steers us toward achieving a balance between social prosperity and environmental sustainability. Looking at the entire product lifecycle—Produce, Use, Recycle—we are working aggressively in collaboration with our customers and business partners to promote reduced $CO_2$ emissions, the effective utilization of resources, and the elimination of hazardous substances. We feel that these are important responsibilities for a global corporation.

In addition, we are reinforcing compliance toward the further promotion of globalization. Canon abides with all national and local laws and regulations in the countries and regions in which it operates, in addition to acting in accordance with social norms and moral values.

Recognizing quality as the lifeline of a manufacturing company, Canon is making a concerted effort, working tirelessly to not only maintain, but also continually improve the quality of its products, services and operations.

### Cultivating Quality Human Resources that Contribute to a Sustainable Society

An excellent global corporation is defined by the excellence of its corporate culture. Respect for human dignity, an emphasis on technology and an enterprising spirit have all made up Canon's corporate DNA since its foundation, along with the Company's guiding principle of the "Three Selfs" spirit (self-motivation, self-management and self-awareness). By further instilling our corporate DNA and guiding principles, we will continue to cultivate high-quality personnel capable of rising to the challenges of the new age, and also continue efforts to establish ourselves as a company that can maintain sustainable growth. As we pursue our corporate philosophy of *kyosei*, we will continue to fulfill our social responsibilities as a truly excellent global corporation hand in hand with our customers, investors, suppliers, employees and other stakeholders around the globe.

We thank you for your understanding and look forward to your continued support in the future.

# Stepping up Promotion of Diversification and Globalization—The Pillars of Canon's Growth

## Diversification

Since its beginnings as a camera manufacturer, Canon has leveraged its core imaging technologies to expand into such other business areas as information products, business machines and semiconductor equipment. Canon is doing its utmost to realize technological innovations that will result in products that meet the expectations of customers and of society.

Pursuing "cross-media imaging" as a central strategy in 2009, Canon fortified its lineup in every product sector in addition to launching the imageRUNNER ADVANCE series of office network MFDs to support future business growth.
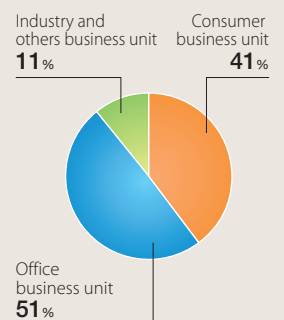
**Corporate Philosophy**

*Kyosei*

Canon has developed its business with a global perspective since its foundation, establishing sales, production and R&D sites worldwide, starting with a branch office in New York in 1955. In line 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 approximately 160,000 employees supports the Canon brand in the more than 180 countries and regions where it is a registered trademark.

Canon incorporated Dutch production printing giant Océ N.V. and Polish ophthalmic equipment maker OPTOPOL Technology S.A. as consolidated subsidiaries in 2010. Such M&A activities bolster Canon's business systems on a global scale in key strategic areas.
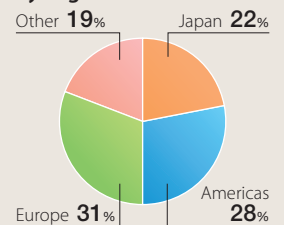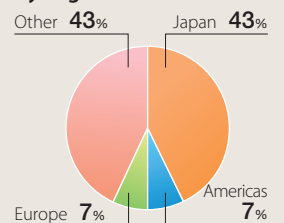
## Globalization

### Net Sales by Product*

Industry and others business unit **11** %

Consumer business unit **41** %

Office business unit **51** %

* Figures for sales by business area do not total 100% due to 3% subtraction for sales between units.

### Composition of Sales by Region

Other **19** %

Japan **22** %

Americas **28** %

Europe **31** %

### Composition of Employees by Region

Other **43** %

Japan **43** %

Americas **7** %

Europe **7** %

### Net Sales
(¥ billion)

| Year | Value |
|---|---|
| 2005 | 3,754.2 |
| 2006 | 4,156.8 |
| 2007 | 4,481.3 |
| 2008 | 4,094.2 |
| 2009 | 3,209.2 |

### Net Income
(¥ billion)

| Year | Value |
|---|---|
| 2005 | 384.1 |
| 2006 | 455.3 |
| 2007 | 488.3 |
| 2008 | 309.1 |
| 2009 | 131.6 |
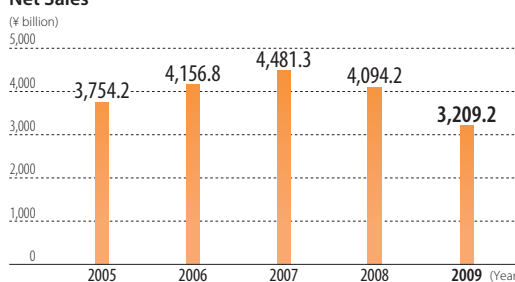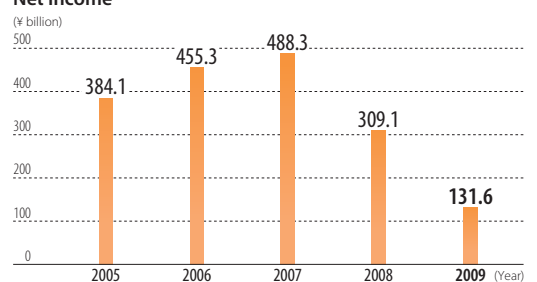
# Diversification — Businesses and Products

## Consumer Business Unit

- Digital single lens reflex (SLR) cameras
- Compact digital cameras
- Digital camcorders
- Compact photo printers
- Lenses for SLR cameras
- Image scanners
- Inkjet printers
- Multifunction inkjet printers
- Broadcast equipment

Multifunction inkjet printer

Digital SLR camera

## Office Business Unit

- Office network multifunction devices (MFDs)
- Digital production systems
- Laser printers
- Laser multifunction devices
- Toner, photosensitive drums, toner cartridges
- Solutions software
- Internet services
- Large-format inkjet printers
- LCD projectors
- Visual communication products
- Facsimile machines

Office network MFD

## Industry and Others Business Unit

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

LCD lithography system

Digital radiography system

# Globalization — Markets and Locations

## Europe, Africa and the Middle East

With Canon Europe Ltd. at the center of our operations in Europe, we are aggressively developing markets in Russia, the Middle East and Africa. We also carry out localized production and R&D activities.

Canon Europe Ltd.

## Asia and Oceania

Japan plays a central role in cultivating new businesses, while working through Canon Marketing Japan Inc. to strengthen relations with customers. We are developing our production, development and sales activities in other Asian countries and regions through Canon (China) Co., Ltd. In Oceania, we are engaged in technology development in addition to marketing activities.
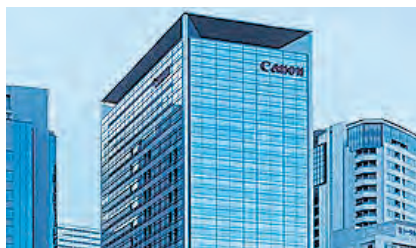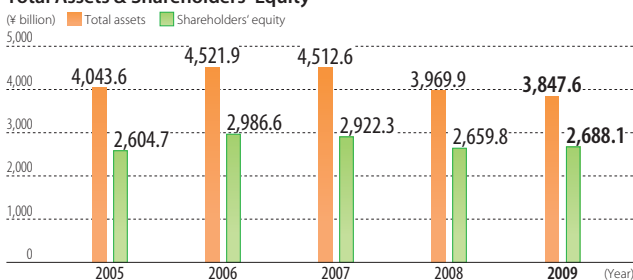
Canon Marketing Japan Inc.

## Americas

Under the overall control of Canon U.S.A., Inc., we subdivide service- and support-related infrastructure by sales area to ensure flexible responses to market changes and to boost customer satisfaction. The company has also established localized R&D bases and production sites, and is developing new businesses.

Canon U.S.A., Inc.

## Total Assets & Shareholders' Equity

(¥ billion) ■ Total assets ■ Shareholders' equity

| Year | Total assets | Shareholders' equity |
|------|--------------|----------------------|
| 2005 | 4,043.6 | 2,604.7 |
| 2006 | 4,521.9 | 2,986.6 |
| 2007 | 4,512.6 | 2,922.3 |
| 2008 | 3,969.9 | 2,659.8 |
| 2009 | 3,847.6 | 2,688.1 |

## Employees

| Year | Employees |
|------|-----------|
| 2005 | 115,583 |
| 2006 | 118,499 |
| 2007 | 131,352 |
| 2008 | 166,980 |
| 2009 | 168,879 |
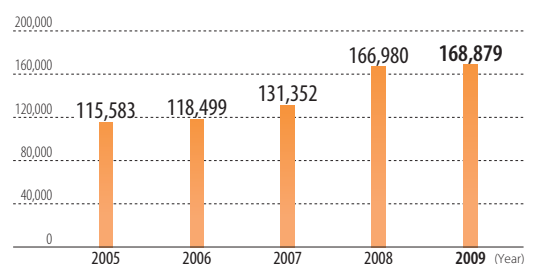
Note: Data is based on consolidated calculations.

# Striving to be a Truly Excellent Global Corporation

**2006–2010**

**Phase III of the Excellent Global Corporation Plan**

Promotes sound growth to fortify and expand business along with improved management quality to achieve real-time management

⬆

**2001–2005**

**Phase II of the Excellent Global Corporation Plan**

Focused on digitization of products with the aim of becoming No. 1 in all core businesses

⬆

**1996–2000**

**Phase I of the Excellent Global Corporation Plan**

Focused on building a strong financial structure through innovation in such areas as production and development

⬆

**Corporate Philosophy**

***Kyosei***

**Global Rankings in 2009–2010**

*Fortune*

FORTUNE Global 500

Total sales: **190th** in the world (2008: 189th)

Profit: **131st** in the world (2008: 126th)

July 20, 2009, edition
Performance in 2008 was evaluated according to five indicators, including total sales, profit and total assets.

# Phase III Progress

Canon launched the Excellent Global Corporation Plan, its medium- to long-term management plan, in 1996, aiming to continue using technology to contribute to society and to be a corporation that is accepted and worthy of respect throughout the world. The plan also aims to position the Company among the world's top 100 companies in terms of all major management indicators.

During 2009, in light of the worldwide recession, we initiated a strategic change in course, from a focus on sound growth, referring to continuous expansion while maintaining a sound financial structure, to improved management quality, which will enable us to maintain a healthy corporate structure capable of generating profit even in the face of shrinking markets. Furthermore, we promoted IT innovations to achieve overall optimization and raise management efficiency through the integration of information, focused on building a new production information system and a next-generation logistics system, and stepped up efforts toward the realization of real-time management. During 2010, we will continue with ongoing efforts to raise management quality, while focusing on strategies that launch us along a new growth path.

## Key Strategies for Phase III

### Identify New Business Domains and Accumulate Required Technologies

In addition to pursuing R&D in such new business domains as medical imaging, intelligent manufacturing robotics, and safety and security, Canon is focused on basic research from a long-term perspective.


Research and development of robot vision

### Achieve the Overwhelming No. 1 Position in Existing Businesses

With technology through innovation as Canon's motivating force, the Company plans to differentiate itself by developing common platform technologies, which can be incorporated into the key devices that support strong products and shared by all business units.


Digital SLR camera

### Establish New Production Systems to Sustain International Competitiveness

Canon is automating design, production technology and manufacturing as well as developing robots to establish an integrated automated line. We also promote in-house production and globally optimal local manufacturing.


Automated production of toner cartridges

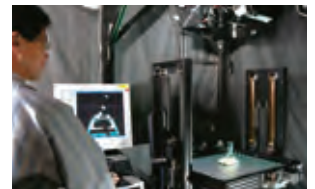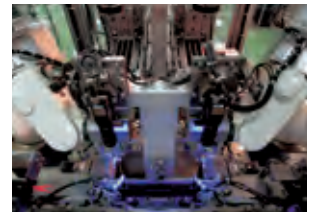### Expand Business Operations through Diversification

While pursuing diversification through such new businesses as large-format inkjet printers and Print on Demand (POD), we are striving to establish display technology and autonomous Group company operations.


Digital production system

### Nurture Truly Autonomous and Strong Individuals to Ensure Sustainable Corporate Innovation

Canon's corporate DNA involves respect for human dignity, an emphasis on technology and the encouragement of an enterprising spirit. We endeavor to pass this identity on as we cultivate new generations of global leaders.


Training global leaders

---

*BusinessWeek*
## Best Global Brands

**33rd** in the world (2008: 36th)

September 28, 2009, edition
Brand value ranking in fiscal 2009 based on future sales and profit
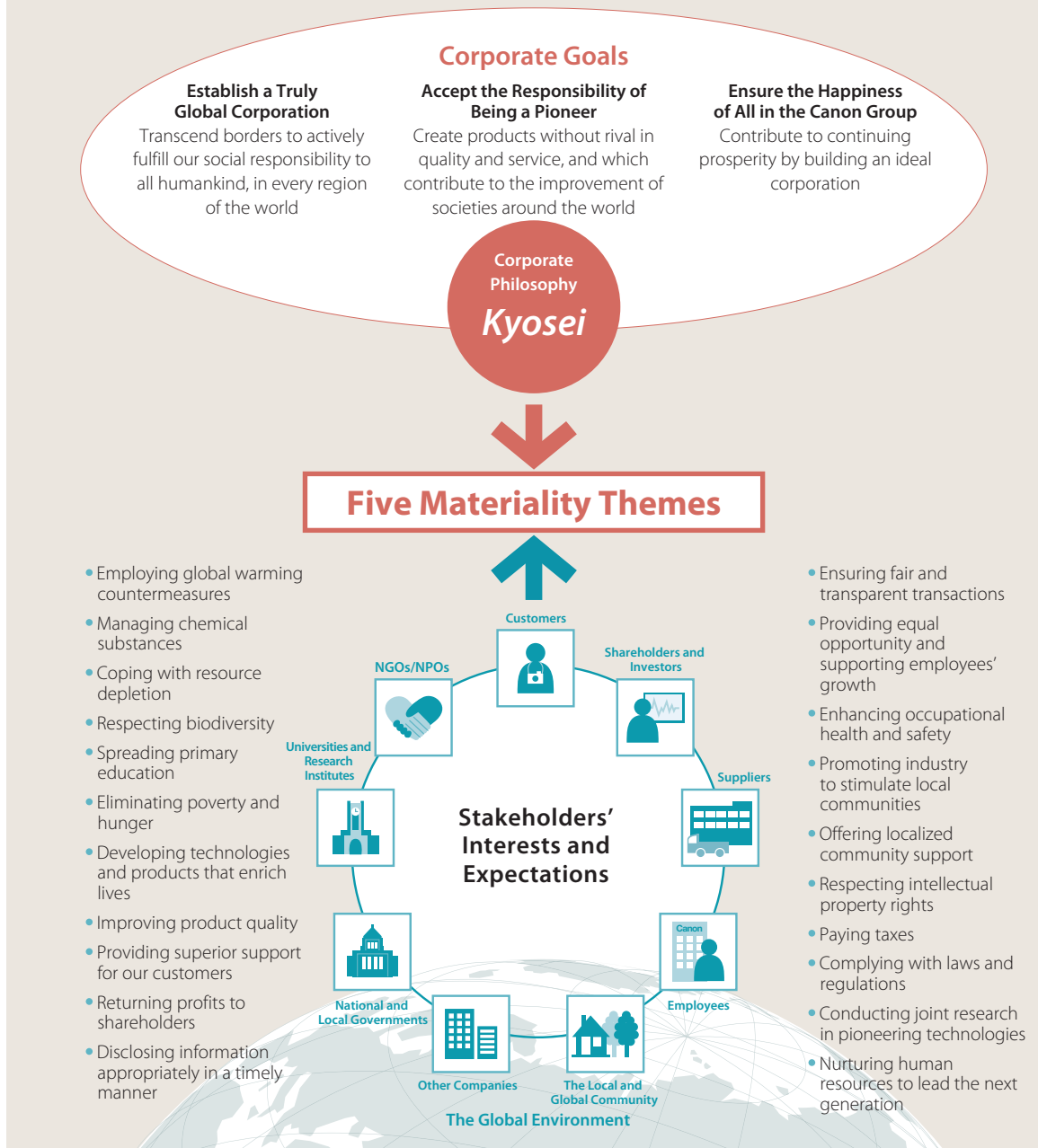


*Financial Times*
## FT Global 500

**104th** in the world (2008: 110th)
(9th, technology hardware & equipment sector)

Published May 30/31, 2009
Ranked by market value as of March 31, 2009 (based on price per share multiplied by number of shares issued)

## Activities in Pursuit of Sustainability

# Reflecting Stakeholder Input in the Five Materiality Themes

### Corporate Goals

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

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

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

Corporate Philosophy
*Kyosei*

## Five Materiality Themes

**Stakeholders' Interests and Expectations**

Customers

NGOs/NPOs

Shareholders and Investors

Universities and Research Institutes

Suppliers

National and Local Governments

Canon

Employees

Other Companies

The Local and Global Community

**The Global Environment**

- Employing global warming countermeasures
- Managing chemical substances
- Coping with resource depletion
- Respecting biodiversity
- Spreading primary education
- Eliminating poverty and hunger
- Developing technologies and products that enrich lives
- Improving product quality
- Providing superior support for our customers
- Returning profits to shareholders
- Disclosing information appropriately in a timely manner

- Ensuring fair and transparent transactions
- Providing equal opportunity and supporting employees' growth
- Enhancing occupational health and safety
- Promoting industry to stimulate local communities
- Offering localized community support
- Respecting intellectual property rights
- Paying taxes
- Complying with laws and regulations
- Conducting joint research in pioneering technologies
- Nurturing human resources to lead the next generation

### Conducting Stakeholder Surveys to Select and Verify Materiality Themes

Canon, in line with its commitment to realizing sustainability, each year selects materiality themes based on the concerns and expectations of stakeholders as well as its key business strategies and policies.

Stakeholder surveys are conducted to aid selection. The 2010 survey verified the appropriateness of the five themes chosen for 2009. Results revealed that more than 90% of those questioned agreed with Canon's selection.

Accordingly, reportage covers the same themes this year. The five materiality themes are presented in the order of interest to stakeholders.

From this year's survey we were able ascertain which activities, covered under such categories as customers, shareholders and investors, suppliers, employees, and the local and global community were of greatest interest from the perspective of each group of stakeholders.

## Materiality Themes

Based on stakeholder survey results, items of concern to almost all stakeholders are:

**3** Creating a
Corporate Culture
and Supporting a
Diverse Workforce
▶P19

**1** Technological
Innovation
▶P11

**4** Strengthening
Corporate
Governance and
Compliance
▶P21

**2** Promoting
Environmentally
Conscious
Management
▶P15

**5** Promoting Social
and Cultural
Contributions
▶P23

## Canon and Its Principal Stakeholders

We report on significant items of concern to stakeholders based on stakeholder survey results.

With Our
Customers
▶P27

With Our Shareholders
and Investors
▶P28

With Our
Suppliers
▶P29

With Our
Employees
▶P30

With the Local and
Global Community
▶P31

The results are presented in the section "Canon and Stakeholders," on pages 27 to 32. In addition, valuable opinions were received through questions regarding issues that Canon should address in the future and Canon's corporate image from a sustainability perspective.

In the future, we will continue to value dialog with our various stakeholders that arises in the course of everyday business, and reflect these findings, along with the results of surveys and other information sources, in our sustainability activities.

**Survey method:** Questionnaire
**Respondents:** 60 in total, including consumers, suppliers, investors, analysts, as well as NPOs and NGOs in Japan, the Americas, Europe and Asia.
**Survey period:** December 2009

# Technological Innovation

## Continuing to Create Innovative Technologies to Contribute to Business Solutions for Customers and for Society

Since its establishment, Canon has been committed to the creation of innovative technologies. Our history is punctuated with technological accomplishments. We have continued to generate unprecedented, groundbreaking products and to provide new value that helps raise the level of convenience in society.

The results of Canon's innovative digital imaging technologies impact a wide range of fields, from medicine to education.

By contributing to solutions for an array of problems facing customers, the global environment and society, we aim to remain our customers' partner of choice.

### Stakeholders' Opinions

- For a corporation such as Canon, new technological innovations for society are indispensable for business continuity. (Investor, Europe)
- I'm anxious to see what kind of exciting new products will come along following cameras and printers. (Supplier, Japan)

The PIXMA MP640 inkjet printer is environmentally friendly in addition to offering improved functionality.

EOS 7D delivers the joy of handling and taking pictures as never before

# Launch of the EOS 7D Digital SLR Camera, Leveraging Worldwide User Opinions

## Relentless Pursuit of Fundamental Performance and Advanced Functions

In 2009, Canon, a perpetual leader in the advancement of digital cameras, launched the EOS 7D digital SLR camera, a testament to its accumulated technologies and expertise. This new product, which aims to satisfy the needs of advanced amateur users who prioritize photographic expression, was designed with a particular emphasis on the product's feel and performance.

The EOS 7D is equipped with a newly developed 18-megapixel APS-C image sensor and Dual 'DIGIC 4' high-performance imaging. It realizes a maximum shooting speed of approximately eight frames per second, while retaining high resolution and excellent tonality. In addition, a large, clear viewfinder offers approximately 100% frame coverage, facilitating accurate composition and focusing.



## Focus on the Joys of Handling and of Taking Pictures

Prior to the development of the EOS 7D, Canon conducted thorough research centered on the needs of advanced amateur users worldwide. Results revealed that many users placed high priority on sensory perception, such as the ease of handling and comfort of the camera grip. In our drive to manufacture uncompromising products, we proactively incorporated a host of such user opinions. Accordingly, development took into careful consideration such factors as the sound generated by the shutter release and during operation, grip shape, and the responsiveness of control buttons.

Since its launch, the EOS 7D has received high acclaim from users as a camera that enables them to appreciate the joys of handling and of taking pictures, in addition to its outstanding performance and functionality.

In the future, Canon will continue to pursue the performance and functions truly sought by users worldwide in a bid to provide innovative products that enrich photographic expression.


The Quick Settings screen, which enables the user to configure and customize photographic parameters intuitively


An ergonomic grip, curved to fit snugly into the user's hand

# Pursuing R&D to Boost the Screening Rate for Breast Cancer through Optical Ultrasound Mammography

## Visualization of the Inside of the Body Using the Photoacoustic Effect for Early Detection of Pathological Changes

The CK (Canon-Kyoto University Cooperative Research) Project was launched in 2006 to contribute to preventative care through the early detection and treatment of diseases.

One primary research theme of the project has been visualization of the inside of the body using the photoacoustic effect for the development of optical ultrasound mammography that will aid the early detection of breast cancer. The photoacoustic effect refers to body tissue absorbing optical energy and emitting ultrasonic waves when distended. Using this phenomenon, ultrasonic waves generated by body tissue irradiated by a near-infrared laser beam can be detected by a sensor, facilitating observation of blood vessels with high absorption of near-infrared light. This simplifies investigation of angiogenesis* and bloodflow irregularities that can be observed during the formation of carcinoma cells and cancer-specific hypoxia and other indicators, thus enabling early cancer detection.

* Angiogenesis is a physiological process involving the growth of new blood vessels from pre-existing vessels to form a vascular network. This effect has an impact on the proliferation of cancer cells.

## Significant Alleviation of the Burden Incurred during Breast Cancer Examinations

There has been a significant worldwide increase in the number of cancer patients in recent years. However, the mortality rate is on a downtrend. This contrary pattern is attributable to the effectiveness of x-ray mammography. The ultrasound mammography under development by Canon differs from broadly utilized x-ray mammography techniques in that it is free from the dangers of x-ray exposure. As a result of this reduced physical burden during examination, the widespread adoption of ultrasound mammography is anticipated to contribute greatly to raising detection rates.

At present, the CK Project targets practical application of ultrasound mammography as an aid for early detection of breast cancer and diagnosis as to whether cancers are benign or malignant. Currently, we are advancing with equipment performance improvements and preparing for clinical trials.

Canon will continue to focus on developing technologies that contribute to improvements in quality of life so that people can enjoy better health as they go about their everyday lives.

Research conducted as part of the CK Project at Kyoto University
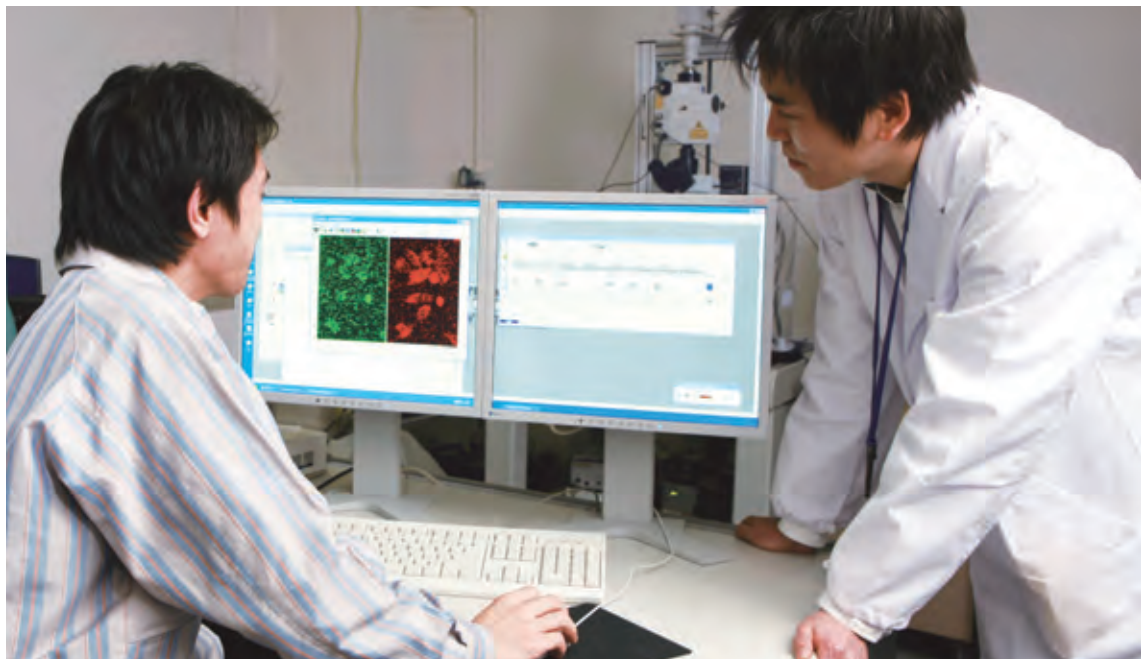
Simulation of office network MFD operation using MR technology (The display screen image is also depicted on the HMD.)

# Developing Mixed Reality (MR) Technologies that Merge the Real and Virtual Worlds

## Turning the Virtual World into Reality Before Your Eyes Using New Imaging Technology

Canon is leveraging its wealth of 3D expertise to develop mixed reality (MR) technologies. MR, a progression of virtual reality (VR), refers to imaging technologies that merge the real and virtual worlds. It is slated as a high-potential new visualization technology for 3D data and contents, which are increasingly prevalent in various fields, including computer graphics (CG), games and movies.

Canon's MR technologies feature the capacity for seamless imaging in real time. We have developed a proprietary head mounted display (HMD) with a built-in compact 3D video camera as a key device to realize MR. Looking through the HMD reveals virtual 3D images depicted in real space using realistic CG that make them appear to actually exist.

The core technology of MR attempts to resolve discrepancies in alignment, timing and image quality when merging real and virtual worlds. Canon has developed camera registration technology that accurately places CG images in real space by combining a marker captured using an HMD internal video camera and a sensor installed on the HMD. This new technology allows users to experience a new space, which overlays virtual space onto real space, from a variety of directions and in an array of positions.


Real space


Virtual space as viewed by an HMD wearer

## The Broad-Ranging Possibilities of MR Technology—from Industry to Entertainment

The potential applications of MR technologies span an array of fields.

At design sites, for example, MR technology can be used to create a product model in real space from 3D-CAD design data, which can then be viewed from all angles to identify design problems and other issues. This process contributes to cost and environmental-burden reductions by lowering the number of full-size product models that need to be built, and helps to shorten development times.

Furthermore, an image of a completed building can be created from 3D data and viewed from various angles. This contributes to safe plant maintenance as it enables examination of internal perspectives in virtual space.

The use of MR technologies extends beyond the industrial sector to include medical, educational and entertainment applications, and is expected to encompass an even greater scope in the future. Canon will continue to pursue new applications for MR and press forward with its development toward practical realization.

# Promoting Environmentally Conscious Management

**Through technological innovation and improved management efficiency, Canon aims to realize a society that promotes both enriched lifestyles and the global environment.**

Based on the Canon Group Environmental Charter, the Company seeks to maximize resource efficiency—to create greater value from fewer resources—so that life on Earth can continue to thrive in the future.

The Canon Environmental Vision guides the Company in its drive to realize a society in which affluent lifestyles can coexist with the global environment by simultaneously achieving highly functional products and minimal environmental burden.

We have formulated an action plan and are rigorously monitoring the progress of activities to propel us toward realizing this goal.

### Stakeholders' Opinions

- In the future, I hope to see Canon develop technologies that consider currently deepening environmental problems, in addition to the technologies needed for the manufacture of highly functional products. (Consumer, Asia)

- Although consideration for environmental burden already figures into technological improvements, I would like to see Canon take a leadership role in formulating corporate strategies from a long-term perspective with the earth's resources and the global environment in mind. (NGO, Japan)

---

**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.
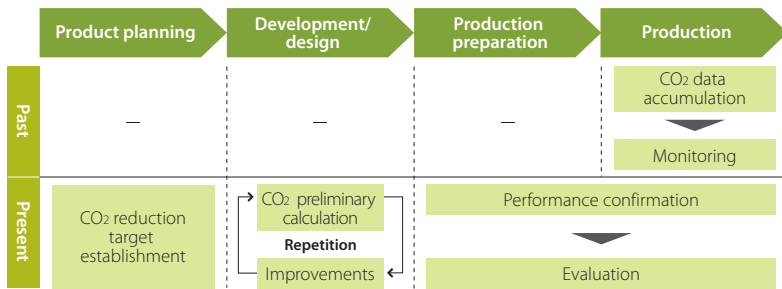
ACTION for GREEN

---

An imageRUNNER ADVANCE, featuring a concentration of Canon environmental technologies

# Developing the imageRUNNER ADVANCE Series of Office Network MFDs as Environmental Frontrunner Products

## Reduced CO2 Emissions Over the Entire Product Lifecycle, Utilizing a Proprietary LCA Design System

The imageRUNNER ADVANCE (iR ADVANCE) series of office network MFDs, launched in September 2009, emerged from the Environmental Frontrunner Project, which promotes the development of Environmentally Conscious Products (ECPs) throughout the Group. Participation by relevant products operations and Group companies, as well as partner companies, allowed more environmental factors to be incorporated into this project.

In addition, we introduced a new environmentally conscious design method (LCA design system) to set and control $CO_2$ emission reduction targets for each stage of the product lifecycle, from design onward. As a result, $CO_2$ emissions for the C5000 series were cut by up to 50% compared with conventional models, and a roughly 30% reduction for the C9000PRO and C7000 series.

### LCA Design System

| | Product planning | Development/ design | Production preparation | Production |
|---|---|---|---|---|
| **Past** | — | — | — | CO2 data accumulation → Monitoring |
| **Present** | CO2 reduction target establishment | CO2 preliminary calculation / **Repetition** / Improvements | Performance confirmation → Evaluation | |

**Comparison of Product Lifecycle CO2 Emissions for the iR ADVANCE Series and Conventional Models**

Approximately **50**% reduction

Conventional models | **C5000 series**
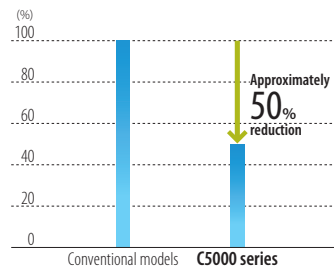
### Employing uniquely developed biomass plastics

Biomass plastics, which are plant-derived, are used for touch-pens, operational buttons and other parts that make direct contact with the user. Some exterior plastic parts are made from a biomass plastic jointly developed by Canon and Toray Industries, Inc. This new material boasts the world's highest level of flame retardance.

Biomass plastic used as a material for operational buttons and exterior components

**Produce**

**Recycle**

iR ADVANCE C5051

**Use**

### Promotion of resource efficiency in logistics processes through the introduction of returnable packaging materials

Canon uses high-durability cardboard, which can be reused approximately 10 times, as a packaging material for products transported within Japan. We have established "cyclical packaging," whereby packaging materials are collected and reused after unpacking. Through this initiative, Canon aims to boost efficiency of resource usage.

Returnable packaging

### Utilizing recycled plastics for internal parts

For the first time, Canon has begun employing 100% recycled materials as raw materials for such internal parts as cord guides in its MFDs.

Cord guides made from recycled plastic

### Power savings of 70% or more compared with conventional models

The iR ADVANCE C5000 series attains power consumption of less than 1 watt in sleep mode by using proprietary Canon on-demand fixing technology. We have extended application of this technology to high-speed color MFDs. In the case of the iR ADVANCE C5051 (continuous print speed of 51 color or black-and-white copies per minute), the typical electricity consumption (TEC) value* was reduced by more than 70% compared with conventional models.

* The TEC value is defined in the International ENERGY STAR® Program as a measurement method based on the electrical power used for one week's standard operation.

# Monitoring the Progress of Activities for Each Year Based on an Action Plan

Canon has formulated an action plan and monitors the progress of its activities to systematically promote efforts to realize its Environmental Vision. The results of activities are evaluated and verified each year with a view to incorporating this feedback into future activities.

## Action Plan and Results of Activities for 2009

| | | | Action Plan | Results of Activities for 2009 |
|---|---|---|---|---|
| Produce | Raw Materials | Reducing $CO_2$ from raw materials/ procured goods | Reduce waste in resource investment and energy in cooperation with suppliers | Held briefings on $CO_2$ reduction activities for the approximately 2,000 companies that act as Canon suppliers and commenced activities aimed at reducing waste, including energy, materials and distribution, for purchased parts |
| | | | Reduce environmental burden through the use of simulations during development | Reduced prototypes, materials and energy waste during evaluations through product design utilizing 3D-CAD and enhanced accuracy of simulation technologies |
| | | Promoting environmentally conscious design | Promote ultra-compact, lightweight, easy-to-use designs | Launched the PIXMA MP640 inkjet printer, offering automatic duplex printing as standard and other features to enhance ease of use, and realizing reductions of approximately 11% in size and 12% in weight compared to the PIXMA MP610 (launched in 2007) |
| | | | Promote use of materials with low environmental impact and designs with recycling in mind | Utilized biomass plastic with top flame-retardance levels of 5V and recycled plastic 100% derived from collected products in Japan in the manufacture of the iR ADVANCE series; Began using lead-free alloys (free-cutting steel) in the iR ADVANCE series, laser printers and other products in anticipation that RoHS directive exemptions would be revised. |
| | | | Reduce waste in accessories, packaging materials, etc. | Reduced overall package size of the PowerShot A1100 IS compact digital camera by approximately 50% compared with the PowerShot A580 (launched in 2008) through product miniaturization and electronic versions of user guides |
| | | Handling of hazardous substances in procured goods and legal compliance | Expand green procurement; enhance environmental data management systems | Constructed and commenced operation of an IT system for uniform management of legal requirements and response status for each product type |
| | | | Instill confidence by strengthening compliance systems | Completed response to EU REACH legislation (registration, evaluation, authorization and restriction of chemical substances) for articles and bolstered supply chain management |
| | Production | Reducing $CO_2$ at operational sites | Reinforce energy-saving production technologies; promote installation of energy-saving production facilities | Achieved approximately 1% reduction of $CO_2$ emissions at sites by upgrading to high-efficiency machinery, led by air-conditioners, compressors and other high-energy-consumption equipment |
| | | | Improve production efficiency through thorough management of energy use | Established a predictive simulation method for energy consumption and $CO_2$ emissions during production, and reinforced energy management across production divisions. Promoted efficient energy usage to generate a $CO_2$ reduction effect of approximately 30,000 tons |
| | | | Use energy sources with less environmental burden | Switched to lower-$CO_2$-emission-coefficient fuels and energy sources, such as by converting from kerosene to electricity and LNG; Began using renewable energy at Canon Austria's new office |
| | | Resource efficiency at operational sites | Further reduce resource and energy waste through the introduction of Material Flow Cost Accounting (MFCA) | Conducted resource and energy waste elimination activities for individual workplaces and processes, such as applying an MFCA method to emissions at Nagahama Canon, contributing to a Group-wide reduction in emissions of approximately 700 tons |
| | | | Enhance technologies for the reuse of resources | Cut use of resources through production process improvements and reduced waste by recycling approximately 33% of total waste generated Group-wide |
| | | Management of hazardous substances and legal compliance | Strengthen management systems for regulated chemical substances | Revised in-house standards and management systems in step with amendments to the PRTR (Pollutant Release and Transfer Register) system |
| | | | Employ preemptive development and use substitute substances | Promoted production process improvements and reduced emissions of controlled chemical substances by introducing VOC processing equipment, adopting solvent substitutes with low environmental impact and other measures |
| | Logistics | Reducing $CO_2$ during distribution | Shift to modes of transportation with less environmental impact (modal shift) | Implemented modal shifts, such as switching from road transport to rail freight, thus achieving $CO_2$ reduction of approximately 3,690 tons (Japan) |
| | | | Reduce waste in transport distances, loading methods, and distribution processes | Reduced transport distances through expanded direct shipping (for example, a cut of approximately 6,000 km per shipment from Asia to Latin America) and eliminated waste in transportation processes by promoting recycling at product consumption destinations |
| | | Improving packaging processes | Simplify packaging through improved technologies and product strength | Cut approximately 29% from PIXMA MP640 inkjet printer packages compared with the PIXMA MP610 by employing paper core technologies to enhance package pressure capacity, using thinner packaging and improving the product strength |
| | | | Increase packaging efficiency through the use of returnable packaging | Introduced returnable MFD packaging materials for the iR ADVANCE series utilizing durable cardboard that can be reused approximately 10 times |
| | | | Optimize localized kitting | Began localized kitting in the United States that integrates large-format inkjet printer units and stands at the destination for consumption |
| Use | Usage | Reducing $CO_2$ during use | Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc. | Achieved energy savings and enhanced convenience for the iR ADVANCE series by cutting energy consumption in standby mode through the realization of a 1 watt sleep mode and reducing fast copy times by 30% or more compared with the iR ADVANCE C5045 and iR C4580 |
| | | | Minimize energy loss during use through energy-saving technologies | Reduced overall power consumption by approximately 43% for the PIXMA MP640 inkjet printer compared with the PIXMA MP610 by optimizing electricity supply required for operation; Cut $CO_2$ emissions arising from electricity use by approximately 16% per unit over all inkjet printers (comparing printers on sale in 2009 with 2008 models) |
| | | | Introduce ECO-use support technology (ECO mode, ECO switch) | Began investigating scenarios to realize the practical application of ECO-use support technology |
| | | Usage proposals to customers (ECO Navigation) | Propose equipment settings and usage that balance convenience and environmental performance | Launched the GREEN NAVI website (office version, Japanese only), which presents data on using environmentally conscious products |
| | | | Create a "green market" by improving interface technologies that display environmental impact during product use | Began investigating scenarios with a view to realizing the practical application of interface technologies |
| | | Improving product value during use | Promote disclosure of product environmental information | Launched an online GREEN PROFILE (product environmental data sheet, Japanese only) that lists product-specific information on eco-labels, elimination of hazardous substances, and energy and resource conservation |
| | | | Promote both energy efficiency and improved imaging value | Boosted inkjet printer energy conservation by optimizing electricity supply and raised photographic print quality through 9,600 dpi resolution and 1 pl ink drops |
| Recycle | Recycling | Strengthening recycling systems | Expand "Collection and Recycle" systems for used products throughout the Canon Group | Extended the collection network for spent cartridges through the Ink Cartridge Homecoming Project by calling for participation by local governments in addition to post offices; Collected 159 tons of used cartridges during 2009 and expanded use of recycled materials within the Group |
| | | | Improve effectiveness through optimal mix of remanufacturing (REM), parts reuse and recycling | Implemented three operations for recovered MFDs in Japan: remanufacturing of products (REM), parts reuse (for maintenance), and plastics recycling; Realized 100% recovery for collected toner cartridges through optimal mix of reuse and recycling |
| | | | Promote extraction and circulation of high-value-added parts and materials | Bolstered reuse of some parts employed in fixing units and other mechanisms as part of the recycling of MFDs collected in Japan |
| | | Improve recycling processes | Enhance recycling process technologies | Developed recycled plastics with flame retardance and shock resistance comparable to virgin materials through the establishment of physical recovery technologies; employed in some internal parts of iR ADVANCE series |

## Major Achievements during Fiscal 2009

### Reduced Materials Consumption through Electronic User Guides for Compact Digital Cameras

The PowerShot A1100 IS compact digital camera, launched in 2009, is now shipped with a User Guide that has been partially replaced with an electronic version. This move will reduce the volume and weight of packaging by 49% and 36%, respectively*.

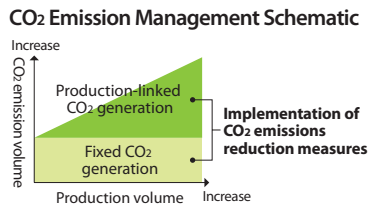\* Compared with the packaging for the predecessor PowerShot A580

Comparison with packaging for conventional models

### CO2 Emission Management Scheme

Canon has established a system to monitor estimated as well as actual $CO_2$ emission volumes, which are classified as "fixed $CO_2$ generation" or "production-linked $CO_2$ generation." We have upgraded to high-efficiency machinery, promoted efficient operation of facilities, and implemented other $CO_2$ emission reduction measures tailored to the respective characteristics of these two classifications. As a result, during 2009 Canon was able to reduce $CO_2$ emissions by approximately 40,000 tons compared with the previous year.

**CO2 Emission Management Schematic**

Increase ← $CO_2$ emission volume

Production-linked $CO_2$ generation

Fixed $CO_2$ generation

Production volume → Increase

**Implementation of CO2 emissions reduction measures**

### Reduced Package Size for Inkjet Printers

The PIXMA MP640 inkjet printer was launched in 2009. Enhanced rigidity of the PIXMA MP640 chassis facilitates a more compact design, which in turn leads to reduced package size. Moreover, employing a paper core enables less cushioning and thinner packaging materials to be used. These breakthroughs contribute to cuts of approximately 11% in size and approximately 29% in requisite packaging compared with the PIXMA MP610, launched in 2007.

PIXMA MP640

### Inauguration of GREEN NAVI, Providing Advice on Environmentally Conscious Methods of Use

In November 2009, Canon established the online GREEN NAVI service on its Japan-based website, to encourage customers to make the most of the environmental performance features of its products. The website is furnished with an "Energy and Resource Conservation Simulator" that enables users to confirm the $CO_2$ reduction benefits of switching to alternative models and provides other information on how best to use the Company's environmentally conscious products. We are currently investigating the future expansion of GREEN NAVI services to cover overseas markets.

GREEN NAVI

### Promotion of the Toner Cartridge Collection and Recycling Program

Since 1990, Canon has promoted an industry-leading toner cartridge collection and recycling program. This program, which has been in continuous operation for some two decades, now spans 23 countries worldwide. The collected toner cartridges achieve 100% recovery, completely avoiding disposal in landfill sites. This has resulted in accumulated reductions in use of new resources of 150,000 tons and cuts in $CO_2$ emissions of 370,000 tons.

**20th ANNIVERSARY**
CANON TONER CARTRIDGE RECYCLING PROGRAM 1990–2010

## 2010 Action Plan

| Action Plan | | | |
|---|---|---|---|
| Raw Materials | Reducing CO2 from raw materials/ procured goods | Reduce waste in resource investment and energy in cooperation with suppliers | |
| | | Reduce environmental burden through the use of simulations during development | |
| | Promoting environmentally conscious design | Promote ultra-compact, lightweight, easy-to-use designs | |
| | | Use low-environmental-impact materials and promote designs with product lifecycles in mind* | |
| | | Reduce waste in accessories, packaging materials, etc. | |
| | Handling of hazardous substances in procured goods and legal compliance | Expand green procurement; enhance environmental data management systems | |
| | | Instill confidence by strengthening compliance systems | |
| Production | Reducing CO2 at operational sites | Reinforce energy-saving production technologies; promote installation of energy-saving production facilities | |
| | | Raise efficiency by thoroughly managing energy use* | |
| | | Use energy sources with less environmental burden | |
| | Resource efficiency at operational sites | Further reduce resource and energy waste through the introduction of Material Flow Cost Accounting (MFCA) | |
| | | Enhance technologies for the reuse of resources | |
| | Management of hazardous substances and legal compliance | Strengthen management systems for regulated chemical substances | |
| | | Employ preemptive development and use substitute substances | |
| Logistics | Reducing CO2 during distribution | Shift to modes of transportation with less environmental impact (modal shift) | |
| | | Reduce waste in transport distances, loading methods, and distribution processes | |
| | Improving packaging processes | Simplify packaging through improved technologies and product strength | |
| | | Increase packaging efficiency through the use of returnable packaging | |
| | | Optimize localized kitting | |
| Usage | Reducing CO2 during use | Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc. | |
| | | Minimize energy loss during use through energy-saving technologies | |
| | | Introduce ECO-use support technology (ECO mode, ECO switch) | |
| | Usage proposals to customers (GREEN NAVI) | Propose equipment settings and usages that balance convenience and environmental performance | |
| | | Reinforce customer-product interfaces, and consequently reduce environmental impact | |
| | Improving product value during use | Promote disclosure of product environmental information | |
| | | Promote both energy efficiency and improved imaging value | |
| Recycling | Strengthening recycling systems | Expand "Collection and Recycle" systems for used products throughout the Canon Group | |
| | | Improve effectiveness through optimal mix of remanufacturing (REM), parts reuse, and recycling | |
| | | Promote extraction and circulation of high-value-added parts and materials | |
| | Improve recycling processes | Enhance recycling process technologies | |

(Row groups: Raw Materials / Production / Logistics = Produce; Usage = Use; Recycling = Recycle)

**\* Changes to the 2010 Action Plan**

● Changed to "Use low-environmental-impact materials and promote designs with product lifecycles in mind" to enhance environmentally conscious design throughout the entire product lifecycle, from the development stage onward.

● Changed to "Raise efficiency by thoroughly managing energy use" to emphasize that $CO_2$ reduction activities span administrative (office) divisions, and not only production divisions.

# Creating a Corporate Culture and Supporting a Diverse Workforce

## Striving to Realize a Work Environment that Enables Our Diverse Workforce to Work Enthusiastically and Reach Their Maximum Potential

For a company to survive and grow in a harsh economic climate, it must cultivate strong people and build a solid organization in which each employee is highly motivated and achieves his or her full potential.

Canon adheres to its unchanging corporate legacy of an enterprising spirit and respect for human dignity, which includes ambition, responsibility and mission. We also remain true to the guiding principle expressed in the "Three Selfs," comprising self-motivation, self-management and self-awareness. At the same time, the Company focuses efforts on creating a work environment in which a wide variety of people are able to work enthusiastically.

### Stakeholders' Opinions

- Canon's contributions to its employees are important. Specifically, in these days of globalization, I would like to see support for activities underpinned by an understanding of the cultural backgrounds of staff. This would impart a sense of security to the workforce and facilitate an environment in which they can flourish. (Consumer, Asia)

- Employees are a corporation's most important stakeholders. As a global company, Canon needs to think more seriously about diversification. (Investor, America)

Employees at Canon Virginia
(U.S.A.)

# Training System Established at Production Sites to Cultivate a Global Manufacturing Workforce

Canon pursues the sustainable development of its global production systems as a manufacturer working in accord with the international community. To achieve this goal, we are establishing a manufacturing training system that focuses on cultivating trainers who foster human resources armed with superior skills and techniques at each of our production sites.

During 2009, we conducted research and project planning in preparation for the establishment of systems at our production sites in Southeast Asia.

From 2010, Japanese trainers will coach local employees at each site to become trainers themselves. Our plan is that these locally cultivated trainers will, in turn, commence training and other educational activities for employees.

In the future, we will implement similar training for employees at other production sites, led by China, to nurture the workforces at offshore production sites and help them to hone their skills and technological expertise.

**Manufacturing Training System**
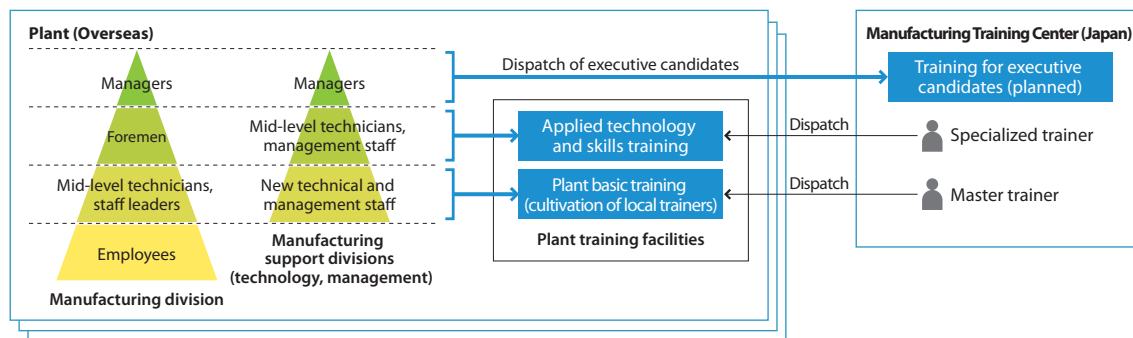


# Promoting Employment of People with Mental Disabilities by a Special Subsidiary of Oita Canon Inc.

In May 2009, Canon Wind was certified as a special subsidiary* of Oita Canon. Canon Wind was established in 2008 as a joint venture with Gyoun Welfare Association, a social welfare organization, to create employment opportunities for people with mental disabilities. The company handles contract manufacturing of components and accessories primarily for digital cameras produced by Oita Canon. The establishment of a company with the primary objective of employing people with mental disabilities in Japan represents a venture into unexplored territory. Canon Wind's employees will be engaged in packing camera accessories, counting warranties and other such tasks.

As of December 31, 2009, Canon Wind maintained a staff of 10 people. With the cooperation of corporate welfare organizations and local governments, we aim to expand this workforce in the future.

* A special subsidiary is established with particular consideration for the fact that its primary business concerns the employment of people with disabilities. It is a subsidiary that fulfills the requirements stipulated under Japan's Handicapped Persons' Employment Promotion Act.



Canon Wind staff at work

# Strengthening Corporate Governance and Compliance

## Working to Cultivate Ethical Standards Among Employees to Promote Healthy Management Globally

Strengthening corporate governance and compliance is an essential part of our business activities.

Canon believes in responding not only to those situations in which our reputation may be tarnished, such as corporate scandals, violations of laws and ordinances, and problems with product quality, but also to calls for action to address such issues as reducing the environmental burden, positively rising to meet the expectations of society and our customers in all situations.

In addition to meeting such corporate obligations as the payment of taxes, Canon introduced a Group internal control system early on and conducts a variety of other compliance activities for the preemptive avoidance of improprieties.

We will remain committed to fulfilling our duties as a global corporation by continually strengthening these systems into the future.

### Stakeholders' Opinions

- To develop as a productive corporation, Canon needs to be truly committed to facilitating corporate governance and compliance by employees at the individual level. (Consumer, Europe)
- It is difficult for a corporation to recover once it loses credibility. I think that Canon needs to reinforce its internal controls and bolster the awareness of all its employees. (Consumer, Asia)

New employee training at
Canon Suzhou (China)

# Senior Management from Group Companies Worldwide Convene for an Expanded Corporate Ethics and Compliance Committee Meeting

In an attempt to improve compliance across the entire Group, each year Canon holds an Expanded Ethics Committee Meeting that includes senior management from Canon Inc., from regional headquarters around the world, and from Group companies in Japan. These delegates come together to make decisions regarding policies and measures and to exchange information.

Some 71 members participated in the 2009 Expanded Ethics Committee Meeting. A corporate ethics specialist delivered a lecture on balancing the two elements supporting compliance activities; namely, "the organization" and "the individual." This and other agenda items helped to deepen understanding of Canon's organizational approach and of the roles and responsibilities of corporate managers.


Expanded Ethics Committee Meeting

# Group Company Compliance Training in Response to Local Laws and Ordinances

Canon is aggressively engaged in compliance training at Group companies. In 2009, the Canon Asia Marketing Group held Zero Dishonesty (ZD) Training in China and Southeast Asia over a period of four months for all its 5,300 employees.

Training was cross-referenced to the Canon Group Code of Conduct and included presentations of compliance violation case studies, a lecture on strategies for problem prevention, and a screening of a promotional video. Every effort was made to ensure that the curriculum was inclusive for the entire workforce, with sessions geared to employees currently on leave to prepare them for their return to work and training for newly hired employees. In addition, all participants signed a document to acknowledge that they understood the contents of the training and to pledge their commitment to compliance with laws and with the Canon Group Code of Conduct.

In order to raise employee compliance awareness, Canon will continue to conduct compliance training that takes into account the local laws, ordinances and special regulations that exist in the various regions around the globe where Canon operates.


Zero Dishonesty Training

# Promoting Social and Cultural Contributions

**Aiming to be admired and respected worldwide, we promote activities based on our philosophy of *kyosei*.**

Canon, seeking to be admired and respected worldwide, generates income through sound business management while fulfilling its social responsibilities through the payment of taxes and other activities. At the same time, we are developing social and cultural support activities, rooted in the communities in which we operate throughout the world, based on our philosophy of *kyosei*.

While assessing the needs and issues of communities, Canon strives to conduct broad-ranging activities, including those that leverage its technologies and products, from a medium- to long-term perspective.

**Stakeholders' Opinions**

- It is important for Canon, beyond its role as a manufacturer of products, to gain trust and build relationships with local citizens through various social activities, including volunteer work, for the communities in which it operates. (Consumer, Asia)

- Canon should strive to become a more sustainable corporation, exercising its own ideas and leadership to support regional communities with a long-term perspective. (Investor, America)

Students at Mondweg Elementary School in Austria using educational materials developed jointly by Canon Europe and the WWF

Gold painting a folding screen depicting *Waves at Matsushima* as part of the TSUZURI Project

# Progressing with the TSUZURI Project to Pass on Historical Cultural Assets

## Fusion of Advanced Digital Imaging with Traditional Artisan Skills to Preserve and Exhibit Important Cultural Assets

Minimizing deterioration due to aging of such historical cultural assets as decorative folding screens, sliding doors and picture scrolls requires a proper storage environment that takes into account protection from heat, humidity and light. However, rigid adherence to such strict storage conditions limits access by the general public and wider appreciation of the value of these masterpieces.

To realize a balance between preserving and exhibiting cultural assets, Canon and KYOTO CULTURE ASSOCIATION (NPO) are jointly promoting the TSUZURI Project (formally, the Cultural Heritage Inheritance Project). This initiative deploys such cutting-edge Canon digital imaging technologies as digital SLR cameras, large-format inkjet printers and color-matching systems, in conjunction with the traditional artisan skills of Kyoto, including gold leaf coating, gilt painting and other mounting techniques, to create high-resolution reproductions of important cultural assets.

## Five New Reproductions Completed during the Third Phase of the TSUZURI Project, Including Two Pieces from Overseas Collections

In March 2010, we completed five pieces as part of the third phase of the TSUZURI Project. These included two from overseas galleries and museums; namely, the *Waves at Matsushima* folding screen by Tawaraya Sotatsu (ca. 1570–1643) and *Dragon and Tiger* folding screens by Sesson Shukei (ca. 1504–1583).

We plan to donate works completed under the TSUZURI Project to the original owners and to temples and shrines closely associated with the pieces. This enables these masterpieces to be exhibited to the public in their proper settings, while displaying them in various locations to ensure widespread appreciation of their artistic brilliance.

**TSUZURI Project Phase Three Works**
- *Waves at Matsushima* folding screen (Tawaraya Sotatsu), owned by the Freer Gallery (United States)
- *Dragon and Tiger* folding screens (Sesson Shukei), owned by the Cleveland Museum of Art (United States)
- *Landscapes* sliding door (Hasegawa Tohaku), Entokuin Temple, Important Cultural Property
- *Birds and Animals in the Flower Garden* folding screen (Ito Jakuchu), owned by the Shizuoka Prefectural Museum of Art
- *Three Portraits of the Jingo-ji Temple* (attributed to Fujiwara Takanobu), Jingo-ji Temple, National Treasure



Checking the original *Waves at Matsushima* folding screen (Tawaraya Sotatsu), at the Freer Gallery

A lesson utilizing Canon's environmental materials at Mondweg Elementary School in Vienna, Austria

# Supporting the Tracking of Polar Bears, as a WWF Conservation Partner, to Asses the Impact of Climate Change on Their Habitat and Promoting Environmental Education Programs

## Supporting Environmental Studies on the Impact of Global Warming by Tracking Polar Bears

Nowhere in the world is the impact of global warming more evident than at the North Pole. Ecological studies of the polar bears that live atop the ice flows of the Arctic Circle are an effective way to determine the state of global warming. Canon Europe, which became a Worldwide Fund for Nature (WWF) conservation partner in 1998, has provided support for the organization's Polar Bear Tracker Project since 2007.

For this project, polar bears are fitted with transmitter collars, enabling their movements to be tracked by satellite and viewed on a publicly accessible website. By tracking the movements of polar bears, we will learn more about how they use their natural habitat and how they are adapting to the changes in sea ice due to the effects of climate change.



© Michel Terrettaz / WWF-Canon

## Promotion of Environmental Education by Tracking Polar Bears

As part of the WWF-Canon Polar Bear Tracker Program, Canon Europe and WWF have established an environmental education website targeting seven- to 11-year-olds in 13 languages. The site allows students to learn both the environmental threats the bears face and the importance of global environmental conservation through quizzes, games and other media exploring the environment of the Arctic Circle, including the ecology of polar bears.

In addition, Canon is creating environmental education tools for fourth and fifth graders. These are provided free of charge to educational institutions throughout Europe. During 2009, these materials were distributed to elementary schools throughout Austria, with the backing of the Austrian Ministry of Education, Arts and Culture, to enhance understanding of global environmental preservation.



Environmental education website

# Contributing to the Cultivation of Human Resources for the Next Generation by Supporting Educational Infrastructure Development in Vietnam

## Support for the Construction, Enlargement and Improvement of School Buildings

There are many mountainous regions in Vietnam in which it is difficult for children to acquire an adequate education.

In addition to carrying out business activities, Canon Vietnam Co., Ltd., is following through on its desire to be of service to the community through the Canon Friendship School Chain Project, launched in 2007. This initiative supports the construction, enlargement and improvement of school buildings. By the end of 2008, the project had reached out to 12 schools. Support for construction of new schools spanned four provinces in 2009, including the Canon-Cuu Tu Elementary School in Quevo District, Bac Ninh Province.

## Support for Schoolchildren through Distribution of Educational Materials and Employee Volunteer Activities

Canon Singapore and Canon's Vietnam representative office initiated "Canon-For the Next Generation" in April 2009 as an educational support program.

Through this project, we help supply pencils, textbooks, notebooks, desks and other materials and facilities indispensable for school education. In addition, Canon employees visit schools, volunteering to help with such tasks as the installation of purification systems for drinking water, the maintenance and repair of toilet facilities and school buildings, and the planting of trees, while also taking time to interact with the children personally. During 2009, these activities were carried out in nine schools over a period of eight months, providing the equivalent of 400 million dong in supplies.

Canon aims to continue supporting such endeavors in line with its belief that improving the educational environment for children is a step toward cultivating the human resources on which the future and development of the country depend.

Students at Canon-Bet Tray Elementary School, which was constructed through the Canon Friendship School Chain Project





Students at Canon-Cuu Tu Elementary School



Employees taking part in Canon-For the Next Generation activities

# With Our Customers



VIXIA HF S21 (LEGRIA HF S21 in some areas) digital video camera

## Expanding Our After-Sales Network in the Chinese Market

After-sales service that ensures safe use of products over the long term is vital to maintaining customer trust in the Canon brand.

Canon (China) Co., Ltd., is constructing a prompt and reliable support system in the fast-growing Chinese market, centered on Quick Response & Repair Centers (QRCs), where customers can take products



QRC in Shanghai

to be serviced quickly. As a result of these initiatives, Canon China was selected as the Fiscal 2008 Company of Consumer Choice for After-Sales Service Satisfaction.*

As of the end of 2009, the Company had established 13 QRCs. To meet expectations of continued market expansion, we plan to increase this after-sales service network.

* The Fiscal 2008 Company of Consumer Choice for After-Sales Service Satisfaction was announced jointly by three Chinese electronics industry bodies, including the China Electronics Chamber of Commerce (CECC). This award is given in recognition of excellence in after-sales services, based on the result of an online ballot and evaluation by specialists.

## Establishing a Network of 500 Front-Line Contact Staff for the U.S. Market

Canon is establishing primary points of contact to ensure that the Company listens to customer opinions first hand.

Canon Information Technology Services, Inc. (CITS), a subsidiary of Canon U.S.A., Inc., specializes in customer services throughout the United States. Each day, its staff of more than 500 responds directly to requests and other technical questions posed by end users.

CITS strives to provide timely and accurate responses to the some 1,000 letters, 20,000 telephone calls and 3,500 e-mails it receives each month. In comparison with an industry standard response time to e-mails of around one day, CITS replies to inquiries in approximately four hours,

and maintains a success rate for first-time problem-solving of more than 80%.

We have received high marks from customers for this service, as well as high rankings from prominent media for our service and support.



CITS call center

## Developing Network Multifunction Devices through Comprehensive Universal Design Expertise

Canon utilizes opinions and requests from customers to positive effect in the design of new products. In pursuit of the ultimate easy-use office network multifunction device, we launched the imageRUNNER ADVANCE in September 2009, leveraging our accumulated expertise in universal design. We incorporated an array of functions into

this model, focusing on the key word "User Centric," which prioritizes customer ease of use.



Incorporation of a large, bright LCD touch panel that can be adjusted to the desired angle



Voice-recognition control supports basic operations

# With Our Shareholders and Investors



Conference for individual investors

## Delivering Stable Dividends Despite an Adverse Economic Environment

Canon Inc. is striving to be even more emphatic in its policy of returning profits to shareholders, primarily through dividends. Specifically, we are committed to attaining a payout ratio of 30% over the medium to long term.

The fiscal year ended December 31, 2009, was characterized by falling profits in the wake of a severe external environment. Nevertheless, we prioritized stable shareholder returns, paying out a dividend for the year of ¥110 per share.

**EPS and Dividends**
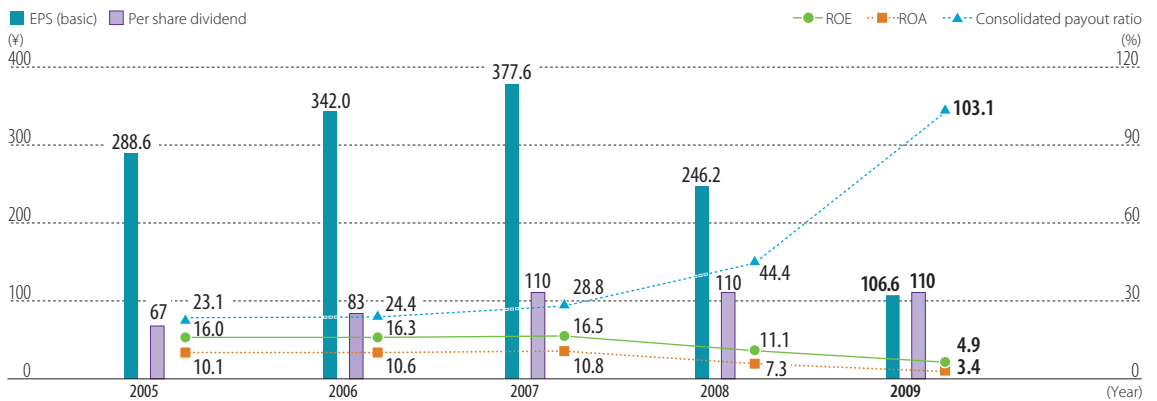


## Promoting Dialog with Individual Investors

Canon Inc. has adopted various measures to encourage broader participation in the Company by individual investors.

The share trading unit for Canon Inc. stock was lowered from 1,000 to 100 shares in 2004, and the Company conducted a 3-for-2 stock split of its common shares in 2006. The objective of these measures was to reduce the unit investment amount, making it easier for individual investors to purchase the Company's shares.

Canon Inc. has also created a special portal site for individual investors on its website to promote easy access to such corporate information as overviews of business operations, financial data, descriptions of new technologies, and outlines of environmental initiatives.

We also hold conferences for individual investors

with the aim of boosting the individual investor quotient of Canon's long-term shareholders. Following participation by 195 individual investors in 2009, we plan to continue to host these events during 2010.

The number of individual shareholders as of December 31, 2009, was approximately 166,000, down approximately 15,000 from a year earlier.



Investor relations website

# With Our Suppliers



Communicating with supplier (Canon Vietnam)

## Building Favorable Relations with Suppliers, Based on the Canon Procurement Policy

Based on our corporate philosophy of *kyosei*, Canon strives to develop, manufacture and market useful products, to boost profits, and to achieve corporate growth and development.

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. Accordingly, Canon has formulated a Procurement Policy and is endeavoring to build good relations with suppliers through various means, including deepening their understanding of the Company's basic stance toward procurement.

**Procurement Policy**

1. We comply with all applicable laws and regulations as well as the 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 principle of faith and trust.

3. We improve manufacturing by mutual growth with excellent and reliable suppliers, which are selected through fair evaluation process.

## Promoting Collaborative Activities with Suppliers to Foster Mutual Development

Canon holds regular briefings for suppliers at its operational sites and manufacturing Group companies to boost understanding of business trends, and to ask for their understanding of the Company's plans and procurement policies. These activities also promote cooperation with suppliers. Further, we revamped the procurement information section of the Canon website in November 2009, posting public notification of the Company's expectations and requirements toward suppliers.

Moreover, to strengthen partnerships and foster mutual growth with suppliers, Canon actively gathers value engineering (VE) suggestions from suppliers and conducts activities to encourage them to implement production-related innovations. This involves suppliers making full use of improvement methods that eliminate wasteful practices through on-site diagnoses and activities to achieve mutual corporate-structure improvements by referring to

external consultants.

The Company also promotes improvements during processing, cuts in waste materials, and efficiency upgrades during transportation of parts and distribution to reduce $CO_2$ emission volumes.



Visiting a supplier (China)

# With Our Employees


Meeting aimed to improve operating efficiency (Canon's Shimomaruko Headquarters)

## Promoting Various Measures for a Healthy Work–Life Balance

Canon Inc. utilizes its long-held corporate culture emphasizing short hours and efficient work as a basis for promoting measures to ensure an appropriate work-life balance at the various stages of employees' lives.

An integral part of this project is a drive to constrain excessive work hours through strict implementation of a "no-overtime day." During 2009, we achieved an average in-house ratio of 80% adherence to prescribed working hours on no-overtime days. Moreover, the number of total overtime hours worked per employee for the year was down approximately 100 hours from 2008.

To ensure that employees can focus on raising children with peace of mind, we also operate systems going beyond legal requirements for childcare leave and reduced working hours for parents with small children, as well as providing a childcare leave support program. During 2009, we established Poppins Nursery School Tamagawa, a Tokyo metropolitan government licensed day-care center that is open to the local community, adjacent to the Shimomaruko Headquarters.




Poppins Nursery School Tamagawa day-care center

## Hosting Cultural Research Seminars at Operational Sites in Europe

As a global company with manufacturing sites and business offices around the world, Canon is focused on creating a suitable environment for promoting its business activities while at the same time cooperating with and showing respect for its diverse workforce, comprising individuals of various nationalities, races, languages and cultures.

Canon Europe Ltd., which manages sites spanning a multitude of countries and regions, conducts Cultural Awareness Workshops as joint training exercises to acquaint employees with issues of cultural diversification and to serve as forums for the study of business methods across multicultural platforms. Using various tools to analyze cultural problems, these workshops encourage participants to engage in discussion and propose measures for resolving problems arising from cultural differences.

During fiscal 2009, two Cultural Awareness Workshops were held, each attracting approximately 30 participants. We plan to hold more of these events in the future, promoting the development of workplace environments and corporate cultures that are considerate of cultural diversity.

# With the Local and Global Community


Yellowstone National Park

## Supporting Preservation of 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.


Training employing Virtual Field Trip website

## Promoting Tree-Planting Activities around the Globe

As part of its environmental preservation drive, Canon is supporting tree-planting activities in various regions worldwide.

Canon U.S.A. launched the Generation Green brand of Environmentally Conscious Products (ECPs) in 2008 and initiated the Canon Forest Program, pledging to plant one tree for every 10 of these products purchased and registered on a special site. As a result of this initiative, 20,000 trees were planted over four months.

The program continued through 2009, incorporating a vow to plant one tree for each piece of equipment purchased via Canon U.S.A.'s online store. Moreover, we started a program that promised 10 new trees for each purchase of a recycled-model imageRUNNER office network MFDs. This resulted in 30,000 trees planted during 2009—a testament to individual customers' consideration for the environment.

We are carrying out initiatives in other countries around the world in parallel with Canon U.S.A.'s campaigns, including the FOR A GREEN VIETNAM tree-planting project and tree-planting activities along the Great Wall in China.


Nuturing saplings as part of the Generation Green program


Tree cultivation as part of the FOR A GREEN VIETNAM campaign

## Contributing to the Conservation of Global Ecosystems

To address the problems of plant and animal extinction, Canon is striving to protect biodiversity by contributing to the protection of regional plant and animal species.

For example, the environs of the Oita Plant, where both Oita Canon and Oita Canon Materials are based, provide a habitat for such species as salamanders and fireflies. Accordingly, due consideration was paid to providing alternative ponds and lakes and improving natural wetlands in the nearby community during construction of the plant. A plethora of wildlife—birds, insects, amphibians and fish—has been observed in a waterside biotope established in a regulating pond within the factory grounds.

Furthermore, to conserve the habitat of two types of marsh crabs, *Sesarma intermedia* and the red-clawed *Sesarma haematocheir*, living in the vicinity of Oita Canon Materials' Kitsuki Plant, we have established an area, commonly known as Kanino Mori (Crab Forest), which blends in naturally with the environment of the surrounding area. Sightings of the red-clawed marsh crabs heading to the sea to spawn have been confirmed at Crab Forest, evidence of our contributions to the formation of an ecological network linking forest and sea.


Waterside biotope created at the water reservoir within the grounds of Oita Canon Inc.


Kanino Mori (Crab Forest), established within the grounds of Oita Canon Materials Inc.

## Supporting the Cultivation of Pneumoconiosis Radiologists in Asia

Canon is supporting the training of diagnostic radiologists capable of detecting pneumoconiosis in its early stage from chest x-rays in various parts of Asia.

Even today, many people around the world suffer from pneumoconiosis, an occupational illness of laborers engaged in mining, tunneling, masonry, asbestos handling and work with other hazardous materials. The International Labor Organization (ILO) and the World Health Organization (WHO) are campaigning to eradicate this condition.

Canon is participating in a joint research project with the University of Fukui Faculty of Medical Sciences, a leader in pneumoconiosis research in Japan, focusing on pneumoconiosis radiography using digital x-ray photography, and is cooperating in the ILO's development of digital reference images to use in detecting pneumoconiosis. In addition, the Company is cooperating with and providing funding for AIR

Pneumo, a pneumoconiosis x-ray radiology training course targeting radiologists and physicians in Asia, and providing technological support for the cultivation of pneumoconiosis radiologists.

In the future, Canon intends to utilize its technologies and expertise as a manufacturer of medical equipment to contribute to bolstering human health levels worldwide.


Pneumoconiosis x-ray radiologist training in Thailand

## Donating Relief Funds to Earthquake-Affected Areas in Haiti, Chile and China's Tsinghai Province

Natural disasters strike around the world indiscriminately. Hoping to help the victims of such disasters get back on their feet as quickly as possible, Canon provides support through such means as relief donations and fund-raising activities.

The Canon Group donated approximately ¥20 million to relief efforts for the victims of the catastrophic earthquake that struck Haiti in January 2010.

Moreover, the Group gave a total of ¥15 million through the Japanese Red Cross Society and other organizations in relief for the earthquake that devastated Chile in February 2010. The region of Tsinghai in northwestern China was hit by a major earthquake in April 2010. The Canon Group donated a further 2 million yuan to aid victims and relief efforts.

# Overview of Content Available on Our Website

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

---

**Links to detailed information and topics related to this brochure**

**Basic Strategy, Excellent Global Corporation Plan**
- *About Canon*
  …canon.com/about
- *Investor Relations*
  …canon.com/ir

**Materiality Theme: Technological Innovation**
- *Canon Technology*
  …canon.com/technology

**Materiality Theme: Promoting Environmentally Conscious Management**
- *Environmental Activities*
  …canon.com/environment
- *Sustainability Report*
  …Canon and the Environment

**Materiality Theme: Creating a Corporate Culture and Supporting a Diverse Workforce**
- *Sustainability Report*
  …With Our Employees

**Materiality Theme: Strengthening Corporate Governance and Compliance**
- *Sustainability Report*
  …Corporate Governance, Compliance, Security
- *Investor Relations*
  …canon.com/ir

**Materiality Theme: Promoting Social and Cultural Contributions**
- *Social and Cultural Support Activities*
  …canon.com/scsa
- *Sustainability Report*
  …With the Local and Global Community

**Third-Party Opinions**
- *Sustainability Report*
  …Third-Party Opinions

---

Environmental Activities: *Sustainability Report*
**canon.com/environment**

---

*Sustainability Report 2010* Website Information

| | | |
|---|---|---|
| Management Systems | Corporate Governance | Structure and Audit |
| | | Management Committees |
| | Compliance | Structure |
| | | Education and Awareness |
| | | Security Trade Control |
| | Security | Information Security |
| | | Physical Security |
| | | Business Continuity Planning |
| | Intellectual Property Activities | Fundamental Approach |
| | | Management Structure |
| | | Brand Management |
| | | Patent Applications |
| Canon and the Environment | Environmentally Conscious Management | Environmental Assurance Activities |
| | | Management System |
| | | Environmental Accounting / Material Flow Cost Accounting |
| | | Biodiversity Initiatives |
| | Environmentally Conscious Raw Materials (Produce) | Management of Chemical Substances in Products |
| | | Reducing $CO_2$ from Raw Materials and Procured Goods |
| | | Promoting Design for the Environment |
| | Environmental Activities at Operational Sites (Produce) | Reducing $CO_2$ at Operational Sites |
| | | Resource Efficiency at Operational Sites |
| | | Management of Hazardous Substances and Legal Compliance |
| | Environmentally Conscious Logistics (Produce) | Reducing $CO_2$ during Distribution |
| | | Improving Packaging Processes |
| | Environmentally Conscious Products (Use) | Reducing $CO_2$ during Use |
| | | Qualified Environmentally Conscious Products |
| | | Usage Proposals to Customers |
| | | Improving Product Value during Use |
| | Collection and Recycling (Recycle) | Recycling Systems |
| | | Product Collection and Recycling |
| | | Collection and Recycling of Consumables |
| | Environmental Communication | |
| | Operational Sites Covered in the Environmental Section | |
| With Our Customers | | Basic Policies |
| | | Ensuring Customer Safety |
| | | Instilling Customer Trust |
| | | Fostering Customer Satisfaction |
| With Our Shareholders and Investors | | |
| With Our Suppliers | | |
| With Our Employees | | Basic Policies |
| | | Respecting Human Rights and Creating Opportunities for Success |
| | | Supporting Personal Growth and Skill Development |
| | | Occupational Health and Safety |
| | | Health Management |
| With the Local and Global Community | | |
| Third-Party Opinions | | |
| GRI Guideline Implementation | | |

- Governance Structure   • Audit
- Activities of Management Committees
- A Shared Compliance Awareness   • Compliance Promotion System   • Canon's Compliance Hotline and Monitoring
- Employee Compliance Awareness   • Compliance Training
- Thorough Compliance with Export Control Regulations
- Information Security Management Structure   • Prevention of Information Leaks   • Employee Awareness Training
- Protecting Personal Information   • Trade Secret and Technology Outflow Prevention Management
- Plans for Strengthening Physical Security   • Physical Security Promotion System   • Integrated Entry and Exit Management System
- Promoting Business Continuity Planning
- Canon's Philosophy on Intellectual Property
- Intellectual Property Management Structure
- Brand Management
- Patent Applications

- Environmental Assurance Activities in 2009   • Action Plan
- Environmentally Conscious Management System   • Acquiring ISO 14001 Consolidated Certification for the Canon Group   • Global Environmental Promotion System
- Environmental Audit   • Compliance with Environmental Regulations / Risk Communications   • Environmental Education
- Environmental Accounting
- Promoting Material Flow Cost Accounting
- Basic Approach   • Regional Initiatives
- Eliminating Designated Chemical Substances from Products   • Managing Chemical Substances in Products and Promoting Green Procurement
- Improving the Reliability of Information Provided by Suppliers and Reducing the Burden on Suppliers   • Managing Product Environmental Information
- Cooperating with Suppliers to Alleviate the Environmental Burden
- Lightening the Environmental Burden through the Use of Simulations during Development
- Development of Low-Environmental- Burden  Materials   • Introduction of a Design for the Environment Method that Considers Product Lifecycles
- Resource-Efficient Product Design
- Greenhouse Gas Reduction and Energy Conservation
- Reducing Waste   • Reducing Use of Water Resources
- Reducing Emissions of Controlled Chemical Substances
- Remediation of Soil and Groundwater by the Canon Group
- $CO_2$ Emission Reduction in Transportation   • Efforts to Improve Transport Efficiency   • Promoting Modal Shifts
- Resource Efficiency when Transporting Materials   • Resource Efficiency in Packaging
- Energy Conservation during Use   • Product Design with Consideration for Energy Conservation
- Regulatory Conformance
- Distributing Information on Environmentally Conscious Products
- Examples of Environmentally Conscious Products
- Global Collection and Recycling System
- Recycling of Used Products
- Toner Cartridge Recycling   • Ink Cartridge Recycling   • Collection and Recycling of Small Secondary Batteries (Japan)   • Recycling Containers and Packaging Materials (Japan)
- Canon's Communication Activities Concept   • Exhibiting at Environmental Expos   • Canon's Publications Portfolio

- Realizing Canon Quality
- Ensuring Product Safety   • Safety Assessment Initiatives
- Developing Products that are Easy to Use and Easy to Understand   • Evaluation from a Human Perspective
- Customer Satisfaction   • Improving Products by Reflecting Customer Opinions
- Dialogue with Shareholders and Investors   • Return to Shareholders   • External Corporate Assessments
- Promoting Fair and Transparent Business Transactions   • Partnership with Suppliers   • Fair and Transparent Selection of Suppliers
- Employee Policies   • Employment and Worker-Management Relations   • Remuneration System
- Respecting Human Rights
- Personnel Promotion and Deployment
- Training System
- Recognition and Award Programs
- Policy and Management System   • Efforts to Prevent Occupational Accidents
- Prevention of Lifestyle-Related Diseases   • Promoting Mental Healthcare Initiatives

- The Third-Party Review Process

## Third-Party Opinions

## Third-Party Opinion from David St. Maur Sheil, ASrIA

Joint Executive Director, ASrIA
(Association for Sustainable and
Responsible Investment in Asia)
URL: www.asria.org

### David St. Maur Sheil

Overall, the report was well written and constructed and a definite improvement on last year's report. As with previous years, all expected environmental, social and governance issues were covered with a great or lesser degree of detail. The focus on the key materiality themes included more methodical and comprehensive information. I congratulate Canon once again on acting to raise the level of their reporting and engagement.

Areas in which I would expect to see further improvement include the following.

Firstly, I would expect Canon to provide significantly more detail on operations in their factories in emerging markets. As with previous years, case studies tend to focus on domestic operations. I believe that investors in particular would value a higher level of detail on global operations, especially in emerging markets where companies would be reasonably expected to exercise a particularly high duty of care for staff welfare. In this respect I would encourage Canon to provide more detailed information on key major global facilities, in particular their manufacturing operations in emerging markets, including key emissions and toxicity data,

emergency preparedness data and staff organisation, training and welfare. It is notable that Canon is implementing a groupwide training program for staff and it is also notable that Canon shows recognition of the importance of extending a duty of care to third-party contractors at all their facilities.

Secondly, with respect to supply chain management, it is clear that Canon has been conducting a program of engagement with selected suppliers and rigorous monitoring of product production and quality. It would also be useful to have more information than currently provided on the due dilligence conducted by Canon particularly into the source of origin and handling of raw materials used in their production and also more specific detail on the extent to which Canon takes account of ethical and labour related issues when engaging with key suppliers.

Thirdly, major ESG issues such as climate change and supply chain monitoring benefit from, if not demand, industry co-opera-tion. It would be valuable if Canon could provide more detail on the extent to which it has acted as a co-operative industry player both within Japan and with sector peers globally in engaging with such key issues.

Finally, the stakeholder survey was valuable in providing a spread of different perspectives. I would expect to see more evidence of integration of stakeholder concerns into future Canon reports as well as evidence of more direct engagement between Canon and shareholders on ESG-related issues.

## About the Third-Party Opinions

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

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

These third-party opinion pages include the main items discussed with the commentators, particularly the items worthy of praise and the key issues to be addressed over the long term.

Based on the issues raised by the commentators and opinions from other stakeholders, Canon is stepping up its sustainability activities and striving for more complete information disclosure through this report and other media. For more information on the third-party opinion process and the main points brought up in the dialogs with the commentators, see the Canon website.

*1 These third-party comments are the personal views of the authors and not verification of the report contents or data. They do not imply any endorsement from their organizations.

*2 *Canon Sustainability Report 2010* consists of this printed report and its correlating website (URL: canon.com/environment).

# Third-Party Opinion from Justus von Geibler, Wuppertal Institute

Project Co-ordinator, Sustainable Production and Consumption Department, Wuppertal Institute for Climate, Environment, Energy

URL: www.wupperinst.org

## Justus von Geibler

Compared to last year's report, there are a number of changes in Canon's report and the underlying processes, which, in my view, are very positive achievements. They indicate that Canon is on a promising path towards a balanced and reasonable disclosure of its sustainability performance. However, challenges remain.

The improved engagement of stakeholders in the reporting content definition is one of the achievements. In the "Materiality Themes" section, Canon illustrates how expectations and interests of stakeholders have been gathered more intensively, based on a broader multi-stakeholder survey. The survey also forms a base for the newly introduced report section "Canon and Stakeholders," responding to specific interests of selected stakeholder groups. To really benefit from the materiality process, however, more intense interaction with stakeholders will be needed, including a careful integration of their expectations into planning and target setting. Interactive stakeholder workshops or Web2.0 based communication on general or specific themes could be valuable formats. The materiality themes could, for example, be used to support specification

of next phases of the "Excellent Global Corporation Plan," Canon's mid- to long-term plan coming to an end in 2010.

Another challenge for Canon's future reporting is to demonstrate the more consequent and continuous integration of expectations and materiality themes into key business activities. Technological innovation is a core business activity of Canon, being vital for Canon's long-term competiveness and forming a basic condition for global sustainability. However, technological innovations do not automatically contribute to sustainable development. In this light, I highly welcome the information given in the report on progress to promote environmentally conscious products throughout the Canon Group. I would like to see more information on how social, economic and environmental aspects are integrated in product design more systematically and how undesired rebound effects and burden shifting to other areas are avoided. Here, a broad perspective on a product's function and system-wide view including scenarios for alternative consumer behaviours should be considered. This could help to create market opportunities and promote a shift from product-thinking to service-thinking, a cornerstone for innovating sustainable production and consumption.

I am sure Canon will continue to facilitate further integration of stakeholder expectations and system thinking into strategic and day-to-day decision-making.

## Commentator Opinions and Canon's Response in Third-Party Dialogs

| Main Suggestions | Main Reflections (New Content in the 2010 Printed Report and Correlating Website) | Location in the Brochure | Location on the Website |
|---|---|---|---|
| Report on "lowlights" in addition to highlights, such as certain negative aspects of Canon's performance and unachieved targets. | Important notices relating to quality, soil and groundwater pollution status and other such sections are included. | — | With Our Customers, Canon and the Environment |
| Refer to the global recession in areas other than the "Message from Top Management." | This is also mentioned in the "Excellent Global Corporation Plan–Canon's Mid- to Long-Term Management Plan." | P8 | — |
| Show more consciousness in integrating the three aspects of Canon's operations–environmental, social and economic. | An environmental perspective has been added to the pages on "Technological Innovation" and "Strengthening Corporate Governance and Compliance." | P11-14, P21 | — |
| Be clearer in your coverage of sustainability activities in supply chain management. | We are promoting cost and $CO_2$ emissions reductions in collaboration with suppliers. The report describes these activities, in addition to coverage of specific cooperative activities with suppliers. | P17, P29 | Canon and the Environment |
| Provide more concrete descriptions of Canon's environmental efforts in the product design stage and resource consumption during product use. | At the product design stage, we have introduced design that is considerate of the product lifecycle and are carrying out environmentally conscious design; Resource consumption at the product use stage is covered in "Action Plan and Results of Activities for 2009" and "Examples of Environmentally Conscious Products" on the Canon website. | P16-17 | Canon and the Environment |
| Include research institutions, universities and academia, overseas suppliers and other parties in the scope of surveys. | This year, only responses from suppliers in Japan were included. We are improving the scope of our surveys every year. From next year, we aim to make our questionnaires even more useful. | — | — |

# Canon

## CANON INC.

30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo 146-8501, Japan

Contact us
TEL: +81-3-3758-2111
E-mail: sus@list.canon.co.jp

Website: canon.com/environment

**About the Cover Photograph**

The world-famous Yellowstone National Park is located within the United States in Wyoming. Canon U.S.A., Inc., supports the Eyes On Yellowstone research and education program by providing product to enable ecological observation of wildlife and assisting in the creation of website content for the Yellowstone Park Foundation. Through these and other initiatives, we contribute to the conservation of the natural environment and the protection of endangered species.

**Mixed Sources**
Product group from well-managed forests and other controlled sources
www.fsc.org  Cert no. SGS-COC-003245
© 1996 Forest Stewardship Council

This brochure is printed on paper certified by the Forest Stewardship Council with ink that realizes superior decomposability and deinkability.