



Canon
Sustainability Report
2009

Canon



Realizing *Kyosei*



Canon Sustainability Report 2009

Contents	
Message from Top Management	3
Activities Underpinning <i>Kyosei</i>	
Basic Strategy	5
Mid- to Long-Term Management Plan	7
<i>Kyosei</i> Activities	
Five Materiality Themes	9
Determination of Materiality Themes	11
Technological Innovation	13
Promoting Environmentally Conscious Management	17
Creating a Corporate Culture and Supporting a Diverse Workforce	23
Promoting Social and Cultural Contributions	27
Strengthening Corporate Governance and Compliance	31
Overview of Content Available on Our Website	33
Third-Party Opinions	35



To Our Readers

The *Canon Sustainability Report* is published annually to ensure accountability to Canon stakeholders by informing them of how its global business activities are helping to bring about a sustainable society. The report is also intended to promote two-way communication with stakeholders for the sake of improving these activities.

Since 2009, Canon has published its materiality themes (see page 10) in this brochure as well as providing this

content along with a systematic and comprehensive report of activities (see page 33) on the *Sustainability Report* on its website. The brochure and the website content are produced in both English and Japanese.

- (See page 00) indicates a page for reference.
- Throughout this document, "Canon," refers to the Canon Group, whereas "Canon Inc." refers to the Company on a non-consolidated basis.

Website

 canon.com/environment

Company Overview (As of May 15, 2009)

Name:	Canon Inc.
Established:	August 10, 1937
Headquarters:	30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan
Chairman and CEO:	Fujio Mitarai
President and COO:	Tsuneji Uchida
Capital:	¥174,762 million (As of December 31, 2008)
Group Companies:	245 consolidated subsidiaries, 18 companies accounted for under the equity method (As of December 31, 2008)

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.

Through improved management quality,
we will contribute to the realization of a sustainable society.

The *Kyosei* Philosophy, Now More Than Ever

During 2008, the global economy fell into recession due to the effects of the financial crisis. Amid increasingly difficult economic conditions, Canon, in accordance with its corporate philosophy of *kyosei*, has gained a renewed awareness of the importance of bringing about a society characterized by sustainable prosperity. We accept this challenge as part of our aim to be a truly excellent global corporation worthy of admiration and respect around the world.

Kyosei aspires to a society in which all people, regardless of race, religion or culture, harmoniously live and work together for the common good into the future. It is our firm belief that now is precisely the time for the realization of *kyosei* as we forge ahead with our many stakeholders throughout the world—customers, investors, suppliers and employees.

A Change in Course to Improved Management Quality

Currently, Canon is promoting Phase III of its Excellent Global Corporation Plan, a mid- to long-term management plan that aims to position the Company among the world's top 100 companies in terms of all major management indicators.

In 2009, to swiftly respond to the challenging business environment, we implemented a major change in course, from a focus on sound growth to the pursuit of improved management quality.

"Improved management quality" refers to the elimination of all waste. Specifically, throughout our operations we are promoting the optimal management of inventories and resources while simultaneously reviewing all of our processes and stepping up the pace of IT innovations to efficiently communicate standardized information throughout the entire supply chain toward improved speed and efficiency. Through advanced supply chain management and reinforced cash flow management, Canon will realize real-time management that facilitates accurate decision-making. With a renewed focus on technological innovation, even in the face of shrinking

markets, we will push forward toward a stronger corporate constitution armed with competitive products and profit-earning power.

A Focus on Speed and Quality to Drive the Next Leap Forward

The promotion of improved management quality at Canon, with business operations across the globe, requires the enhanced trust and cooperation of stakeholders worldwide. We will work to increase the trust of our stakeholders by maintaining and improving compliance, quality and safety, and implementing employment initiatives and other measures that form the basis of corporate management towards sincerely addressing themes that contribute to the realization of a sustainable society.

The current severe economic climate presents us with the ideal opportunity to carry out reforms. Now is the time to think back to the slogan "Speed & Quality" from Phase I of the Company's Global Excellent Corporation Plan. We will implement repeated reforms in a consistent and speedy manner, and when economic conditions again become favorable, we will have stored up the energy necessary to drive the next leap forward along with our stakeholders.

A Continued Focus on the Environment and Quality

Promoting both enriched lifestyles and the global environment is a prerequisite for the continuance of society. Through technological innovation, Canon pursues the maximization of resource efficiency to gain greater value from fewer raw materials and reduced environmental impact through greater management efficiency. In short, improved management quality that eliminates waste are activities designed to alleviate environmental burden.

Based on Canon's newly drafted Environmental Vision, we are working with the cooperation of our customers and business partners to reduce CO₂ emissions, make effective use of resources, and eliminate the use of hazardous substances throughout the entire "produce-use-recycle" product lifecycle to establish the Company as an environmental leader.



Fujio Mitarai
Chairman and CEO
Canon Inc.

Tsuneji Uchida
President and COO
Canon Inc.

Quality is of vital importance in the manufacturing industry, and an extremely important management issue for Canon. One quality issue could result in inconveniences for customers and require a long time to recover their trust. Moreover, such incidents squander resources and energy, generate waste and impact the global environment. Canon has redefined its commitment to quality, resolved to deal conclusively with any problems that arise, and is revising its processes and framework accordingly.

Evolving as a Truly Excellent Global Corporation

The excellent companies of the world have excellent corporate cultures. Canon has a history of respecting human

dignity, emphasizing technology and encouraging an enterprising spirit. This is a legacy that has been sustained by Canon's guiding principles, based on the "Three Selves" spirit—self-motivation, self-management and self-awareness—which dates back to the Company's founding days.

Contributing to society while ensuring the succession of this legacy, Canon will pursue *kyosei* as a truly excellent global corporation that aims to prosper over the next 100, and even 200, years.

We ask for your continued understanding and support in our ongoing endeavors.

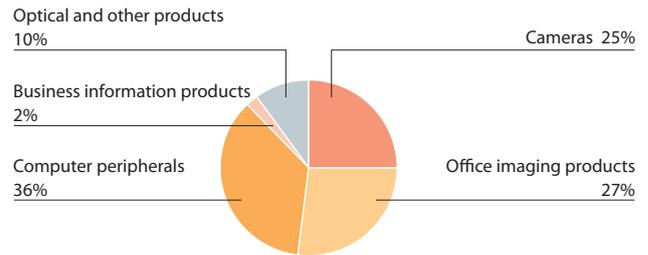
A Broad Range of Products and Services In Personal Contact with People in Diverse Communities

Diversification Businesses and Products

We provide products based on proprietary imaging technologies that meet customers' needs and society's expectations.

Canon has continuously leveraged its original imaging technologies to develop its operations since beginning as a camera manufacturer. Our businesses now extend beyond information products and business machines to include semiconductor equipment and a wide spectrum of other fields. Canon is developing proprietary technologies to provide products that meet the needs of customers and the expectations of society.

Net Sales by Product



Personal-Use Products



- Digital single-lens reflex (SLR) cameras
- Compact digital cameras
- Digital video camcorders
- Compact photo printers
- Film cameras
- Lenses
- Binoculars
- Image scanners
- Personal-use copying machines
- Inkjet printers
- Multifunction inkjet printers



Digital single-lens reflex (SLR) cameras



Multifunction inkjet printers

Business Products



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



Office network multifunction devices

Industry Products



- Semiconductor exposure equipment
- Mirror projection aligners
- Broadcasting equipment
- Digital radiography systems
- Ophthalmic equipment
- Components



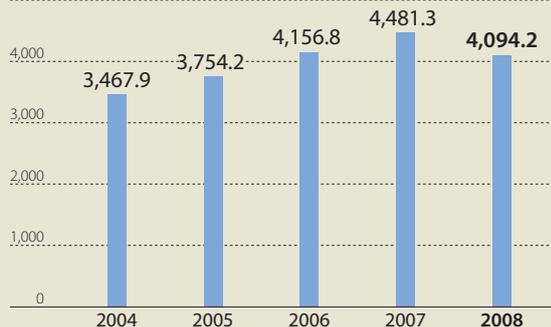
Digital radiography systems



Broadcasting equipment

Net Sales

(¥ billion)



Net Income

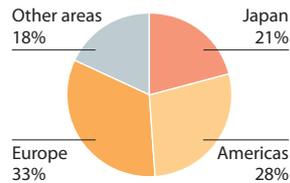
(¥ billion)



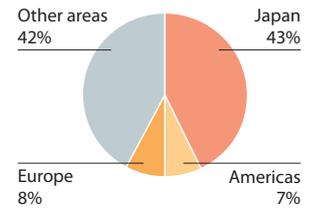
We are developing business activities rooted in interactions with local people and the community as a truly global corporation.

Since the Company's founding in 1937, Canon has aspired to develop its businesses globally, 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 our approximately 160,000 employees working in 245 consolidated subsidiaries (as of December 31, 2008). These employees support the Canon brand, which is a registered trademark in more than 180 countries and regions.

Net Sales by Region



Employees by Region



Europe, Africa & the Middle East



Our regional headquarters for Europe, Canon Europe Ltd., is spearheading the expansion of our business operations across the region and is actively developing markets in such area as Russia, the Middle East and Africa. The company is also advancing production activities and regionally based R&D to develop more independent businesses in the European market.



Canon Europe Ltd.

Asia & Oceania



Japan plays a central role in R&D, we are focused on cultivating new businesses while working through Canon Marketing Japan Inc. to strengthen relations with our customers. In other Asian countries and regions, we are bolstering sales, production and development activities with particular focus on Canon (China) Co., Ltd. In Oceania, we are engaged in marketing operations and the development of digital imaging technologies.



Canon Marketing Japan Inc.

Americas

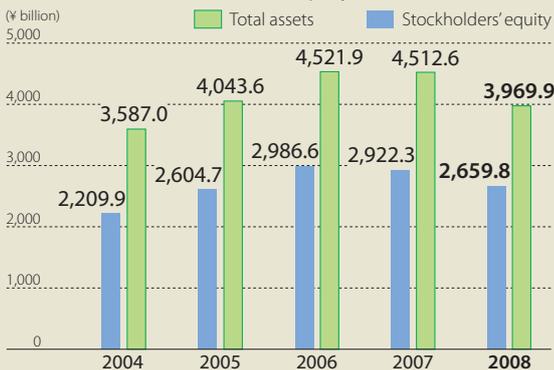


As our regional headquarters for North and South America, Canon U.S.A., Inc., is subdividing sales areas to strengthen service- and support-related infrastructure to increase customer satisfaction while flexibly responding to market changes. The company is also developing new businesses in life science and other fields through the establishment of localized R&D bases and production sites.



Canon U.S.A., Inc.

Total Assets & Shareholders' Equity



Employees



Note: Data presented in these graphs is on a consolidated basis.

Striving to be a Truly Excellent Global Corporation

Raising Management Quality Based on a Commitment to Phase III of the Excellent Global Corporation Plan

Continuing its quest to become a truly excellent global corporation, Canon entered Phase III of the Excellent Global Corporation Plan, its mid- to long-term management plan, in 2006. This plan outlines our vision of continuing to contribute to society through technological innovation in accordance with our corporate philosophy of *kyosei* while aiming to be a corporation worthy of admiration and respect worldwide.

In light of the global recession, the rapidly appreciating yen and other harsh economic conditions, we set a major change of course for Phase III from 2009. We moved from the theme of sound growth to one of raising management quality, and we initiated measures to put ourselves quickly back onto a growth trajectory in step with the economic recovery. Canon aims to join the world's top 100 companies in terms of all key performance indicators.

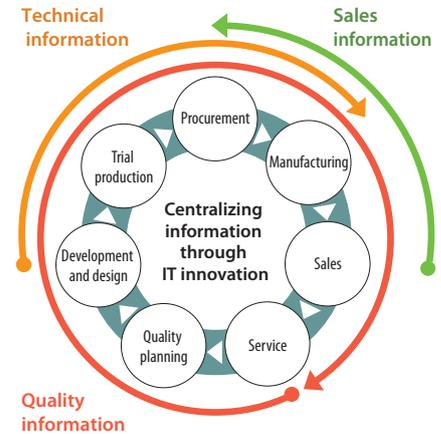


Aiming for Improved Management Quality

Canon believes that a solid platform for sustainability is sound growth—achieving continuous growth while maintaining a sound financial structure. Amid this unparalleled economic crisis, we aim to raise management quality to ensure ongoing profitability even as the market contracts. In this sense, our fundamental aim of forging a more muscular corporate structure remains unchanged.

IT innovation is the key to improving management quality. With the companywide unification of the 3D-CAD system used in development, we have centralized information at the design, prototype creation, procurement and production stages. In addition to the 3D-CAD system, we will link the new production system that we successfully introduced in 2003, a system that integrates failure information and a next-generation logistics system.

Ultimately, inventories would, for example, always be in transit, making warehouses unnecessary. Canon is targeting improved management quality not only through the introduction of simple IT systems, but also by integrating Canon's innovations in production, development and procurement.



Five Key Strategies for Phase III



Achieve the Overwhelming No. 1 Position in Existing Businesses

With technology through innovation as Canon's motivating force, the Company will attempt to differentiate itself by developing a common platform technology for all device businesses to create strong products.



Expand Business Operations through Diversification

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



Identify New Business Domains and Accumulate Required Technologies

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



Establish New Production Systems to Sustain International Competitiveness

Canon is automating design, production technology and manufacturing as well as robots in its aim to establish a completely automated line. We also promote production in-house and within the region of consumption.



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 transmit this identity to cultivate global leaders.

Global Rankings in 2008–2009

Fortune Fortune Global 500

- Total sales: 189th
(Last year: 182nd)
- Profit: 126th
(Last year: 124th)



July 21, 2008, edition
Performance in 2007 was evaluated according to five indicators including total sales, profit and total assets. Note: FORTUNE Global 500 is a registered trademark of Time Inc. in the United States.

BusinessWeek Best Global Brand

36th in the world
(Last year: 36th)



September 29, 2008, edition
Brand value ranking in 2008 based on future sales and profit

Financial Times FT Global 500

110th (Last year: 100th)
(9th, technology hardware & equipment sector)



Published March 31, 2008
Ranked by market value in 2008 (based on price per share multiplied by number of shares issued)

Promotion of Materiality Themes that Contribute to the Creation of a Sustainable Society

We pursue activities focused on five materiality themes.

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

Canon specified materiality themes reflecting stakeholder interests and expectations gathered through

daily interactions, operational strategies and policies. We have set these themes to adequately fulfill our social responsibility as an excellent global corporation to realize sustainability = *kyosei*.



The Environment

Materiality Themes to Achieve *Kyosei*



Technological Innovation

▶ P. 13



**Promoting Environmentally
Conscious Management**

▶ P. 17



**Creating a Corporate Culture
and Supporting a Diverse
Workforce**

▶ P. 23



**Promoting Social and
Cultural Contributions**

▶ P. 27



**Strengthening Corporate
Governance and Compliance**

▶ P. 31

Using Stakeholder Opinions to Determine Materiality Themes

Materiality Theme Concepts

We have revised the themes to reflect stakeholder opinions.

Canon is advancing five materiality themes to achieve sustainability, *kyosei*, by considering the Company's business strategies and policies in light of themes based on stakeholder interests and expectations gleaned from and identified in daily dialogue with stakeholders. To increase objectivity in activity theme selection, we determined the five materiality themes by administering a questionnaire-

based survey to stakeholders outside the Company in January and February 2009.

This survey leaned heavily towards environmental conservation. Under the section on sound growth in 2008, environmental activities such as global warming countermeasures were reported as the promotion of environmentally conscious management.

Overview of Questionnaire Survey

We used two survey questions to determine the five materiality themes.

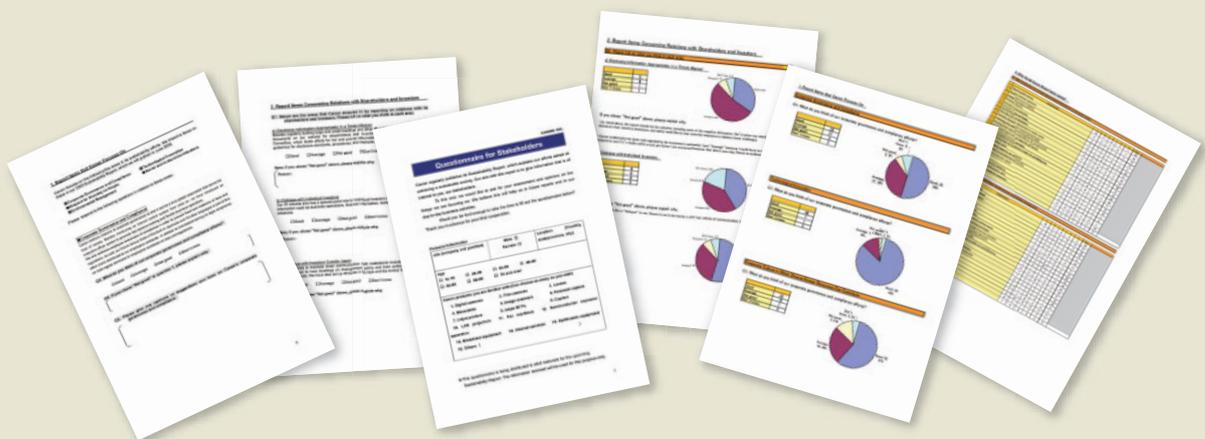
The questionnaire consisted of two main questions.

The first question asked the respondents to select the five themes they thought Canon should emphasize at present and over the mid- to long-term from among those based on stakeholders' interests and expectations (see page 9). "Mitigating global warming" was the most popular theme among respondents. Other top-ranking themes included "nurturing human resources responsible for the next generation" and "developing technologies and products that enrich lives." Comparing present and mid- to long-term materiality themes, present themes included "managing chemical substances" and "disclosing information appropriately in a timely manner," while "spreading primary education" was a noteworthy mid-term theme. We were also able

to confirm the appropriateness of such themes as "technological innovation" and "creating a culture and systems to support diverse human resources."

The remaining survey questions introducing Canon's activities on each of the five materiality themes in 2008 asked respondents to rate these activities as "good," "average," "poor" or "not sure," with only 6% of responses indicating "poor."

- **Survey method:** questionnaire
- **Respondents:** 59 consumers, suppliers, investors, analysts and members of NPOs and NGOs, living in Japan, the Americas, Europe and Asia
- **Survey period:** January to February 2009



Approach to Media Use in Sustainability Reporting

Starting in 2009, we will include materiality themes and reporting on all activities relating to our pursuit of sustainability on our website.

To promote communications with its stakeholders, Canon has until now covered measures to realize a sustainable society primarily in its brochure.

Starting in 2009, we decided to cover the materiality themes, which are areas of great interest to stakeholders and emphasized by the Company, in this brochure, and post

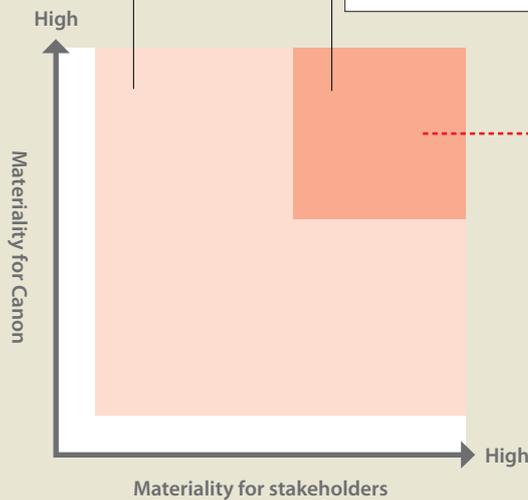
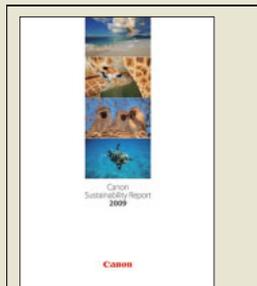
systematic and comprehensive information on the CSR portion of our website in response to the wide variety of other stakeholder interests and requests. The website includes coverage of the materiality themes and all other sustainability-related information.

Sustainability Report (Website)



 canon.com/environment

Sustainability Report (Brochure)



Materiality Themes to Achieve *Kyosei*

Technological Innovation

▶ P. 13

Promoting Environmentally Conscious Management

▶ P. 17

Creating a Corporate Culture and Supporting a Diverse Workforce

▶ P. 23

Promoting Social and Cultural Contributions

▶ P. 27

Strengthening Corporate Governance and Compliance

▶ P. 31

Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2008 (January 1 to December 31, 2008).

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 2007 and beyond 2009 is referenced in this report. Information that is specific to a region or organization is indicated.



Technological Innovation

Now and Forever—Contributing to Society through Creative Technologies

Since its founding, Canon has contributed to society through 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. New technologies enable us to lower our burden on the environment and strengthen security management, while helping customers to solve their sustainability issues and fulfill their social responsibilities. As we bolster product and service usability and accessibility, we aim to remain our customers' partner of choice.

Stakeholders' Opinions

- "At any rate, I would like to see Canon differentiate itself from other companies by focusing on product technical development." (Asian consumer)
- "I expect Canon technology to significantly contribute to society in developing nations." (Japanese investor)
- "We want Canon to show particular concern for the burden of product manufacturing on energy and resource consumption and the environment." (European citizen organization)

New Value Proposition Based on Proprietary Technologies

PIXMA MP630 High-Performance MFP, Combining Fun and Practicality

The image quality and convenience of inkjet printers and multifunction printers has helped to facilitate the transition to a new world of digital photography. Not only do they create beautiful prints, they also print and copy all types of media including documents, postcards, labels, DVDs and CDs, and play an integral role in our daily lives.

Canon has realized radical improvements in inkjet printer quality and speed through its proprietary high-density print head technology, FINE (Full-photolithography Inkjet Nozzle Engineering). Providing a product with a refined design, compactness for interior use and ease of operability has earned Canon the lead in the digital photography printer market.

We commenced sales of the MFP PIXMA MP630 during 2008. A newly developed dye ink provides a broader color reproduction range than conventional inks. This new printer using pure photographic paper achieves album storage stability of 300 years or more.* Moreover, it is equipped with highly convenient practical functions such as frontal paper feed and automatic duplex printing, in a compact body with an 11% volume reduction compared with its predecessor, the MP610. While increasing functionality, the PIXMA MP630 pursues sustainability by conserving resource use.



The PIXMA MP630

* When printing on Canon's gloss "Professional Grade" photographic paper for storage in a dark place using a film-encapsulated album. Estimates are calculated according to standards established by the Japan Electronics and Information Technology Industries Association, and published in their Digital Color Photo Print Stability Evaluation (JEITA CP-3901).

Providing Universal Visual Expression through the EOS 5D Mark II Digital SLR Camera

Since the advent of photography in the 19th century, mankind has pursued new imaging technologies in its drive to capture more exquisite and beautiful images. Digital single-lens reflex (SLR) cameras, the cutting-edge products in digital photography, have become the mainstay of imaging.

Canon has always been prominent in digital SLR cameras. In 2008, we launched the EOS 5D Mark II, featuring a 35mm full-frame 21.1-megapixel CMOS sensor, next-generation DIGIC4 image processors, and a greater ISO 100–6400 range. Advanced settings enable extended ISO50, 12800 and 25600 modes, broadening the world of photographic expression.

While attaining new levels of picture quality, the new model enhances convenience with high-speed photography and continuous shooting. It is also the world's first digital SLR camera that enables movie recording with a full-frame HD mode (1,920 x 1,080 pixels, 30 frames/second). These features open up completely new possibilities in visual expression.



The EOS 5D Mark II



Developing Revolutionary Technologies for Smaller, Higher-Capacity Hard Disk Drives

Hard disk drives are indispensable in today's IT-oriented society. However, problems with high-density recording have made the development of smaller and higher-volume disks a key issue impeding the progress of our information-oriented society.

Against this background, Canon ANELVA has cooperated with the National Institute of Advanced Industrial Science and Technology and Osaka University in a development project using magnesium oxide as the tunnel barrier in the magnetic head that resulted in a tunnel magnetic resistance (TMR) element, creating products with a memory capacity exceeding 200 gigabits per square inch, compared with a ceiling of 20 gigabits per square inch in former hard disk drives. Research is progressing to push this figure to 500 gigabits and beyond.

This development has made easily carrying around large amounts of data on mobile electronic devices a possibility. For example, this innovation boosted the HDTV memory capacity of compact mobile devices from several hours to several dozen hours. In addition to improving the technical performance of PCs and servers, this innovation will contribute to new network services such as high-speed on-demand delivery of high-definition video data.

As a result of this success, in 2008 the project was honored at the 6th Industry–Academia–Government Collaboration Contribution Awards* with the top accolade—the Prime Minister's Prize.

This research was cited as historical in a written address by the winners of the 2007 Nobel Prize in Physics—a testimony to the global acclaim of this project.



Sputtering equipment used to manufacture super high density HDD magnetic heads

* Industry–Academia–Government Collaboration Contribution Awards

A system of awards for persons of merit for examples of good practice in attaining important results through industry, academia and government collaboration activities involving universities, public research institutions, private companies and similar organizations. The awards are given at the Business–Academia–Government Collaboration Summit, hosted by the Cabinet Office; the Ministry of Internal Affairs and Communications; the Ministry of Education, Culture, Sports, Science and Technology; the Ministry of Economy, Trade and Industry; Nippon Keidanren and the Science Council of Japan.

Promoting R&D with a Clear Focus on the Future

In pursuit of sustainable growth and as a future business domain, Canon focuses significant effort on the R&D of advanced next-generation technologies that will support future societies. Target technologies include “Super Machine Vision,” which enables detection that is far more accurate than the human senses, and medical imaging, which contributes to the very early detection of disease. We continue our efforts to pursue R&D with a long-term perspective through collaborative projects with the world's leading universities and other institutions.

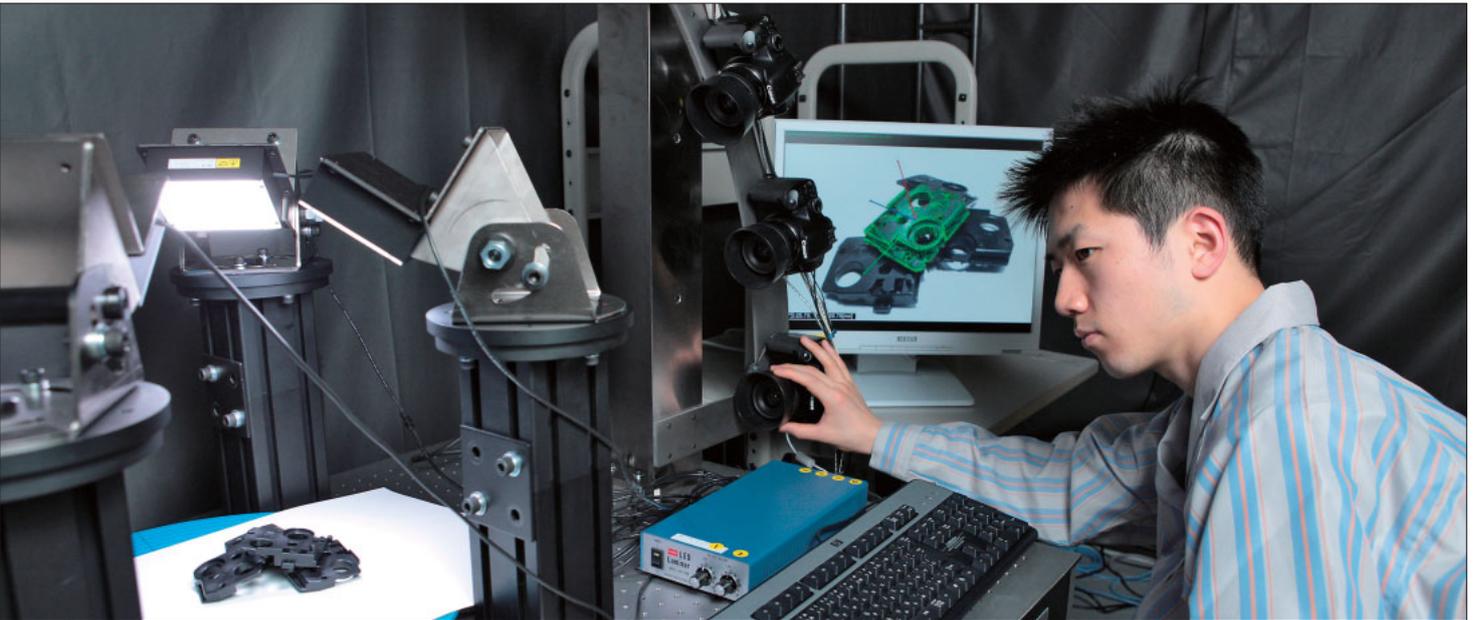
Development of Robot Vision Technology with Detection Accuracy Exceeding Human Sight

As a leading imaging company, Canon is perpetually forging ahead to create new domains through its R&D. We refer to one major part of our imaging R&D as “Super Machine Vision.” This is our drive to create a new form of vision that expands and improves on human vision, which is regarded as 75% of people's total sensory perceptions.

The focus of our research is “sight” for industrial robots and other applications. Currently, we are advancing with the development of robot vision technology that facilitates three-dimensional positional measurement. Through high-speed, precise 3D data imaging and detection of diverse physical objects, we are now targeting the realization of a practical and general-purpose system that can be used in the manufacture of various products.

An intelligent camera driven by Canon's advanced imaging and image recognition technologies forms the core of our robot vision technologies. This, for example, fulfils the role of the eyes and brain of the robot carrying out assembly of parts in the production process. We are promoting R&D to realize high-resolution, high-speed 3D measurement for parts made from various materials so that the robot can be applied to a broad range of production facilities.

Super Machine Vision technologies are expected to find diverse applications, as the “eyes” in future advanced monitoring systems and robots that support people's lifestyles, in addition to facilitating increasingly sophisticated automated production lines.



Industry–University Cooperative CK Project Targets Practical Application of Advanced Diagnostic Technologies

The progress of preventative medicine through health information and very early detection and treatment of diseases, while raising lifestyle quality, has heightened the social importance of reducing healthcare expenses.

To meet these needs, Canon has established medical imaging as a new business domain. As part of this drive, in 2006 the Canon-Kyoto University Cooperative Research Project (CK Project) was inaugurated. Our objective was to conduct R&D focused on next-generation diagnostic devices to visualize pathology in its very early stages with minimal physical burden. This project, a planned 10-year R&D program fuses Kyoto University's outstanding research performance in such areas as medicine, engineering and information studies with Canon's accumulated imaging

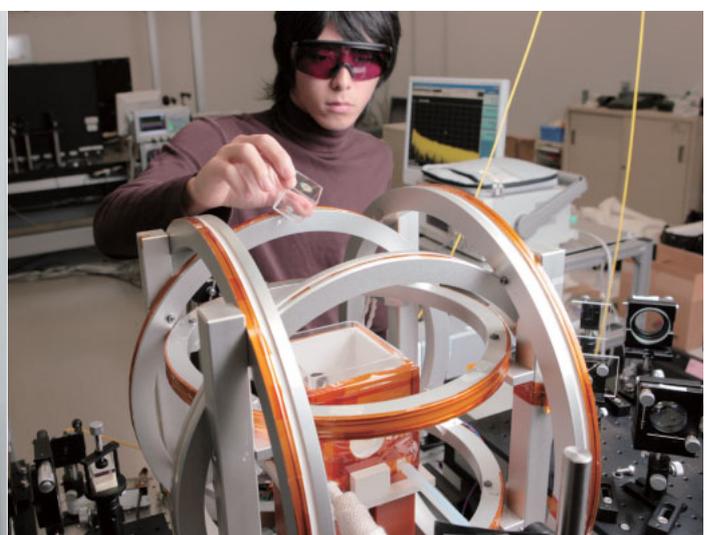
expertise. Cutting-edge medical imagery diagnostic field R&D includes focuses on optical imaging, ultrasound, and magnetic measurement, as well as molecular probes.

Canon's vision for innovations in the next 10 years embraces ultra-early detection, which enables the discovery of diseases or disease predictors at an earlier stage than is possible through current diagnostic technologies and can thus lead to earlier treatment. The very early detection of diseases would not only dramatically enhance the likelihood of complete recovery, but also lessen the impact on family members and other people in the patients' lives.

In the future, we believe that the practical application of medical diagnosis technologies will make a tangible contribution to the quality of people's lives.



CK Project laboratory (Kyoto University Hospital)



Magnetic sensor R&D on the CK Project



Kanino Mori (Crab Forest) at Oita Canon Material

Promoting Environmentally Conscious Management

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

Preserving the global environment involves preservation of life on Earth. The Canon Group Environmental Charter, the foundation of our environmentally conscious management, is based on this concept. We seek to maximize resource efficiency, in other words, greater value with fewer resources, so that life on Earth can continue to thrive. Environmentally conscious management is the unification of management and environmental activities and an important initiative from the perspectives of management quality improvement and corporate social responsibilities. We are advancing initiatives under the Canon Environmental Vision to shore up our efforts.

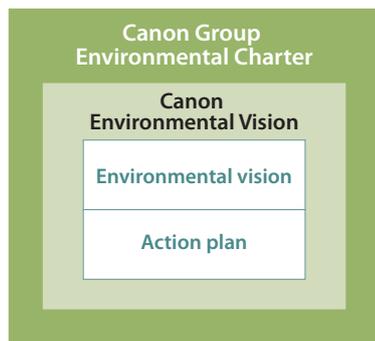
Under this vision, through technological innovation and improved management efficiency Canon aims to achieve highly functional products with minimal environmental burden, thereby realizing a society that promotes both enriched lifestyles and the global environment.

Stakeholders' Opinions

- "Through the unification of environmental activities and technological innovation, I want Canon to adopt the 'cradle to cradle' philosophy into their product concepts." (European investor)
- "I want Canon to conduct more research into groundbreaking technologies like biomass plastics that are linked to the reduction of CO₂." (Japanese NGO)
- "Canon has a significant responsibility to try and develop products that incorporate environmentally conscious design." (European consumer)

Pursuing Environmental Vision at All Stages of the Product Lifecycle

To realize our environmental vision, we look at the entire product lifecycle, with the basic policy of expanding our efforts along with those of our customers and business partners, at all three stages—Produce, Use, Recycle—we attempt to reduce the burden on the environment through the initiatives of global warming prevention, the efficient use of resources and the elimination of hazardous substances. To move these initiatives forward systematically, Canon separated the three stages into five phases and establishing an action plan to denote the scope of activities in each phase. At present, as we execute these plans we are also dealing quickly with changes in the management environment while advancing the formulation of a method of management to detail activity progress.



Canon Environmental Vision

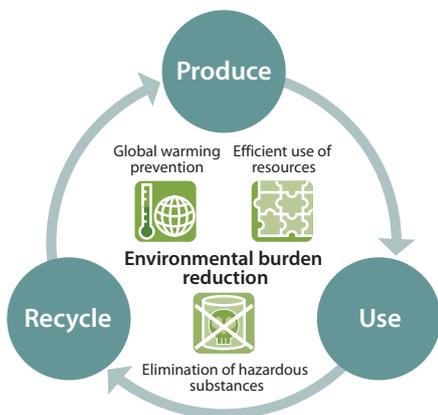
Action for Green

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.



Laser printer with on-demand color fixing technology



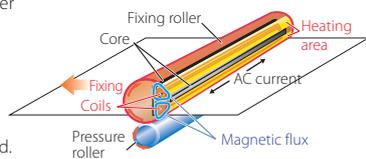
Points of Connection between Our Vision and Our Actions

1 Maximizing Resource Productivity through Technological Innovation

We seek to achieve highly functional products with minimal environmental burden, without causing hardship for our customers, based on the ideal we have had since our founding: maximizing resource efficiency by producing greater value with fewer resources. We also strive to ensure technological innovation at each of the three lifecycle stages: Produce, Use and Recycle.

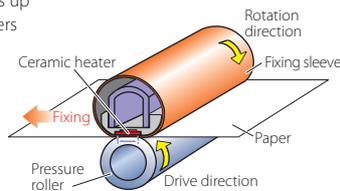
Induction Heating (IH) Fixing Technology

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



On-Demand Fixing Technology

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



2 Reducing Environmental Burden through Improved Management Efficiency

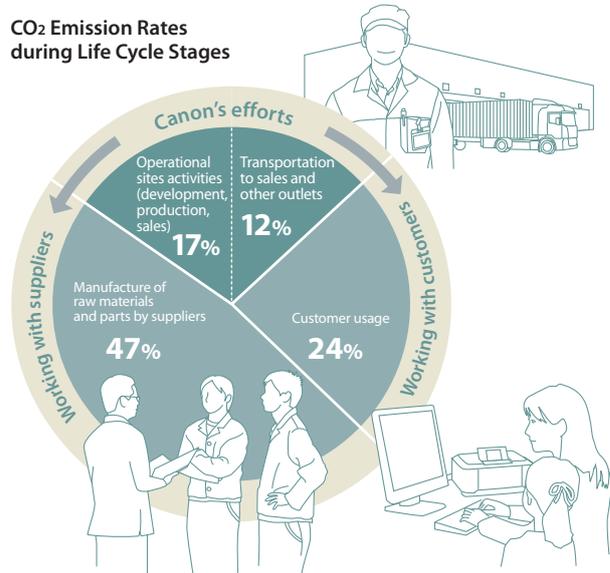
Canon views management efficiency initiatives, such as production facilities and systems innovation, and the elimination of waste in goods in progress, inventory and space, as belonging in the same category as efforts toward improved energy-efficiency and environmental burden reduction. We therefore actively engage in management efficiency initiatives.

3 Moving Forward Together

Of Canon's 2008 CO₂ emissions of 6,540,000 tons, 71% occur during the materials and parts manufacturing process, use of Canon products by consumers and recycling. Therefore, attempting to bring about a major advance in CO₂ emissions reduction requires joint efforts with our suppliers and customers.

Consequently, we seek not only to offer our customers highly energy-efficient products, but also work to ensure that customers know how to use our products in a way that brings about the benefits such performance. Similarly, we assist our suppliers in applying our wealth of production know-how to eliminate waste.

CO₂ Emission Rates during Life Cycle Stages



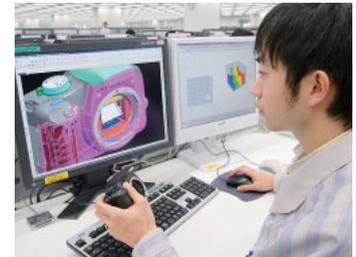
Cell production systems improve productivity and reduce environmental burden (Canon Vietnam)



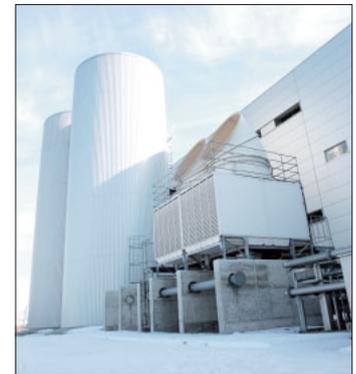
Strengthening communication through visits to supplier sites (Canon Vietnam)

Action Plan

 Produce	
Raw Materials	
Reducing CO ₂ from raw materials/procured goods	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Promote ultra-compact, lightweight, easy-to-use designs • Promote use of materials with low environmental impact and designs with recycling in mind • Reduce waste in accessories, packaging materials, etc.
Handling of hazardous substances in procured goods and legal compliance	<ul style="list-style-type: none"> • Expand green procurement; enhance environmental data management systems • Instill confidence by strengthening compliance systems
Production	
Reducing CO ₂ at operational sites	<ul style="list-style-type: none"> • Reinforce energy-saving production technologies; promote installation of energy-saving production facilities • Improve production efficiency through thorough management of energy use • Use energy sources with less environmental burden
Resource efficiency at operational sites	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Strengthen management systems for regulated chemical substances • Employ preemptive development and use substitute substances
Logistics	
Reducing CO ₂ during distribution	<ul style="list-style-type: none"> • Shift to modes of transportation with less environmental impact (modal shift) • Reduce waste in transport distances, loading methods, and distribution processes
Improving packaging processes	<ul style="list-style-type: none"> • Simplify packaging through improved technologies and product strength • Increase packaging efficiency through the use of returnable packaging • Optimize localized kitting



Product development using 3D-CAD



Promoting energy conservation through high-efficiency operation using predictive controls in heat accumulator-type air conditioning



Rail shipment in Europe

Use

Usage

Reducing CO₂ during use

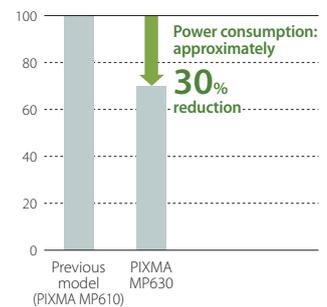
- Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc.
- Minimize energy loss during use through energy-saving technologies
- Introduce ECO-use support technology (ECO mode, ECO switch)



Usage proposals to customers (ECO Navigation)

- Propose equipment settings and usages that balance convenience and environmental performance
- Create a “green market” by improving interface technologies that display environmental impact during product use

PIXMA MP630 inkjet MFP reduced power consumption rate



Improving product value during use

- Promote disclosure of product environmental information
- Promote both energy efficiency and improved imaging value



Product environmental performance details are on the website

Recycle

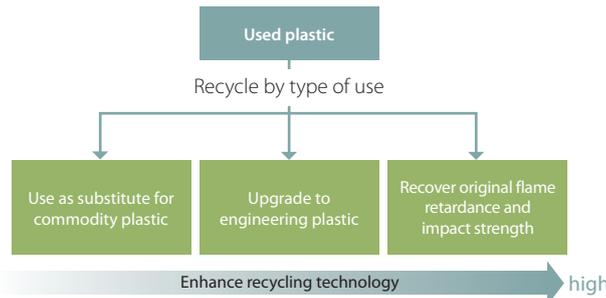
Recycling

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



Incorporating Action Plan Initiative Results into Products

Through activities that take into consideration the entire product lifecycle, Canon aims to create products that are industry leaders from an environmental standpoint. As more people purchase our products, the environmental burden is reduced at the product usage stage, leading to a reduced environmental burden over the product lifecycle.

Produce

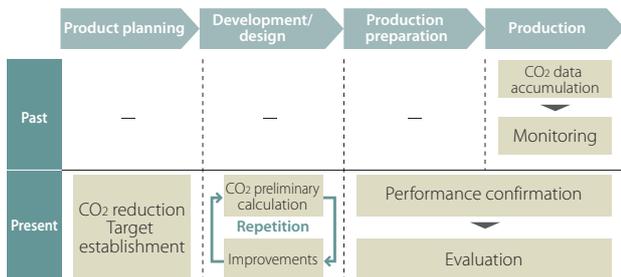
World's First Biomass Plastics with Highest Level of Flame Retardance

The biomass plastic jointly developed by Canon and Toray Industries, Inc., is the first such plastic to receive the highest level for flame retardance,* suiting it for use in exterior plastic parts. Canon intends to expand the range of uses for biomass plastic.

*This jointly developed plastic is the only biomass plastic in the world to achieve 5V classification under the UL safety testing (UL94) program. (As of October 1, 2008)

Reduced Cost and Environmental Burden via New Design Methods

The achievement of our CO₂ reduction goals are facilitated by calculating the cost and CO₂ emissions volume for each part at the design and development stage.



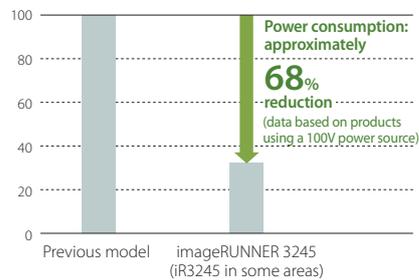
Implementing, with Suppliers, Hazardous Substance Measures that Surpass Legal Requirements

Canon actively strives to use raw materials that do not contain regulated substances, even on products and parts that are themselves not subject to these regulations. In such ways, we work with suppliers to go beyond legal requirements. Going forward, we plan to expand the scope of these efforts.

Use

Advancing Energy-Saving Technology Reduces Power Consumption

Canon has developed various energy-saving technologies, starting with copying machines and other equipment with on-demand fixing and IH fixing technologies, which are linked to lower power consumption.



Recycle

The Optimal Use of Recycled Plastics

We employ various recycling processes to treat collected plastic appropriately for the products in which it is used. For example, the plastics used in such products as calculators can be processed as commodity plastics. Treatments that upgrade recycled plastics to engineering plastics are needed for use in products that require such properties as flame retardance.

In 2008, the infusion of a special additive to deteriorated plastic during the recycling process resulted in a recycled plastic with the same level of impact strength and flame retardance as in new products.



Calculator that uses recycled plastic (from the exterior cover of a copying machine)



Biomass plastic pellets with highest level of flame retardance



Promoting green procurement with suppliers



Training in oscilloscope measurement techniques at Canon Vietnam

Creating a Corporate Culture and Supporting a Diverse Workforce

Developing Skills and Work Options for Our Diverse Workforce

For a company to continue operating in a harsh economic climate, it must employ 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, respect for human dignity, which includes ambition, responsibility, and mission. We also remain true to the guiding principle expressed in the "Three Selves," comprising self-motivation, self-management, and self-awareness. At the same time, the Company focuses on cultivating human resources, enabling diverse work styles for individual circumstances and establishing fair and impartial performance evaluation methods.

Stakeholders' Opinions

- "As an industry-leading company, I would like to see efforts to cultivate next-generation human resources from a long-term perspective." (Japanese consumer)
- "It is good to see provisions for education, support for working women and other initiatives. I would like to emphasize the effects of these endeavors." (U.S. investor)
- "Respect for people and caring treatment of employees are integrally linked to corporate growth. I think that Canon's is a fantastic corporate culture." (Asian consumer)

Efforts toward a Work-Life Balance

Canon's tradition of the "Three Selves," "Familialism," and "Health First" date back to the Company's foundation. These have been handed down from the Company's first president, who was also a doctor. Canon is implementing broad-ranging measures to achieve a work-life balance for all of its employees so that they can work vigorously while respecting their own lifestyles and life stages.

Work-Life Balance Promotion Model Project

The Work-Life Balance Promotion Model Project, which started in 2008 and is sponsored by Japan's Ministry of Health, Labour and Welfare, chose 10 companies to advance the work-life balance by disseminating these companies' efforts. Canon Inc. is participating as one such model company.

Among Japanese corporations, Canon Inc. was one of the first to emphasize work efficiency, and to implement a complete switchover to a five-day work week and shorter hours. The Company will use its participation as an opportunity to advance efforts toward work-life balance in the hope of realizing a society that blends work with personal lives.

Working Patterns Geared to an Active, Diverse Staff

Canon Inc. has introduced various systems to support the diverse working patterns of employees.

For example, for staff involved in raising children, we operate a childcare leave system in excess of legal stipulations in addition to reduced work hours and support programs for those taking leave. Furthermore, Canon deploys pregnancy-support systems, including maternity leave to protect the health of pregnant women, a fertility treatment-leave system and a fertility treatment cost-assistance program.

In 1977, Canon Inc. became one of the first companies in Japan to set its retirement age at 60. We also implemented systems for extending the retirement age and reemployment after retirement. In 2007, we raised the upper limit for reemployment after retirement to 65, and as of December 31, 2008, 277 reemployed personnel were working at Canon. These Canon veterans draw on their experience and expertise to foster junior engineers and serve as consultants for production operations.

Day-Care Facility Available to the Local Community

As more women advance in society and the population concentrates in urban areas, the increasing number of children on waiting lists to enter day-care centers has become a social issue in Japan.

In January 2009, Canon Inc. established Poppins Nursery TAMAGAWA adjacent to Canon's headquarters as a day-care facility authorized by the Tokyo Metropolitan Government. The day-care center is operated in cooperation with Poppins Corporation, which provides a wide array of childcare services. Our day-care services are also offered to the neighborhood community to support parents' ability to work while raising children. In this way, we can serve local society by ensuring a community where children have healthy upbringings.



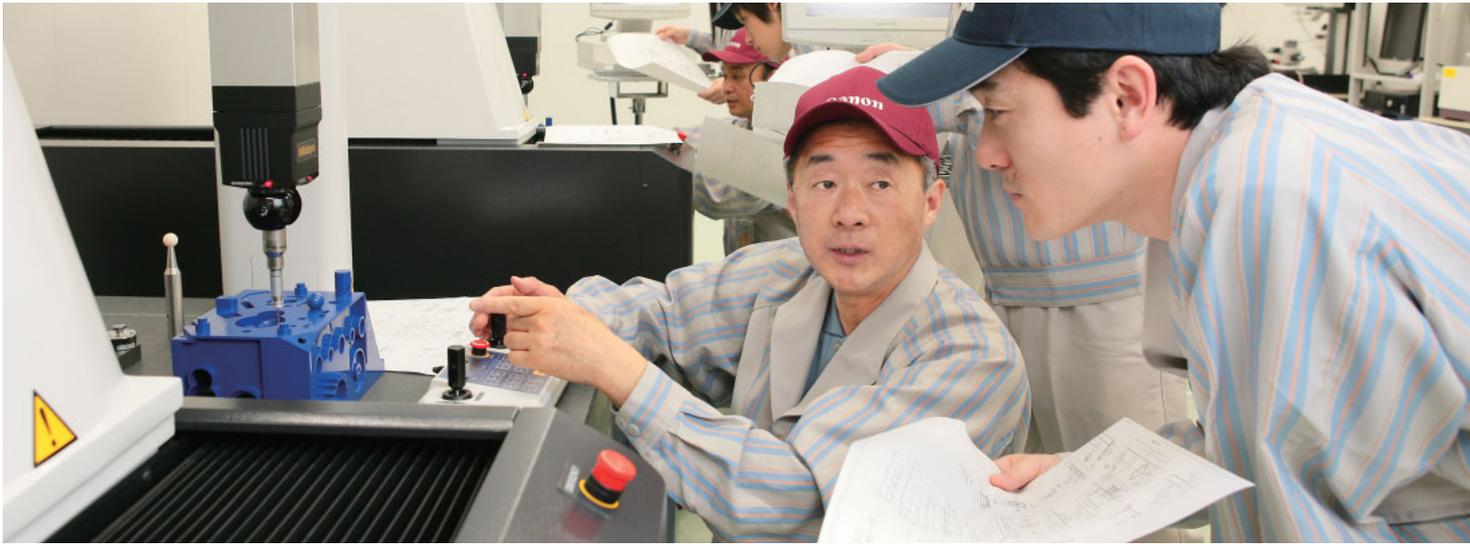
Poppins Nursery TAMAGAWA

Canon Bretagne (France)



Developing Human Resources from Diverse Perspectives

Manufacturing technology is the primary factor differentiating manufacturers. Cultivating personnel versed in the technologies and expertise that support this craftsmanship hones a company's competitiveness and is vital to the sustainability of society. Accordingly, Canon treats craftsmanship as an important corporate focus. We are striving to ensure that every employee optimizes his or her skills, while creating opportunities to bolster motivation and cultivate a creative, productive workforce that meets the needs of society.



Training in 3D measurement

Skill Training Facilities to Develop Production-Related Human Resources

In April 2009, Canon opened new skill training facilities in the city of Oita. Equipment includes board-mounting devices, lathes, milling machines, grinders for lens processing, plastic molding machines, automated control devices and other manufacturing equipment. In the future, we plan to run courses related to production, in addition to training programs for board mounting, processing of all types of parts and practical training using robots.

We will use these new training facilities to raise the baseline production capacity and skill levels of employees, and will take on trainees from educational institutes and other bodies from outside the Group to reinforce the facility's role as a hub for regional contributions.

Hiring, Education, and Training of Motivated People

In 2008, Canon Virginia Inc. of the United States opened the Canon Workforce Development Center (CWDC) in Newport News, Virginia, to develop equipment operators and technicians. One feature of the center is its education and training system coordinated with Thomas Nelson Community College. The system enables new recruits at Canon Virginia to acquire necessary job skills at university while earning income.

The system is being praised for supporting motivated employees while maintaining stable living conditions.



Production skills training facilities in Oita



Training at the Canon Workforce Development Center

Skill-Building for Young Technicians through Competitions

The Skills Competition is an opportunity for the young technicians who will be responsible for the next generation to compete in production-related events. The Japanese competition takes place annually and a global version is also held. The event features competitions in machine assembly, trimming dies and precision instrument assembly, with achievement levels rising year by year.

Canon has participated in two competitive areas since 2004: mechatronics and CNC milling. In the 45th National Skills Competition held in 2008, we took our first gold medal in the CNC milling category. The emergence of a first national champion at Canon has fired the motivation at our manufacturing workplaces, opening up opportunities for learning higher skills and new technologies.

In 2008, Canon established a department within the Manufacturing Training Center to develop contestants in the Skills Competition. We will remain focused on nurturing human resources involved in production through the Skills Competition.

Center for Optical Research & Education at Utsunomiya University to Cultivate Engineers

Optics technology is essential in many front-line areas of modern society. These range from cameras, lenses and similar devices to telecommunications, semiconductor fabrication and medical diagnostic equipment. However, Japan has had no organization or institute that systematically carried out optics-related education and research until recently.

In 2007, Canon cooperated with Utsunomiya University to establish the Center for Optical Research & Education (CORE) as an onsite optics education and research organization at the university. Utsunomiya is the site of one of Canon's optics bases. Endeavoring to be a world-class training and research institute, CORE administers systematic education relating to optics technologies. With a view to cultivating human resources, Canon provides overall support to the center by helping to fund the Center's activities, dispatching Canon optics engineers as instructors and making other contributions.



Intense competition in the CNC milling category of the Skills Competition



The Center for Optical Research & Education at Utsunomiya University



Students of Canon Hope School

Promoting Social and Cultural Contributions

Aiming to be admired and respected worldwide, we are promoting social and cultural support activities based on *kyosei*.

Canon seeks to be admired and respected worldwide. In every region where we operate, we fulfill all tax obligations and other social responsibilities. Based on our philosophy of *kyosei*, we support community-oriented social and cultural activities throughout the world. In all of these endeavors, Canon emphasizes building relationships of trust with stakeholders, while assessing the needs and issues of communities in order to make social contributions from a medium- to long-term perspective.



Stakeholders' Opinions

- "Returning a portion of profits to society is a long-term investment in building a better world. It also contributes to creating corporate value for Canon." (Japanese investor)
- "I have great hopes that in the future the activities of the Canon Institute for Global Studies will extend beyond social contributions through charities." (U.S. public institution)
- "Responding to global problems is important, but I also want the Company actively to carry out activities on a local basis." (Japanese consumer)

Broad-Ranging Promotional Measures in Six Areas

Canon is conducting its social and cultural support activities globally by focusing its management resources on the following six areas: humanitarian aid and disaster relief; conservation of the environment; social welfare; local communities; education and science; and art, culture and sports.



Hirokazu Yokoyama of Yokoyama Seiwado carries out Kyoto picture framing and mounting as part of the TSUZURI Project on National treasure Sansui Chokan by Sesshu in the collection of the Mohri Museum

The TSUZURI Project—Preserving and Promoting Public Access for Important Cultural Assets

Japan's pictorial arts, such as decorative folding screens, sliding doors and picture scrolls, have been handed down throughout history and are acclaimed worldwide. These cultural assets have to be protected against heat, humidity and light. However, unfaltering adherence to strict storage conditions prevents access to the public and wider appreciation of the value of these masterpieces. To maintain a balance between these two, Canon and KYOTO CULTURE ASSOCIATION (NPO) are jointly promoting the TSUZURI Project (formally, the Cultural Heritage Inheritance Project).

Canon contributes to this venture through its digital imaging technologies, which provide consistency from input through image processing and output, using the Company's digital SLR cameras, color-matching systems, large-format inkjet printers and other products. These technologies are

deployed in conjunction with such traditional artisan skills as gold leaf coating, gilt painting and other mounting techniques to create high-resolution duplicates of decorative folding screens, sliding doors and other cultural treasures.

In February 2009, we completed five pieces as part of the second phase of the TSUZURI Project. These included the celebrated Sansui Chokan (Longer Landscape Scroll) by Sesshu (1420–1506) and Unryuzu Fusuma ("Dragon amid Clouds" sliding door) by Kaiho Yusho (1533–1615). By applying Canon's proprietary high-precision color-matching system, production times were cut drastically for these works, while achieving faithful color representation of the originals.

The completed duplicates can be used to facilitate public appreciation and education at museums, shrines and temples at which their displays are entrusted, and the originals can be kept in enhanced storage environments. As a result, Japan's cultural assets can be preserved, while creating opportunities for mass viewing.

Printing using a Canon large-format inkjet printer (in collaboration with Nakanuma Art Screen)



Supporting the Establishment of Canon Hope Schools for Children in China

Through financial and other assistance, the Project of Hope is an initiative that improves the educational conditions and facilitates the return to schooling of children outside the education system in China, where the education of the younger generation is a social focus. The China Education Foundation, a nonprofit organization, runs the project, which Canon Dalian Business Machines has supported since 1995.

In 2007, Canon (China) Co., Ltd., established three Canon Hope Schools, in Huabei, Huadong and Huanan, and instigated the Help us Help project. The schools in Huabei and Huadong were completed in September 2008, with the first pupils beginning lessons in their new facilities in October. Construction of the Huanan school is scheduled to be finished in 2009. Canon China also provided the Hope Schools with books, desks, chairs, and sports and other equipment, and employees promote exchange activities through practical training in photography and print technology and hosting such events as photo exhibitions.

Supporting Activities to Save Children from Danger and Crime

The National Center for Missing & Exploited Children (NCMEC) of the United States is a non-profit organization whose mission is to help prevent child abduction and sexual exploitation; help find missing children; and assist victims of child abduction and sexual exploitation, their families, and the professionals who serve them. NCMEC has grown its recovery rate for missing children to 96%.

Canon U.S.A. has served as a corporate partner to NCMEC since 1997 by making financial contributions and supplying the digital and video cameras and OA equipment to law enforcement who use this equipment in investigation activities. Furthermore, through Canon 4 Kids activities, we provide various other forms of assistance, such as placing photos of missing children in magazines and other media. We are involved in similar activities to support Child Find Canada, such as providing the organization with Canon products.



Pupils attending a Canon Hope School



The proceeds from kites sold in-house by Canon U.S.A. during 2008 were donated to promote NCMEC's activities.

Partnering with the Red Cross in Europe for Youth Education and Support Projects

In 2006, Canon Europe Ltd. signed a formal partner contract with the Red Cross, the world's largest humanitarian organization. The company is actively cooperating on the Youth Education and Support Project, which is being conducted by 13 Red Cross organizations across Europe and is expanding the scope of these activities.

For example, the French Red Cross is carrying out a program to publicize the principles of International

Humanitarian Law (IHL) relating to the protection of war victims and related issues among the 10–19 year-old age group. To enhance participants' problem recognition in a very tangible way, they experience being prisoners of war and rescue teams through simulation games, which in turn deepens their understanding. Canon also assists in training instructors and facilitators for these programs.



Support activities for the Youth Education and Support Project
© Swiss Red Cross



International Humanitarian Law lecture at the Université de Paris

Establishing Two Institutes that Contribute to International Society

In 2008, we formed two institutes to contribute to global society: the Canon Institute for Global Studies and the Canon Institute.

The Canon Institute for Global Studies—Overcoming Global Issues

In these times of growing economic uncertainty, the world faces numerous challenges, such as food crises, shortages of natural resources and environmental issues.

The Canon Institute for Global Studies investigates, analyzes and studies political, economic and social issues from a global perspective, and disseminates its opinions, information and policy proposals worldwide.

Key research areas include macroeconomics; natural resources, energy and the environment; and foreign affairs and national security. The institute carries out these activities with a view to contributing to global development.

The Canon Foundation—Supporting Academic Research in Science, Technology and Culture

The Canon Foundation was established to contribute to the realization of sustainable prosperity and human happiness by supporting researchers, academics and organizations that devote themselves to work in various fields of science and technology, and cultural matters.

The Canon Foundation has two grant programs. One involves grants for research in involving basic technologies that are vital to the future of mechanical, optical, IT and other industries; and the other involves grants for interdisciplinary projects that are related to new scientific frontiers, welfare or sustainability.



Compliance cards are carried worldwide

Strengthening Corporate Governance and Compliance

Fulfilling Our Obligations as a Global Corporation

At Canon, enhancing corporate governance and compliance are foundations underlying its business activities. Corporate scandals, violations of laws and ordinances, and problems with product quality diminish trust and cause great inconvenience and confusion for our customers and the market. To avoid such events, Canon introduced an internal control system early on, and the Company carries out compliance activities to prevent fraud. We remain committed to fulfilling our obligations as a global corporation by continually strengthening these systems.

Stakeholders' Opinions

- "These days, corporate management must take a serious view of its social responsibility as a corporate citizen. We require a corporate governance structure that is adequately aware of internal affairs." (Japanese NGO)
- "They are one of the few corporations that prevent impropriety through enhanced internal controls and a thoroughly maneuverable management." (U.S. investor)
- "I think measures for protecting employees who make suggestions or complaints are important." (U.S. customer)

Specific Measures for Fostering a Climate Conducive to Independent Action

In 2008, Canon actively conducted seminars on regional regulations all over the world. The activities were designed to raise each employee's awareness of the importance of ongoing compliance and personal information protection efforts. The activities incorporated creative ways of raising awareness and understanding, such as meetings in the workplace, e-learning and creative and original educational materials. Canon also conducts initiatives to enhance compliance at Group companies including e-learning and training programs.



Global product laws seminar



E-learning at Canon U.S.A.

Integrating the PDCA Cycle into the Activities at All Workplaces Biannually through Compliance Weeks

Since 2004, Canon Inc. has had a Compliance Week twice a year, during which the Company conducts activities to deepen employees' understanding and awareness of legal compliance and corporate ethics. For our 10th Compliance Week in 2008, we revised the contents with consideration for the PDCA cycle with the aim of achieving a new phase that would lead to practical applications of compliance at each workplace.

Specifically, employees performed a comprehensive check of their activities to uncover any problems or potential risks overlooked in their daily work. Meetings were then held based on these findings, and measures toward resolutions were decided. Efforts on these measures continue even after Compliance Week, and periodic status checks were carried out. The results will be verified during the next Compliance Week, where they will be used to determine new issues and countermeasures.

Workplace meeting during Compliance Week



E-learning for All Employees to Ensure Protection of Personal Information

In 2008, Canon Inc. administered to all employees e-learning courses on personal information protection. The courses used educational booklets and leaflets for employees without access to a computer, and supplementary classes were held for employees unable to participate for a variety of circumstances. In this way, we provided opportunities for every employee to participate, resulting in approximately 27,000 graduates so far.

We also created educational materials for e-learning courses in line with the JISQ15001 standard for Privacy Mark certification. We are customizing these materials as we successfully introduce e-learning at Group companies in Japan.

In 2009, we will review the training content to refine the practical applications as we raise awareness and thoroughly educate all employees about protecting personal information.

	<ul style="list-style-type: none"> • Governance Structure • Auditing • Business Continuity Planning • Special Committees Activities • A Shared Compliance Awareness • Compliance Promotion System • Canon's Compliance Hotline and Monitoring • Employee Compliance Awareness • Compliance Training • Approach to Security • Protecting Personal Information • Trade Secret and Technology Outflow Prevention Management • Complying with Security Trade Control • Information Security Management Structure • Prevention of Information Leaks and Employee Awareness Training • Plans for Strengthening Physical Security • Physical Security Promotion System • Integrated Entry and Exit Management System • Canon's Philosophy on Intellectual Property • Intellectual Property Management Structure • Contributing to Intellectual Property Policymaking (Japan) • Brand Management • Patent Applications
	<ul style="list-style-type: none"> • Approach to Environmental Assurance Activities • Environmental Assurance Activities in 2008 • 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 • Communication through Expos and Reports • Basic Approach • Regional Initiatives • Eliminating Designated Hazardous 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 • Development of Environmentally Friendly Materials • Resource Conservation • 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 • CO₂ Emission Reduction in Transportation • Efforts to Improve Transport Efficiency • Promoting Modal Shifts • Environmental Considerations for Company Vehicles • Resource Efficiency in Transport and Packaging • Global Warming Prevention and Energy Conservation • Qualified Environmentally Conscious Products • Examples of Environmentally Conscious Products • Procurement and Sales of Environmentally Conscious Paper • Canon Environmental Solutions • Recycling Systems • Product Collection and Recycling • Collection and Recycling of Consumables
	<ul style="list-style-type: none"> • 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 • Remuneration System • Respecting Human Rights • Personnel Promotion and Deployment • Promoting Work-Life Balance • Training System • Recognition • Introducing the "Job Card" System • Policy and Management System • Efforts to Prevent Industrial Accidents • Prevention of Lifestyle-Related Diseases • Promoting Mental Healthcare Initiatives • Humanitarian Aid and Disaster Relief • Conservation of the Environment • Social Welfare • Local Communities • Education and Science • Art, Culture and Sports • The third-party review process

Third-Party Opinions

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



Director, ASrIA (Association for Sustainable and Responsible Investment in Asia)

URL: www.asria.org

David St. Maur Sheil

Canon has built successfully on initiatives begun in the last couple of years, with the reporting divided between the 'front-end' CSR report which focuses on five key materiality themes and a 'back-end' which is entirely web-based and provides significant additional data and explanatory information. This format for reporting can work very well over time, as the CSR report focuses on explaining Canon's strategic thinking in a concise readable way, and the web-based material and data can be updated year on year. This can create a consistent and accessible format for interested stakeholders over the coming years.

With respect to the five materiality themes, Canon provides readable discussions of each theme, with information on related Canon products, services and initiatives. Several of the illustrated products specifically address social, health or environmental challenges in innovative ways, which shows an alignment between Canon's core business and CSR objectives.

In terms of its environmental policy, Canon is using the period of the economic down-turn to reassess some of its metrics, such as CO₂ reduction targets. The section on environmental

management describes a comprehensive program with strong management focus on compliance and innovation. The latter should enable continuous efficiency gains over the whole life-cycle of their products and processes. However more description of the material risk and opportunity presented by specific challenges such as climate change or toxics would provide additional valuable light on the strategic thinking by Canon.

In terms of their labour policies, there is a clearly stated goal to cultivate highly responsible and motivated employees, enabled to reach their full potential. The report details a number of admirable initiatives that Canon is mainly instigating in its Japanese operations. It is hoped that similar innovative initiatives will be introduced across the wider Group and that more information will be provided on the working conditions of labour outside of Japan, particularly in developing countries in future reports. One notable initiative was the institution of a committee to oversee the employment and conditions of contract workers groupwide, as conditions and job security for contract workers is of particular concern during the period of global economic downturn.

In summary, I would like to congratulate Canon on developing an innovative reporting format that should enable consistent and accessible disclosure over coming years, as well as the openness and sincerity with which they engaged with the third party commentators. I would also encourage stakeholders to recognise the linked web-based material as an integral part of the report.

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. Specifically, 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 2009* 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

In times of turbulent financial markets and a global economic downturn credible sustainability reporting and long-term objectives become more and more important: Clear and open communication with stakeholders about relevant long-term impacts is fundamental for long-term competitiveness and sustainable production and consumption. Reading this year's Sustainability Report of Canon in this light and being involved in the third-party commentary process for the second year, I appreciate to see that Canon shows progress compared with the 2008 report.

In my view, key improvements are the significantly reduced length of the report and the more systematic approach for the report's theme selection. The shorter printed report provides a more condensed picture of Canon's management quality regarding its social and environmental impacts. To make sure that the most relevant themes have been selected for the report Canon has taken up comments from previous years' commentary process, conducted a stakeholder survey and integrated the results in the selection process of key themes for the report.

Hereby, Canon has taken the necessary multi-stakeholder approach and covered a broad range of external stakeholder groups in the survey. In this way, Canon has selected the themes more systematically. I hope that Canon will continue to use the stakeholder interaction forward to further enhance the development of its sustainability strategy and performance. I believe that this process could lead in the long run to an even more interactive stakeholder communication, e.g., aiming at improved design decisions at product level or improved brand management based on continuous monitoring of stakeholder views at corporate level.

A shorter printed report bears a higher risk of losing information which is relevant for the reader. I believe that Canon found a good balance in treating information for the individual topics in the report and at the website. However, a future challenge will be for Canon to provide a more condensed picture of concrete medium- and long-term targets and performance indicators for all material issues. With respect to environmental management, a number of performance data and a list of concrete targets can be found on the website. Here, I appreciate that Canon presents achievements and under-achievements for given targets in a very open way. I believe that Canon will take this proactive approach further and continue to improve its sustainability reporting. In this way, Canon can contribute to create a new culture and values for sustainable production and consumption.

Commentators' Opinions and Canon's Responses in the Dialogue Sessions

Main Suggestions	Main Reflections (New Content in the 2009 Printed Report and Correlating Website)	Location in the 2009 Report	Location in the Website
Management policy shifting from Sound Growth to Higher Quality Management should be explained.	Shifting of management policy from Sound Growth to Higher Quality Management has been explained.	P. 3-4, P. 7-8	—
Report should list important (material) information, and website should list other detailed information.	Canon decided to cover the materiality themes, which are areas of great interest to stakeholders and emphasized by the Company, in the Report, and post systematic and comprehensive information of our website in response to the wide variety of other stakeholder interests and requests.	P. 12, P. 33-34	—
Report should list relevant part (URL) of website.	Relevant part of website (URL) has been listed.	P. 33-34	—
Materiality from Canon's and stakeholders' views should be explained.	Matrix diagram from the viewpoint of Canon and stakeholders' view has been introduced.	P. 12	—
Carry out a questionnaire for stakeholders to identify stakeholders' interests and use it as a basis for Canon's materiality themes in the report. Its result should be disclosed.	A questionnaire for stakeholders outside the Company had been administered in January and February 2009. Its results have been disclosed.	P. 11	—
Sustainability context should take account of the current financial crisis.	This has been mentioned in "Message from Top Management," and "Mid- to Long-Term Management Plan."	P. 3-4, P. 7-8	—
Labor and climate change related matters need to be explained more because of their importance.	More data and contents are added for labor-related matter. The Environmental Vision and more data/topics are added to tackle climate change by lifecycle CO ₂ reduction activities.	P. 17-22	Canon and Environment, Canon and Stakeholders



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Canon Europe and WWF (World Wide Fund For Nature) have been working together since 1998 in Europe, the Middle East and Africa, when it became WWF's first Conservation Partner. As part of this relationship, we have helped WWF to completely digitize its image collection and to make it available on-line. In addition we help raise environmental awareness among children through the joint promotion of projects like the WWF-Canon Polar Bear Tracker Program and the WWF-Canon Panda Bus, a roadshow that toured Europe. We share WWF's stated objectives to stop, and eventually reverse, the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.



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