Canon Sustainability Report 2015

Editorial Policy

Communicating Canon's efforts toward the realization of a sustainable society

Canon publishes an annual Sustainability Report to meet the needs of various stakeholders by communicating its efforts to achieve a sustainable society.

This year's report provides information of key importance to both Canon and its stakeholders in the CSR Activity Highlights section, while other CSR information is reported according to ISO 26000 Core Subjects.

Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2014 (January 1 to December 31, 2014).

The scope of Canon's environmental activities is not limited to development, production and sales operations at operational sites, but covers every stage of the product lifecycle, including raw materials and parts manufacturing by suppliers, as well as product usage by customers.

Supplemental information on important targets, indicators and initiatives prior to and beyond 2014 is referenced in this report. Information that is specific to a region or organization is indicated as such. In this publication, "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.

Reference Guidelines

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

Date of Publication

July 2015 (previous: July 2014, next planned: July 2016)

Other Information

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

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

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

About the Cover Photo

Canon is involved with the 3E's Project in India, which seeks to address social issues in the fields of eye care, education and the environment. The project has donated needed items such as tables and fans to an elementary school in the village of Namak, while also helping to improve its library and update its girls' washroom facilities. In addition, the project focuses on improving sanitary practices by ensuring students wash their hands before eating lunch, and also by setting up garbage cans in classrooms.

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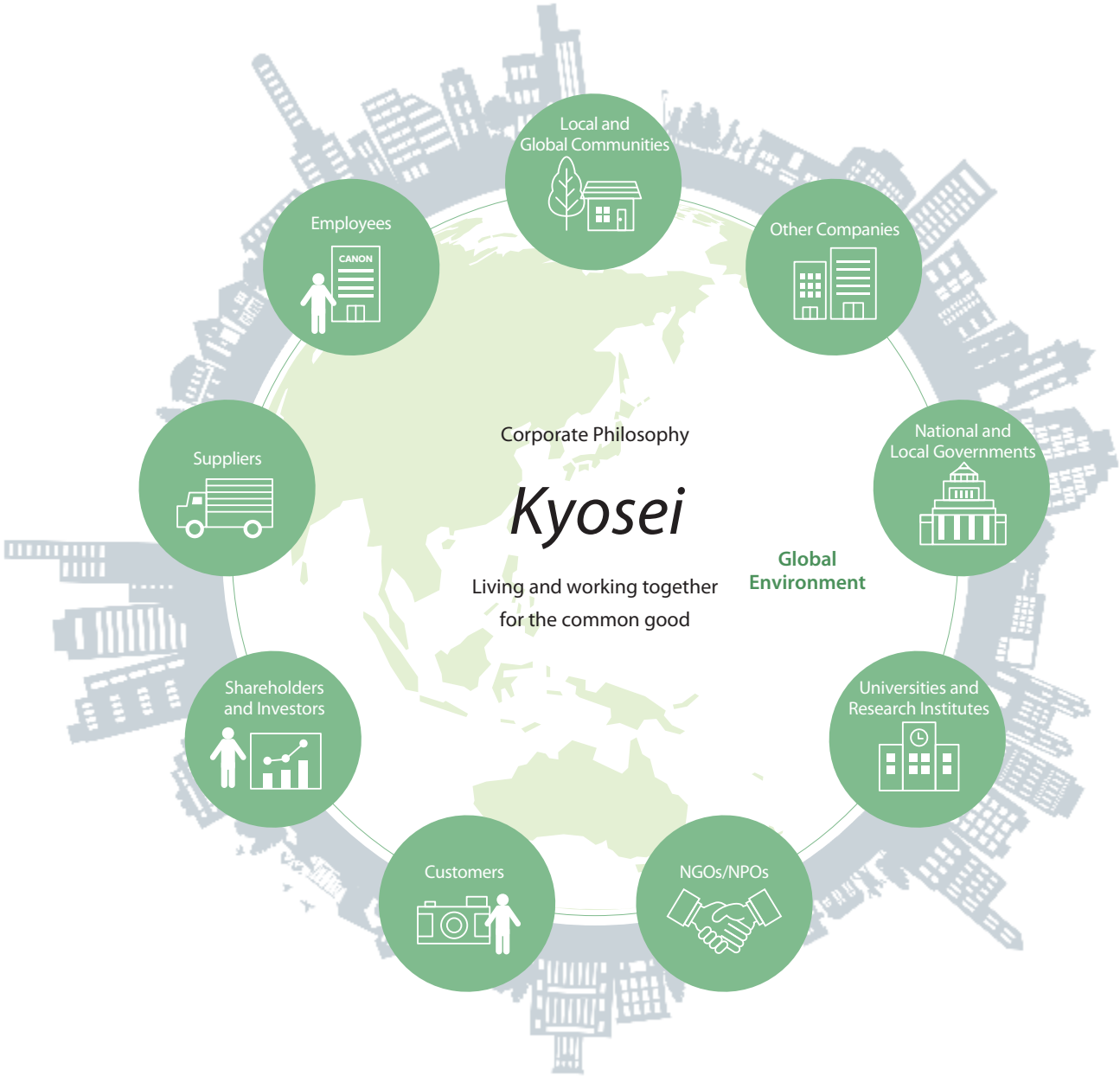
Company Overview

Company name: Canon Inc.
Established: August 10, 1937
Headquarters: 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan
Chairman & CEO: Fujio Mitarai
Common stock: ¥174,762 million
Group companies: 261 consolidated subsidiaries
7 equity-method affiliates
Note: Figures for common stock and Group companies are as of December 31, 2014.

Contact us
TEL: +81-3-3758-2111
E-mail: sus@list.canon.co.jp
Website: http://www.canon.com/csr/index.html

Promoting CSR activity through a corporate philosophy of *Kyosei*



Canon adopted *kyosei* as its corporate philosophy in 1988, the 51st year since our founding.
This philosophy clarifies Canon's stance on partnerships formed with stakeholders around the world.
Kyosei is the aspiration to create a society in which all people, regardless of race, religion or culture, harmoniously live and work together for the common good into the future.
Canon is pursuing the realization of a sustainable global society based on the principle of *kyosei*.

We aim to become a truly excellent global corporation by fulfilling our corporate mission while contributing to the environment and society.

Despite expectations for a return to real growth, we continued to face a challenging business environment in 2014. Although our net sales declined slightly compared to the previous year, we were able to boost our operating profit and net income thanks to the collective efforts of everyone across the Canon Group. In 2015, we expect the U.S. economy to steadily gain momentum as well as recoveries in the economies of India and ASEAN countries. For Canon, 2015 marks the final year of Phase IV of our medium- to long-term Excellent Global Corporation Plan. During this year we will be laying the foundation for Phase V, the next stage of our management plan, with the aim of making great strides in the future.

Society places many expectations and responsibilities on corporations. I believe that a company's mission should be to earn profits through sound and fair business activities and, to begin with, contribute to the development of society through such means as the creation of jobs, paying corporate income taxes and stimulating local economies. To accomplish this, a company must be able to respond to changes in society, transforming itself while continually creating products and services for which there is a need. This, I believe, is the sort of corporation that contributes to the sustainable growth of society and is deserving of admiration and respect.

To date, Canon has accumulated a diverse storehouse of optical and other proprietary technologies. We are utilizing these technologies to create and expand new and future businesses. For example, the Cinema EOS System lineup of cinema cameras and lenses, launched in 2011, has enjoyed success in the film industry while the MREAL System for mixed reality, which seamlessly merges the real world with computer-generated images, is being adopted by the automotive industry and others as an on-site development tool. Also, through M&A, we are making progress with plans to bolster our network camera business and introduce new semiconductor lithography technologies. We are confident that these new businesses and future businesses will not only generate new streams of revenue, but prove beneficial to customers while addressing social issues through new products and services created in response to the needs of the times.

Companies also must continuously live up to society's expectations. At Canon, we are working to realize an optimized global production system centered on Japan and Asia, and establish the Three Regional Headquarters management system under which we will grow our business in accordance with the local characteristics of each region, namely, Japan, the Americas and Europe. In addition, we are making diligent efforts to reinforce our governance.

CSR activities, which include environmental conservation efforts and social contribution activities, also play an essential role in meeting society's expectations. We have clearly demonstrated our commitment to CSR activities by leveraging our advanced technological strengths, global business deployment and diverse specialized human resources.

Canon was among the first in the industry to launch a toner cartridge recycling program, which will be marking its 25th anniversary in 2015. What began in 1990 with collection activities in three countries has today expanded to 24 countries and regions, enabling us to achieve a high resource-recycling rate. And turning our gaze starward, thanks to our acclaimed technologies, Canon is playing a key role in the production of the multi-segment primary mirror for the Thirty Meter Telescope (TMT), a 30-meter diameter extremely large telescope under construction in Hawaii through a collaborative effort by five countries. Expectations are high that the TMT, scheduled to be completed in 2022, will contribute greatly to advances in the field of astronomy.

Canon employees in India, South Africa and other parts of the world are also giving back to their local communities through various initiatives, a few of which are introduced in this report.

Canon will continue to fulfill its role as an instrument of society by tackling important issues in response to changes in society and the business environment. Such issues include boosting information security, developing globally minded human resources, checking the environmental and labor practices of suppliers, and avoiding complicity in human rights issues in conflict-torn regions.

Leveraging our diverse global workforce motivated by an enterprising spirit and our *San-ji* (Three Selfs) Spirit—self-motivation, self-management and self-awareness—Canon will work to address various issues together with stakeholders. We will also continue our efforts to become a truly excellent global corporation worthy of your admiration and respect.

We look forward to your continued support.

Fujio Mitarai
Chairman & CEO
Canon Inc.

Canon is implementing the Excellent Global Corporation Plan to become a truly excellent global company

Canon has been moving forward with a medium- to long-term management plan called the Excellent Global Corporation Plan since 1996, aspiring to become a truly excellent global company that is admired and respected by people around the world. After successfully implementing phases I through III, Canon is now heading into the final year of Phase IV in 2015. Canon's focus is on completing the six main strategies of Phase IV and achieving sound growth as it approaches Phase V.

Main Strategies of Phase IV

1. Achieve the overwhelming No. 1 position in all core businesses and expand related and peripheral businesses
2. Develop new business through globalized diversification and establish the Three Regional Headquarters management system
3. Establish a world-leading globally optimized production system
4. Comprehensively reinforce global sales capabilities
5. Build the foundations of an environmentally advanced corporation
6. Impart a corporate culture, and cultivate human resources befitting of a truly excellent global company

The Excellent Global Corporation Plan

Phase I 1996–2000
Canon worked to transform management's mindset from partial optimization to total optimization, and from a focus on sales to a focus on profits. The company also executed various management reforms, including those related to production and development.

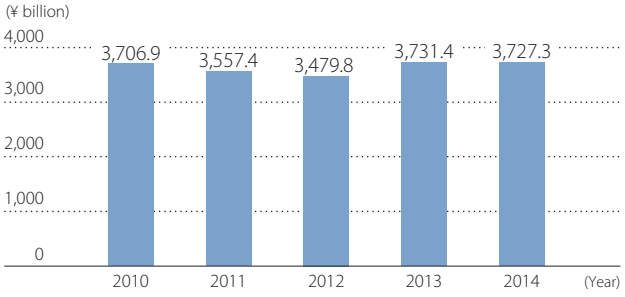
Phase II 2001–2005
Aiming to become No. 1 in all core business areas, Canon actively focused on strengthening product competitiveness by moving forward with product digitalization. The company also promoted reforms across the entire Canon Group.

Phase III 2006–2010
Canon sought to realize a solid financial base, enhance existing businesses and expand into new ones while promoting IT reforms to achieve real-time management.

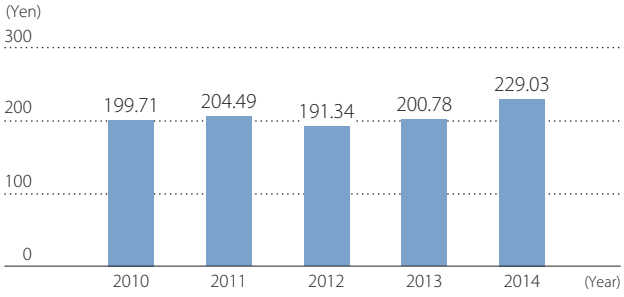
Phase IV 2011–2015
In addition to efforts to realize the global No. 1 position in all core businesses, Canon is focused on developing new businesses in the medical and industrial fields. Additionally, the company is working to implement reforms in each stage of core business activities, such as development, procurement, production and sales, while it strives to maintain high profitability and achieve sound growth.

Financial Data for the Canon Group

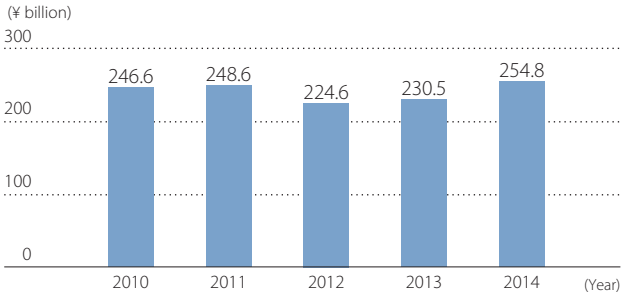
Net Sales



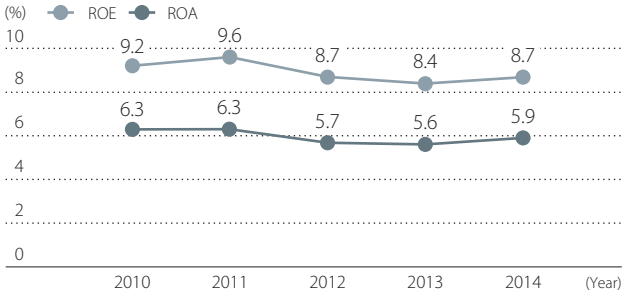
Basic Net Income Attributable to Canon Inc. Stockholders per Share



Net Income Attributable to Canon Inc. Stockholders



Return on Equity (ROE)*1 / Return on Assets (ROA)*2



*1 Return on Equity: Based on net income attributable to Canon Inc. and total Canon Inc. Stockholders' equity

*2 Return on Assets: Based on net income attributable to Canon Inc.

Sales Ratio per Segment and Main Products

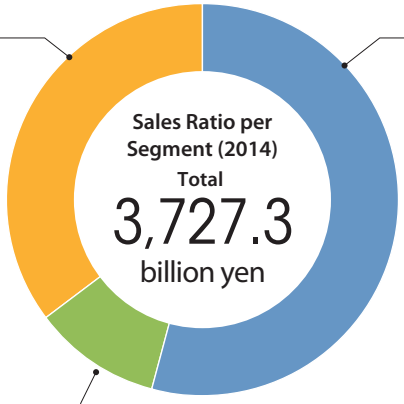
Imaging System Business Unit

1,343.2 billion yen
36.0%

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

Interchangeable lens digital cameras

Inkjet printers



Office Business Unit

2,078.7 billion yen
55.8%

- Office multifunction devices
- Laser multifunction printers
- Laser printers
- Digital production printing systems
- High speed continuous feed printers
- Wide-format printers
- Document solutions

Laser printers

Office multifunction devices

Industry and Others Business Unit

398.8 billion yen
10.7%

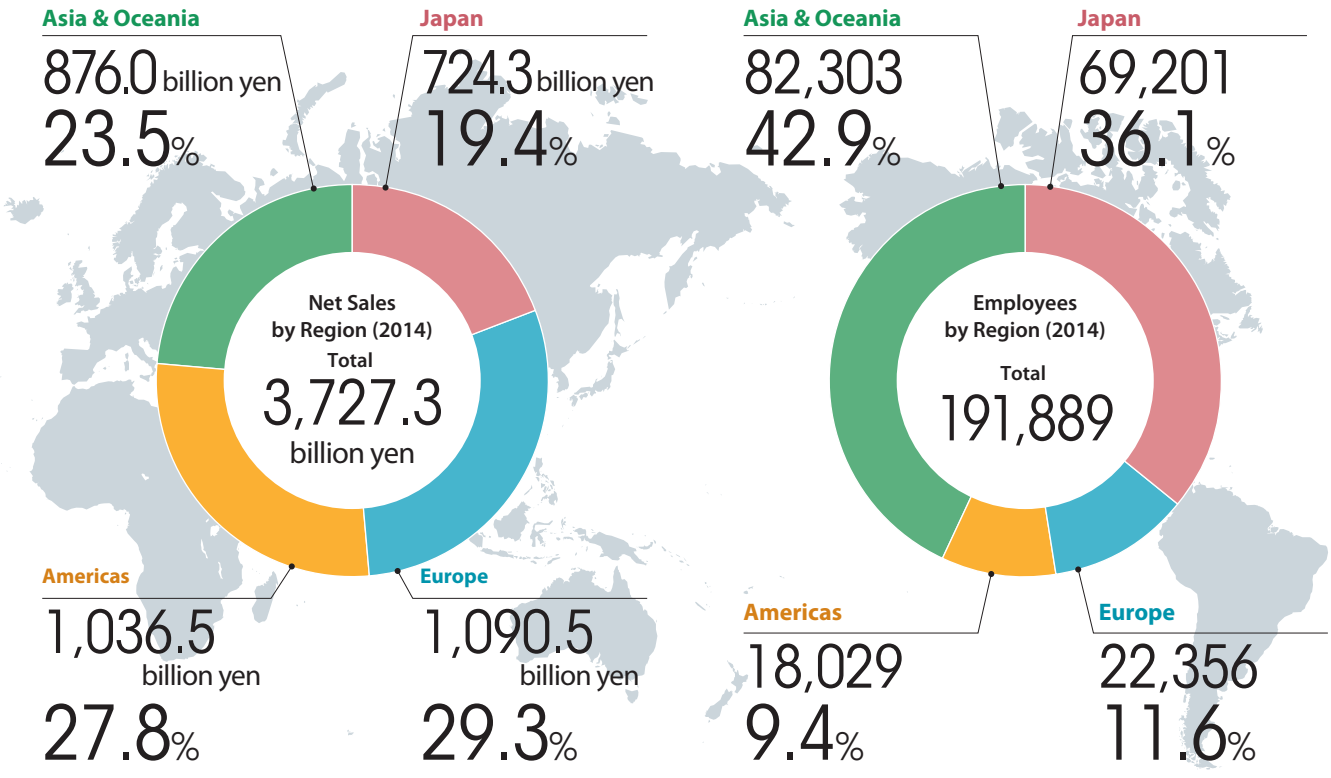
- Semiconductor lithography equipment
- Flat panel display (FPD) lithography equipment
- Digital radiography systems
- Ophthalmic equipment
- Vacuum thin-film deposition equipment
- Organic LED (OLED) panel manufacturing equipment
- Die bonders
- Micromotors
- Network cameras
- Handy terminals
- Document scanners

Digital radiography systems

Semiconductor lithography equipment

Notes: Sales ratios do not add up to 100% due to eliminations between segments of 2.5% (93.4 billion yen).
US dollar amounts are translated from yen at the rate of JPY121 = U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market as of December 30, 2014, solely for the convenience of the reader.

Net Sales and Number of Employees by Region



We carry out CSR activities globally following the Canon Group CSR Activity Policy

At Canon, we believe that in order to become a truly excellent global company that is admired and respected by all of our stakeholders, we must contribute to the realization of a better society as we pursue "sound growth" in our business ventures.

We established the Canon Group CSR Activity Policy in January 2012 to clarify the Canon Group's shared approach to CSR and key activities.

Through this policy, we have declared our intention to contribute to the realization of a better society as a good corporate citizen by capitalizing on our advanced technological strengths, global business deployment, and diverse, specialized human resources. Additionally, we have outlined key activities under five separate themes that we will focus particular attention on.

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

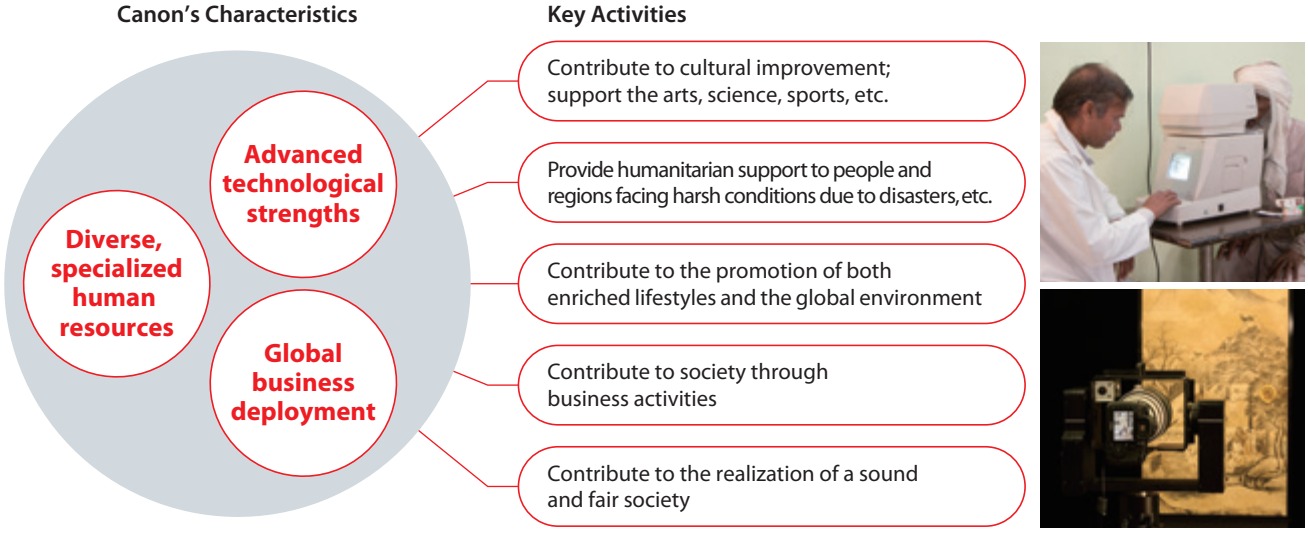
Canon Group CSR Activity Policy

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

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

Key Activities

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

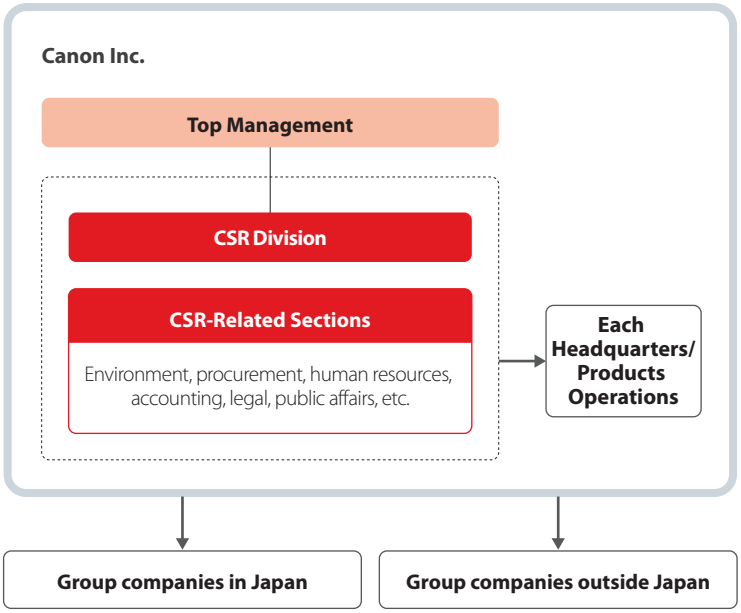


CSR Promotion System

We implement CSR activities across the entire Canon Group under the leadership of executive management.

We have established a CSR Promotion System in order to implement CSR activities across the entire Canon Group.

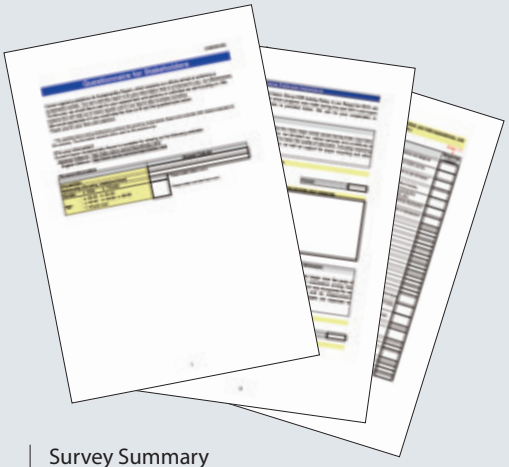
CSR activities at Canon are developed under the leadership of top management, with the support of the CSR Division as well as relevant divisions, such as environment, procurement, human resources, accounting, legal and public affairs. Specific proposals are then put into action by each headquarters/products operations and Group companies.



Reinforcing CSR Activities

We ascertain stakeholder interests and expectations through questionnaire surveys.

Canon strives to better understand stakeholder opinion in order to continually improve its CSR activities. One way we do this is through an annual questionnaire survey that asks stakeholders about their interests and expectations of Canon. Details of the 2015 questionnaire survey are presented below.



Questionnaire component 1

Stakeholder interest in the subject matter of this report

Canon asked stakeholders for their opinion on initiatives of particular focus in 2014. Consequently, 87% of stakeholders responded that they "are interested" in them. These initiatives are outlined in the CSR Activity Highlights section of this report.

Questionnaire component 2

Important CSR issues that Canon should be addressing (materiality)

There is rising demand for companies to define important CSR issues (materiality) in order to clarify the issues they should be prioritizing. In light of this, Canon asked stakeholders to select CSR topics that it should be addressing. The results will be reflected in the definition of materiality that Canon is currently working on in compliance with GRI Guidelines (G4).

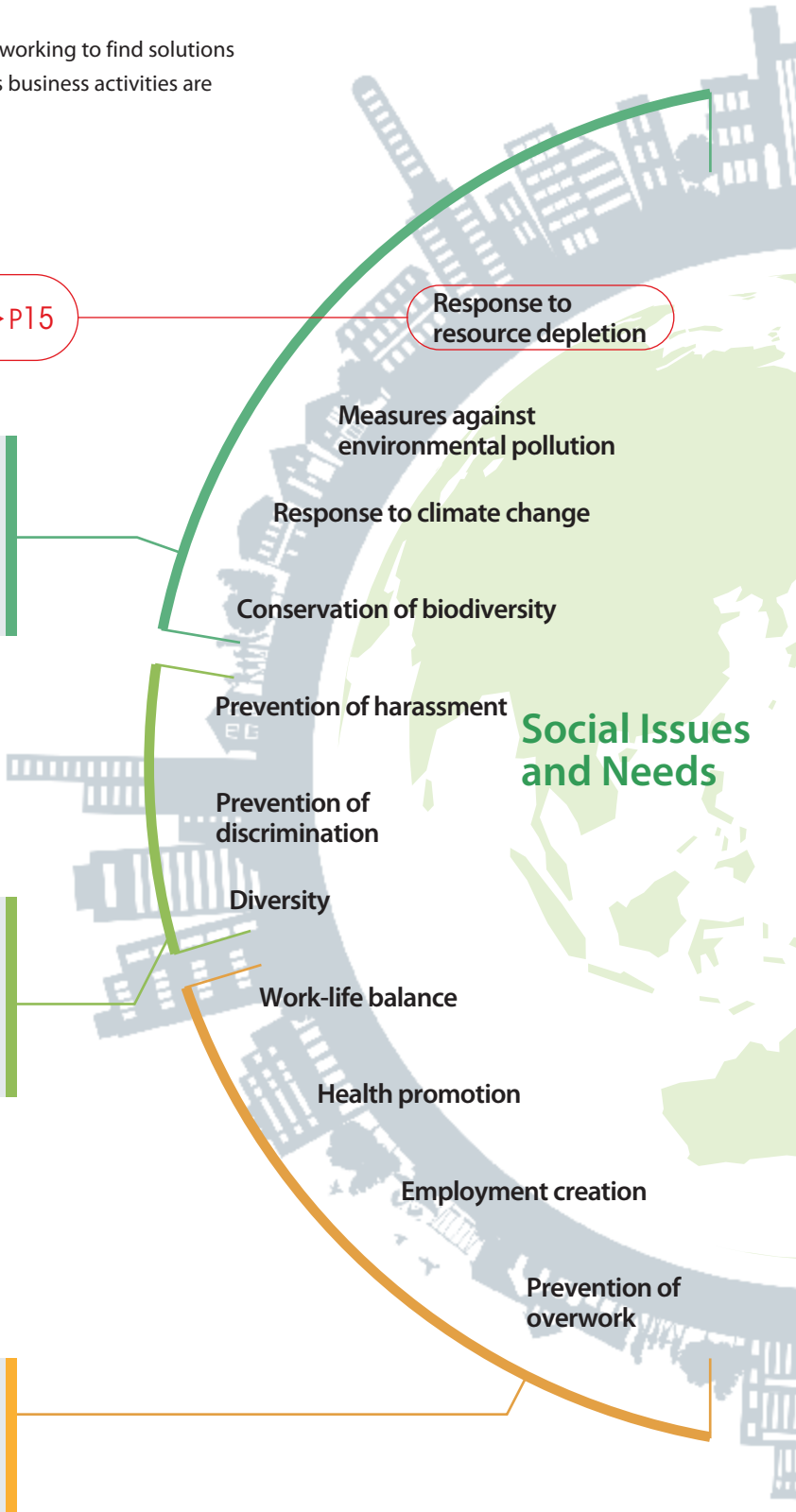
Survey Summary

- **Method:** Questionnaire survey
- **Target:** Consumers, suppliers, investors and analysts, NGOs and NPOs, persons affiliated with universities and research organizations, national and local governments in Japan, the Americas, Europe and Asia; Respondents: 82
- **Survey period:** March to April 2015

We respond to various social issues and needs through our business activities

Our world today faces a variety of challenges, including environmental issues, poverty, conflict, discrimination and economic disparity.
Despite the difficulties in tackling these problems, Canon is working to find solutions through its daily business activities, fully recognizing that its business activities are supported by the development of society as a whole.

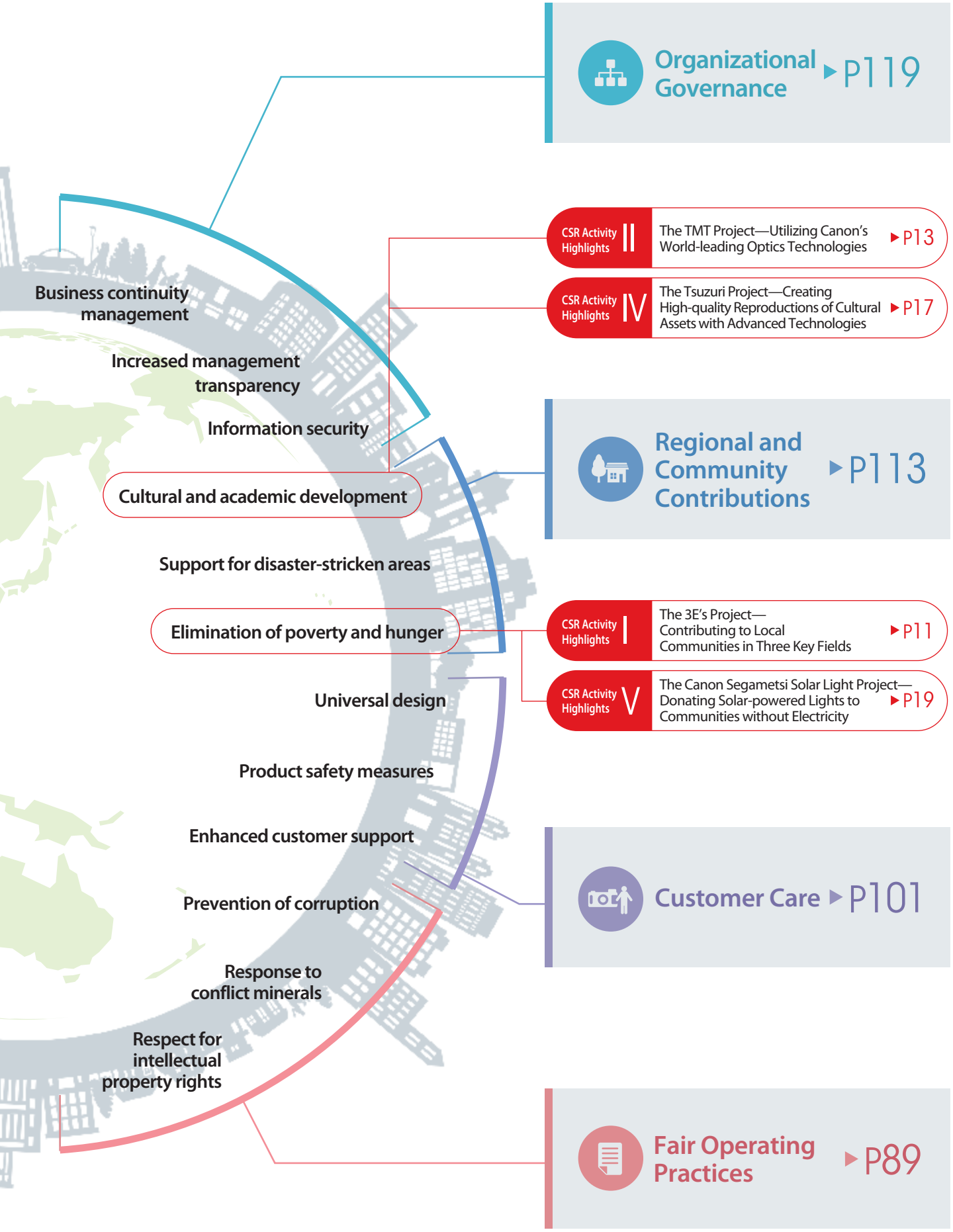
CSR Activity Highlights
Canon's Toner Cartridge Recycling Program—Celebrating 25 Years of Success ▶P15



Global Environmental Conservation ▶P23

Respecting Human Rights ▶P67

Establishing a Proper Workplace Environment ▶P75



Organizational Governance ▶P119

CSR Activity Highlights II — The TMT Project—Utilizing Canon's World-leading Optics Technologies ▶P13

CSR Activity Highlights IV — The Tsuzuri Project—Creating High-quality Reproductions of Cultural Assets with Advanced Technologies ▶P17

Regional and Community Contributions ▶P113

CSR Activity Highlights I — The 3E's Project—Contributing to Local Communities in Three Key Fields ▶P11

CSR Activity Highlights V — The Canon Segametsi Solar Light Project—Donating Solar-powered Lights to Communities without Electricity ▶P19

Customer Care ▶P101

Fair Operating Practices ▶P89

Tackling Social Issues in India

The 3E's Project—Contributing to Local Communities in Three Key Fields

Canon focuses its activities in India on the three major social issues of eye care, education and the environment. We have for several years been involved with the 3E's Project, which seeks to provide local communities with ongoing, long-term support in these three key fields.

We realized that Canon can contribute to Indian society in many ways.

Ruma Gautam
Corporate Communications Division
Canon India Pvt. Ltd.

Canon India carries out the 3E's Project in cooperation with a local NGO called Charities Aid Foundation (CAF) India. The project provides various forms of assistance in the fields of eye care, education and the environment to poor villages in the vicinity of the Canon India office. Two villages, one from Haryana State and one from Karnataka State, were selected in October 2012 and June 2014, respectively, to receive ongoing support and assistance. Canon India, together with its partner CAF India, is in the process of drawing up a long-term plan that will expand this initiative to other regions in the future.

As a manufacturer of ophthalmic equipment, Canon is dedicated to making advancements in the field of eye care in particular by facilitating comprehensive eye screening to help those with vision impairments. There are believed to be 45 million people in India who suffer from some form of vision impairment, the largest cause of which is cataracts. It has been reported that roughly 80% of cases involving vision impairment due to cataracts can be prevented or treated effectively. Moreover, proper and

Canon supports eye screening using its retinal cameras

thorough vision screenings can help to prevent the disease from occurring in nearly 40% of children. In order to tackle this issue, Canon has established Vision Centers in the villages that are equipped with ophthalmic equipment and staffed with screening technicians to provide treatment and conduct eye exams. To encourage participation in vision screenings, Canon India advocates the importance of eye care through mobile clinics and brochures. In 2014, more than 100 vision screenings were carried out, increasing the total number of people to receive vision screening to date to approximately 5,400.

In the area of education, Canon India supports schools by assisting the development of school infrastructure, teacher training and computer classes. As for the environment, Canon India donates solar panels, plants trees, and takes part in the recycling of waste paper.

By participating in the 3E's Project, we have not only enjoyed the happiness and satisfaction of contributing to the development of the society that we grew up in, but also been reminded that Canon can contribute a great deal to local communities in India. I hope to contribute to building a better society for the next generation by tackling social issues in India on various fronts, including, of course, the above three fields.

Messages from Our Stakeholders

Children in local communities are singing the praises of the project.

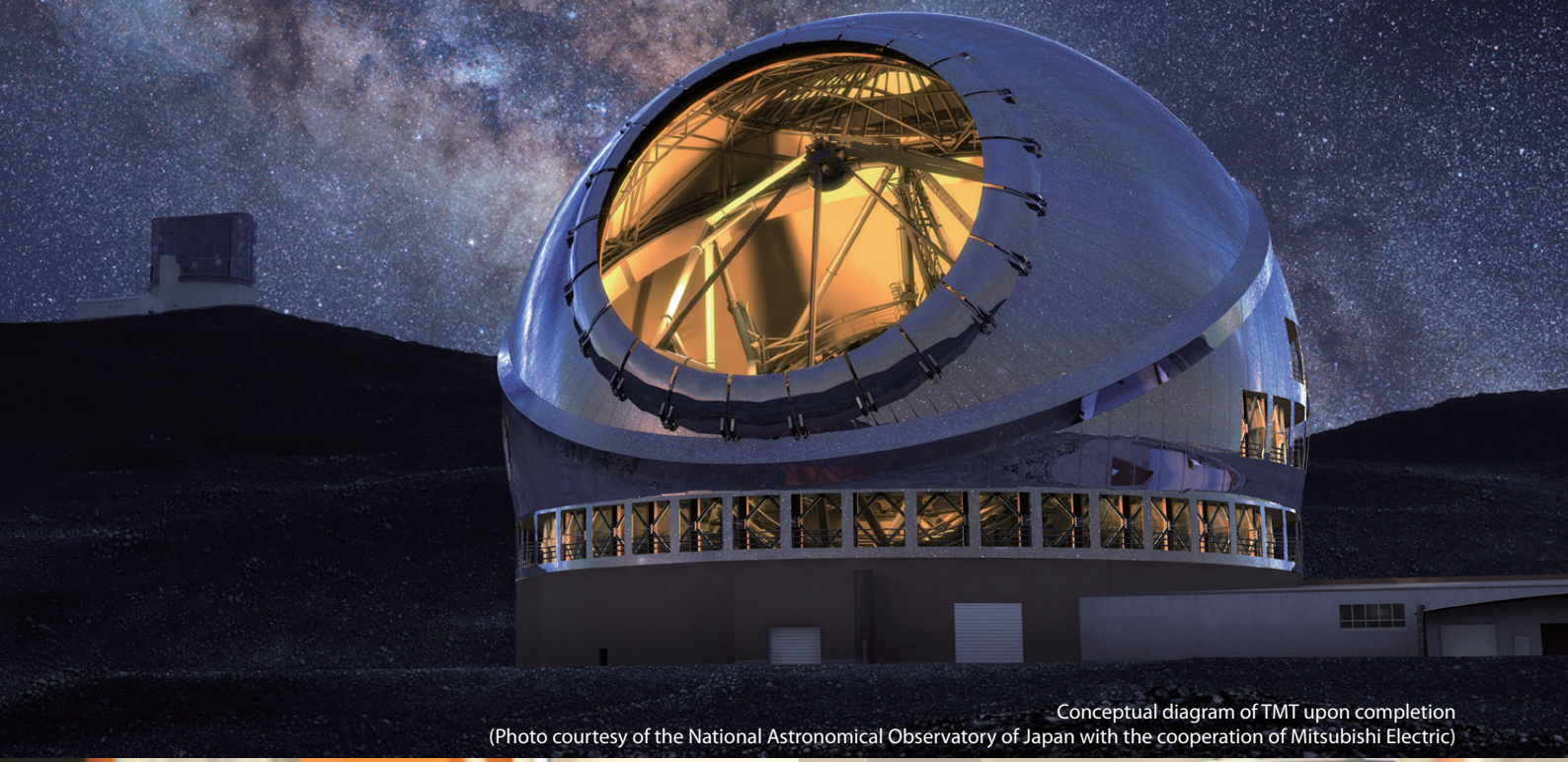
Sanjoy Sharma
3E's Project Leader
CAF India

As a grassroots NGO, CAF India works closely with employees of Canon India to promote the 3E's Project. Positive feedback from pilot communities regarding our activities over the last three years continues to flow in. As a participant in this project, nothing makes us happier than hearing the happy expressions of children who benefited from this initiative. We have high expectations for the project going forward and hope to contribute to Indian society in many other fields besides eye care, education and the environment.

Pioneering New Horizons in Astronomy

The TMT Project—Utilizing Canon's World-leading Optics Technologies

The Thirty Meter Telescope (TMT) Project focuses on the design and construction of a giant 30-meter aperture optical telescope near the top of Maunakea on the island of Hawaii, with operations set to begin in 2022. Canon is contributing to this massive project to unlock the mysteries of the cosmos with its cutting-edge optics technologies.



Conceptual diagram of TMT upon completion
(Photo courtesy of the National Astronomical Observatory of Japan with the cooperation of Mitsubishi Electric)

Measuring the shape of the aspherical surface of the segment mirrors

As an engineer, I am proud to be involved in the TMT Project.

We should be able to unlock the mysteries of the cosmos if we can reach further and see more clearly what is out there. The evolution of the telescope has been the main driver of development in the field of astronomy, regardless of the era. For example, the advanced functions of the Subaru Telescope, an 8-meter aperture telescope completed at the end of the 20th century, have enabled astronomers to view galaxies some 13 billion light years from Earth, greatly contributing to our understanding of the universe.

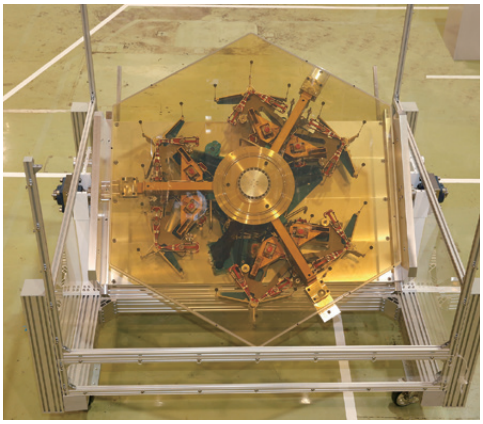
Based on Canon's positive track record in developing and building the optical correction element used in the Subaru Telescope's ultra-wide-field prime focus camera, called Hyper Suprime-Cam (HSC), the company was selected to play a key role in fabricating the mirror segments that make up the primary mirror for the TMT Project, which began in 2014 with the participation of Japan, the United States, Canada, China and India.

The TMT Project aims to build a giant 30-meter aperture next-generation optical telescope in order to study in greater detail the appearance of space at extreme distances, which until now has been difficult with conventional telescopes. The TMT is expected to provide new observational opportunities, such as the first generation of stars and galaxies formed after the Big Bang and yield new discoveries in the search for a second Earth or signs of extraterrestrial life.

The telescope's primary mirror will comprise 492 segment mirrors. Japan will manufacture about 30% of the 574 segment mirrors, including replacements. Canon began mass production in 2014 with the process of grinding the aspherical surface. From 2015, we will work on polishing and figuring. We will utilize our storehouse of accumulated optics technologies to fabricate the complex shape of the segment mirrors efficiently and with a high degree of accuracy.

As someone who has always had an interest in astronomy, and decided to join Canon because of its track record with the Subaru Telescope, I am very happy, and proud, to be able to participate in this project, which will greatly contribute to the advancement of space exploration. At the same time, I feel a strong sense of responsibility to protect the brand that Canon has built up in the field of astronomy starting with the Subaru Telescope. I would like to contribute to the field of astronomy and the natural sciences by passing on the knowledge obtained from this project to future generations.

Shun Mochizuki
Semiconductor Production Equipment Div. 21
Semiconductor Production Equipment PLM Center 2
Optical Products Operations
Canon Inc.

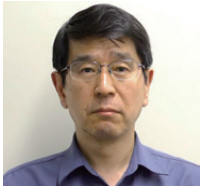


Hexagonal-shaped segment mirrors making up the primary mirror

Messages from Our Stakeholders

Expectations for Canon's advanced optics technologies are high.

Since the segment mirrors for the TMT require an extremely high degree of precision in the polishing process, we approached Canon to apply their expertise as one of Japan's leading optics manufacturers to this project. Even though this is Canon's first experience with manufacturing segment mirrors, I am thoroughly impressed with their ability to establish mass production techniques while consistently solving each and every issue that arises. I believe that more advanced optics technologies will be needed for the next-generation telescopes of the future, so I hope to ask for Canon's support and assistance at that time, too.



Takuya Yamashita
TMT-J Project Office
National Astronomical Observatory of Japan
National Institutes of Natural Sciences

Pursuing Ideal Recycling for Resource Circulation

Canon's Toner Cartridge Recycling Program—Celebrating 25 Years of Success

Recognizing its responsibility as a manufacturer to pursue ideal recycling for resource circulation, Canon launched its toner cartridge recycling program worldwide in 1990. As we celebrate 25 years of success in 2015, we are committed to continuing these activities while making constant improvements along the way.

I feel a responsibility to carry on progressive efforts for the future.

Katsuhiko Tanaka
Chemical Products Environment Planning Div.
Chemical Products Planning Center
Peripheral Products Operations
Canon Inc.

The sustainable development of human society requires that we utilize limited resources more effectively and reduce waste. Canon launched the toner cartridge recycling program back in 1990 based on the philosophy of *kyosei*, beginning with the collection and recycling of used toner cartridges from copying machines and laser printers in the United States, Germany and Japan.

During the recycling of plastics, it is difficult to raise the purity of the material to a level of quality that permits it to be used in the original product. Canon designs and manufactures toner cartridges with recycling in mind and has developed leading material-sorting technologies. This has helped us to achieve a closed-loop recycling process in which plastics from used toner cartridges can be reused as recycled materials repeatedly. Canon's pursuit of ideal recycling for resource circulation involves putting around 80% of the volume of collected toner cartridges back into use in some way so this material never reaches a landfill. As of the end of 2014,

The completely retooled automated toner cartridge recycling system at Canon Ecology Industry Inc. in 2015

we have collected a total of nearly 340,000 tons of used toner cartridges, contributing to a reduction in CO_2 emissions of about 500,000 tons. Today, we collect toner cartridges in 24 countries and regions. By processing these plastics at four sites located close to major consumer markets, we are also better able to reduce the environmental impact of shipping.

In 2015, we commenced operations of a new automated toner cartridge recycling system called CARS-T* at Canon Ecology Industry Inc., our recycling hub in Japan. Along with improving the workplace environment, this automated system realizes a higher degree of purity in the recycled plastics and a significantly increased rate of output. While I am currently responsible for our toner cartridge collection and recycling activities, I take pride in the tremendous aspiration of those who preceded me and I cannot help but think of the many hardships they endured in running such a huge program. At the same time, I feel a strong sense of responsibility toward the future and hope to expand these activities even further, especially at this time when everyone is advocating a resource-circulation-oriented society.

* **CARS-T:** Canon Automated Recycling System for Toner Cartridge

Messages from Our Stakeholders

As a responsible corporate citizen, we will continue our activities to preserve the global environment.

Hideo Fukue
Deputy General Manager
IT Business Process Planning Dept.
IT System Management Div.
The Dai-ichi Life Insurance Company, Limited

Our company is recycling waste and reducing its use of paper and other resources with the goal of contributing to the creation of a sustainable society. More than two decades have passed since we began participating in Canon's toner cartridge recycling program, and we are grateful for the opportunity to do our part for the environment and society through the collection and recycling of toner cartridges. As a responsible corporate citizen, we will continue with such efforts aimed at reducing our impact on the environment.

Providing Opportunities for More People to Appreciate Precious Cultural Assets

The Tsuzuri Project—Creating High-quality Reproductions of Cultural Assets with Advanced Technologies

Launched by Canon and the Kyoto Culture Association (NPO), the Cultural Heritage Inheritance Project, or Tsuzuri Project as it is more commonly known, seeks to create high-quality reproductions of precious cultural assets and donate these works to museums and other institutions where they can be made more widely available to the public, while the original artworks are stored in an optimally controlled environment.

I want to help pass on Japan's amazing cultural assets to future generations.

Toshiyuki Ishii
Imaging Technology Development Div. 3
Imaging Technology Development Center
Digital System Technology Development Headquarters
Canon Inc.

Started in 2007, the Tsuzuri Project seeks to reproduce precious Japanese cultural assets, such as folding screens and sliding door paintings, by capturing them with a Canon digital SLR camera and then printing out a full-scale reproduction, after making any necessary image corrections, using the imagePROGRAF large-format inkjet printer. The same techniques used in Kyoto's traditional arts and crafts are applied to create high-resolution works as close to the original as possible. These high-quality replicas are then donated to temples, museums and other institutions.

The Tsuzuri Project selects cultural assets from two categories, namely, "Japanese cultural assets held overseas" and "cultural assets as 'living aids' for teaching Japanese history." The early Edo-period work Scene of Rice Cultivation, attributed to Kano Sanraku, was selected under the former category. This series of door panels once adorned the Takenoma (bamboo room) in Shoshinden of Daikakuji Temple, but is today housed in the collection of the Minneapolis Institute of Arts in the United States. The high-resolution reproduction of this work was donated to Daikakuji Temple, marking its homecoming after 250 years.

The sliding door paintings showing Scene of Rice Cultivation reproduced by the Tsuzuri Project and donated to Daikakuji Temple

This work is a collection of 16 sliding doors that depict scenes of farming from each of the four seasons. Great effort was made in the imaging correction phase to recreate as faithfully as possible the subtle changes in color tone and hue expressed in each of the four seasons.

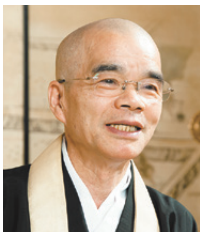
The reproductions donated in 2014 were exhibited to the public for two months in the spring and autumn, enabling many people to enjoy this outstanding example of Japan's prestigious cultural and art heritage. I, too, was able to enjoy seeing the 16 sliding doors in their original position, composing the walls of Daikakuji Temple's bamboo room, which was completely different from my experience at the Minneapolis Institute of Arts, where each sliding door was displayed separately. The Daikakuji Temple exhibit allowed me to feel the tone and contrasts at play across all of the sliding doors at the same time. Many patrons were surprised to learn that the sliding doors were reproductions created with a printer because of the amazing details that were recreated. I took a great deal of pride in these comments, knowing that we had played an important role in passing on Japan's precious cultural heritage.

I hope that Canon's digital imaging technologies will continue to progressively evolve so that we can recreate a host of cultural assets even more true-to-life not only in terms of color, but also texture and shape.

Click here to learn more about the Tsuzuri Project.
canon.com/tsuzuri/

Messages from Our Stakeholders

I'm grateful for Canon's technologies that have turned a dream into reality.



Seison Hattori
Representative Director
Daikakuji Temple at the former Saga Imperial Palace

I'm very grateful that the Scene of Rice Cultivation has been able to come back home after 250 years. I was simply amazed when I saw the reproduction process. Various specialists were working together to create these realistic reproductions by blending the latest technologies with traditional skills. Through this work, which depicts rice cultivation throughout the year, we are reminded of interdependency in life, an idea that is often forgotten in modern times. I hope that those visiting the temple to view this work will come to appreciate the Buddhist teaching of mutual interdependence.

Bringing Light to Families in Need in South Africa

The Canon Segametsi Solar Light Project—Donating Solar-powered Lights to Communities without Electricity

South Africa continues to develop as one of Africa's new economic powers. Canon focuses on the basic need for lighting as an important social issue facing local communities in South Africa. Working together with a local NPO, we have initiated a project linked to product sales through which solar LED lighting is donated to communities in need.

Solar-powered lighting system installed with donated funds

I'm happy to contribute to a sustainable society as a member of the Canon Group.

In recent years, South Africa has made great strides in terms of economic growth and infrastructure development. However, there are still many communities in the country that do not have access to electricity. Also, some families cannot afford to pay for electricity even if they live in a community connected to the power grid. In many cases, these communities rely on kerosene lamps, candles or wood fires for lighting, raising concerns about the risk of fire and the health effects of exposure to toxic gases. In such areas, access to lighting that is safe and affordable is an urgent issue.

Recognizing the merits of the Lighting Rural Africa Project being implemented by local NPO Segametsi Hope (SA) (Pty) Ltd., Canon has been providing assistance through its business activities since 2014 when we launched the Canon Segametsi Solar Light Project in which we donate 10 solar lights to households in need for every Canon imagePRESS color multifunction device sold in South Africa. As the imagePRESS series of environmentally conscious multifunction devices reduces energy consumption, compared to other machines in the market, expanding sales of these devices not only helps communities in need, but also helps customers reduce their impact on the environment.

In 2014, we donated solar lights to more than 250 households through this project, exceeding our target for the year. When we visited the communities to present the donations, we were very happy to receive positive comments from residents about how our project is addressing the specific needs of poorer communities. This has given us the opportunity to personally experience Canon's philosophy on contributing to a sustainable society in action, and I now feel a greater sense of membership and pride in the Canon Group.

We will continue this program in 2015, and hope to expand our activities further in response to interest expressed by a local university and other groups to work together with us.

Isabella Daly
Sustainability Group
Canon South Africa (Pty) Ltd.

imagePRESS C7010VP

Messages from Our Stakeholders

Delivering the "light" essential to children's education together with Canon

As part of the Lighting Rural Africa Project, we are aiming to bring solar-powered LED lighting to three million households in Africa. I believe the only way to help people out of poverty is through education. However, children will not be motivated to study or read if they do not have light in the home. To support this goal, we need partners like Canon who value safety and the environment, and who are dedicated to assisting the local community. I hope to expand this project even further through our partnership with Canon.

Erni Visser
Segametsi Hope (SA)

Reporting in Accordance with ISO 26000

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

Global Environmental Conservation

25 • Environmentally Conscious Management
31 • Overview of Environmental Impacts
33 • Action Plan
35 • Environmentally Conscious Product Development
38 • Environmentally Conscious Materials and Parts Procurement
40 • Environmentally Conscious Manufacturing
47 • Environmentally Conscious Logistics
51 • Environmentally Conscious Product Use
56 • Collection and Recycling
62 • Biodiversity Initiatives
64 • Environmental Communication
65 • Operational Sites Covered in the Environmental Section

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Respecting Human Rights

69 • Concern for Human Rights Issues
71 • Respecting Diversity

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Establishing a Proper Workplace Environment

77 • Hiring and Treatment of Human Resources
80 • Encouraging Work-Life Balance
82 • Supporting Personal Growth and Skill Development
86 • Occupational Safety and Health Management

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Fair Operating Practices

91 • Compliance
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97 • Intellectual Property Activities

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Customer Care

103 • Basic Quality Assurance Policy
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P101

Regional and Community Contributions

115 • Social Contribution Activities

P113

Organizational Governance

121 • Corporate Governance
124 • Security
127 • Post-Disaster Business Continuity Plan
128 • Appropriate Information Disclosure and Returning Profits to Shareholders

P119

Global Environmental Conservation

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

ACTION for GREEN

Stakeholder Feedback

- I hope the Canon Group can utilize its technologies to help improve the environment and solve environmental problems. (Consumer living in Japan)
- As a global company, I expect Canon to achieve energy savings during product manufacturing processes, make its products more energy efficient and promote further recycling efforts. (Government official in Japan)
- I believe the key to solving environmental issues is through the leadership of not just governments and NPOs/NGOs, but multinational corporations as well. (Government official in Japan)
- Environmental protection and conservation initiatives need to be implemented with the leadership of both countries and large corporations. (Supplier in Japan)

Canon's recyclable toner cartridges are helping to realize a recycling-oriented society

Environmental Goals and Results

Canon establishes environmental goals and monitors its progress on a yearly basis. Initiatives are continually undertaken to reach these goals, which focus on minimizing lifecycle CO_2, raw materials/use CO_2, and energy consumption at operational sites. Our operational sites also set targets for reducing total waste generation, water resource usage, and chemical emissions, and continually take steps to improve on them.

	2014 Environmental Goals	2014 Results	2015–2017 Mid-Term Environmental Goals
Lifecycle	Lifecycle CO_2 emissions improvement index per product...❶ 3% improvement (compared to 2013)	5.2% improvement over 2013	Lifecycle CO_2 emissions improvement index per product 3% improvement (compared to the previous year)
Production	Raw materials & use CO_2 emissions improvement index per product...❷ 3% improvement (compared to 2013)	4.1% improvement over 2013	Raw materials & use CO_2 emissions improvement index per product 3% improvement (compared to the previous year)
Operational Sites	Improve energy consumption basic unit at operational sites by 1.2% (compared to 2013) ...❸	3.5% improvement over 2013	Improve energy consumption basic unit at operational sites by 1.2% (compared to the previous year)
	2014 Environmental Goals	**2014 Results**	**2015 Environmental Goals**
	Improve total waste generation basic unit at operational sites by 1% (compared to 2013)	2.9% improvement over 2013	Improve total waste generation basic unit at operational sites by 1% (compared to 2014)
	Improve basic unit of water usage for production by 1% (compared to 2013)	2.9% increase over 2013	Improve basic unit of water usage for production by 1% (compared to 2014)
	Improve emission basic unit of controlled chemical substances by 1% (compared to 2013)	9.1% improvement over 2013	Improve emission basic unit of controlled chemical substances by 1% (compared to 2014)

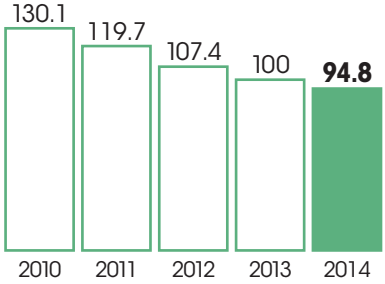
TOPICS 2014

❶ Lifecycle CO_2 emissions improvement index per product

5.2% improvement

In 2014, we made further progress by developing lighter and more compact products and by improving logistics through the increased use of sea transport. As a result, we were able to lower lifecycle CO_2 emissions per product by 5.2% compared to 2013, greatly surpassing the goal.

Change of LC CO_2 Emissions Improvement Index per Product*

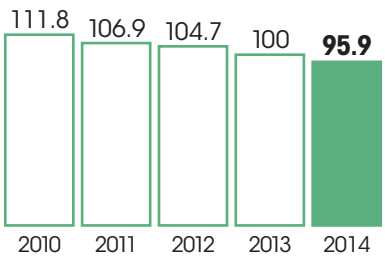


❷ Raw materials & use CO_2 emissions improvement index per product

4.1% improvement

In 2014, we succeeded in reducing the environmental impact of raw materials/parts procurement and product use by achieving lighter, more compact, and more energy-efficient products. We were able to lower raw materials & use CO_2 emissions improvement index per product by 4.1% compared to 2013, successfully reaching our goal.

Change of Raw Materials & Use CO_2 Emissions Improvement Index per Product*

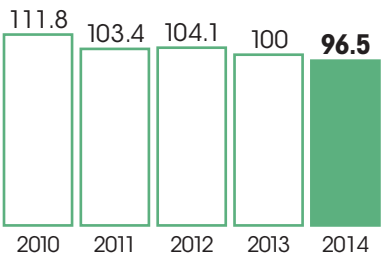


❸ Energy consumption rate per basic unit at operational sites

3.5% improvement

Despite an increase in the number of operational sites in 2014, we were able to lower the energy consumption rate per basic unit at operational sites by 3.5% compared to 2013, enabling us to reach our target. This result was achieved through cooperative initiatives carried out by the operational sites together with headquarter divisions in charge of Group manufacturing bases.

Energy Consumption Rate per Basic Unit at Operational Sites*



* 2013 results set as 100

Environmentally Conscious Management

Environmental Charter and Vision

Canon Group Environmental Charter

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

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

Canon Group Environmental Charter

Corporate Philosophy:

Kyosei

Achieve corporate growth and development while contributing to the prosperity of the world and the happiness of humankind.

Environmental Assurance Philosophy

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

Fundamental Policies for Environmental Assurance

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

EQCD Concept

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

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

Canon Environmental Vision

With the growing risks associated with climate change and water resources, not to mention resource depletion, chemical pollution and other environmental issues becoming more serious, tighter regulations related to these issues have been passed and public awareness of the environment has increased, resulting in a change in market needs. Failure to meet these changing restrictions and needs carries with it the risk of damage to a company's credibility.

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

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

Canon Environmental Vision

Action for Green

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

Management System

Environmentally Conscious Management System

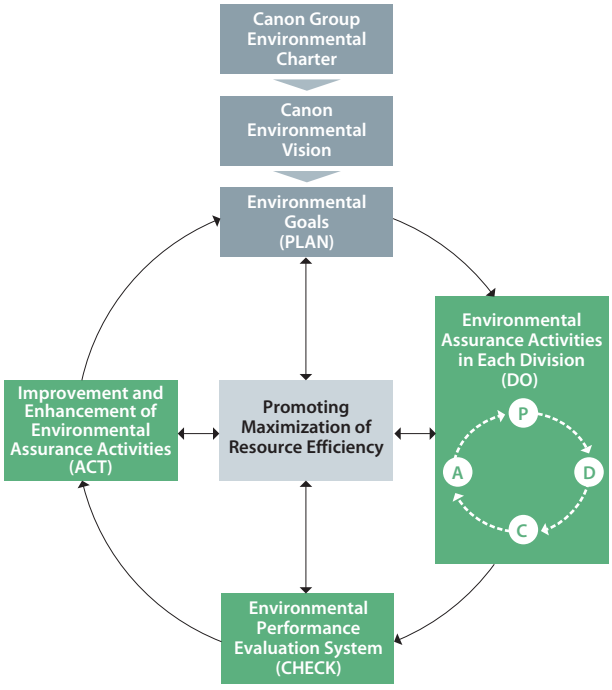
Based on its Environmental Vision, Canon is promoting environmentally conscious management in a bid to achieve the Canon Group Environmental Charter goal of maximizing resource efficiency. Accordingly, we have constructed an environmentally conscious management system to bolster the level and efficiency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

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

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

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

Canon's Environmentally Conscious Management System



Consolidation of ISO 14001 Certification

Canon has been creating environmental management systems (EMS) and acquiring ISO 14001 certification at its operational sites worldwide since 1995. After initially establishing and implementing EMS at individual operational sites, since 2004 we have striven to gain consolidated ISO 14001 certification to ensure appropriate decision making from an optimal Group-wide perspective, utilizing environmental data compiled from all operational sites. This objective was achieved at all manufacturing and marketing subsidiaries by the end of 2007.

As of December 2014, Canon Inc. and 126 Group companies (total of 127 companies) in 40 countries and regions worldwide were covered by the consolidated ISO 14001 certification.

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

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

Global Environmental Promotion System

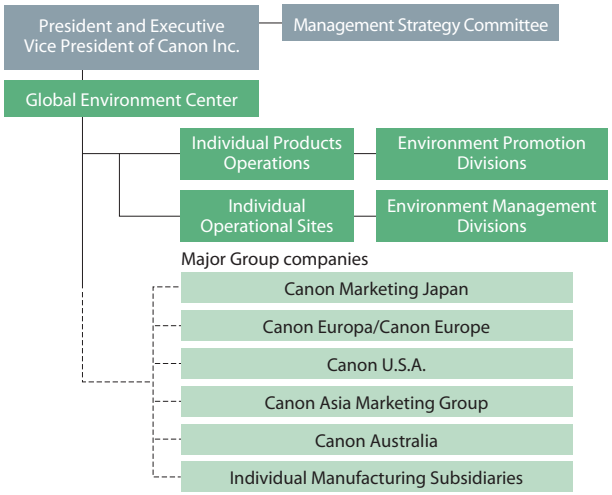
Canon is building a global environmental promotion system, headed by the Executive Vice President of Canon Inc., who serves as the director in charge of the environment, to ensure that Group companies throughout the world approach environmental management in a unified way. Key to this system is Canon's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

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

There are also divisions and personnel responsible for supervising the promotion of environmental assurance activities in products operations and at operational sites and major Group companies. Their duties include checking the status of progress toward the environmental goals set by the Global Environment Center, evaluating compliance with various internal environmental assurance rules, and ensuring that environmental management is being thoroughly executed. These divisions and personnel provide information from each organization to the Global Environment Center, enabling it to conduct prompt and appropriate decision-making.

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

Global Environmental Promotion System

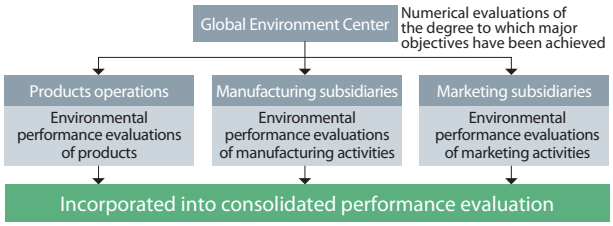


• Environmental Performance Evaluation System

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

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

Environmental Performance Evaluation Process

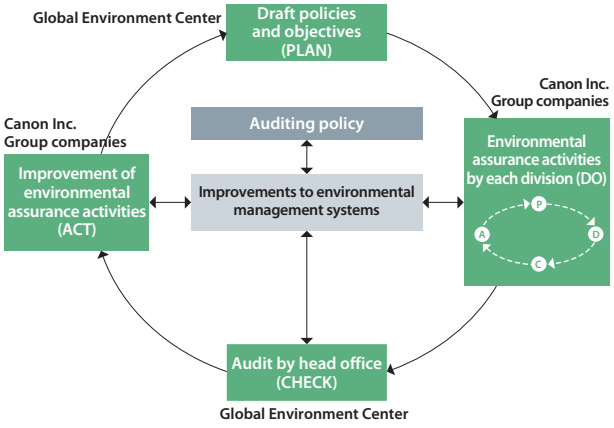


Environmental Audits

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

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

Audit System



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

In 2014, auditor training was carried out seven times by the Global Environment Center in response to requests from operational sites. Support was also given on two occasions for audits conducted internally. In the future, we shall continue to boost the level of audits through the implementation of such measures.

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

Environmental Education

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

Canon takes a two-pronged approach to environmental education, providing awareness training and specialized training. Awareness training aims to impart basic environmental knowledge to all employees. Specialized training, aims to develop key personnel in environmental assurance activities with specialized knowledge concerning environmental management.

In 2014, we created a training system and education contents to make training more effective. To date, a total of 46,960 employees have participated in awareness training and 4,673 in specialized training.

List of Environmental Training Programs

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

Compliance with Environmental Regulations / Risk Communications

• Environmental Regulation Compliance Management

Canon promotes various actions to ensure it complies with environmental laws, regulations and standards. For example, when selecting potential locations for new operational sites, Canon carries out surveys of the environmental infrastructure and the surrounding environment, and conducts soil and groundwater assessments that take into consideration the history of land usage.

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

In 2014, Canon did not have a single legal violation or accident that seriously impacted the environment. The Canon Group did not incur any fines either.

• Environmental Risk Communication

Canon believes in the importance not only of risk management, such as environmental pollution prevention measures, but also risk communication. We explain risks and their management to stakeholders, particularly neighborhood residents near operational sites. Canon provides training to employees at its sites with high chemical emissions, instructing them about the risks of handling chemicals and how to provide appropriate explanations to stakeholders.

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

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

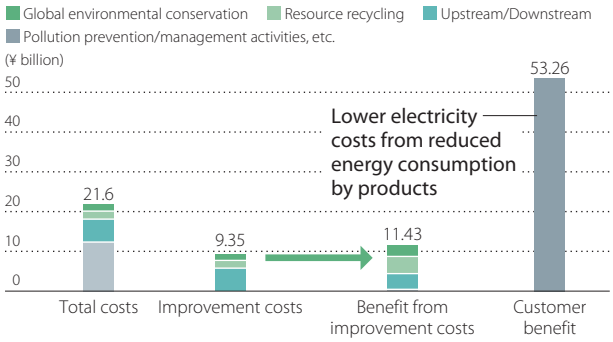
Environmental Areas		Major Global Laws, Regulations and Standards		Canon's Actions
CO_2 Reductions (Energy Conservation)	Operational Sites	UN Framework Convention on Climate Change		Focusing on reducing CO_2 emissions and conserving energy through environmental activities at operational sites.
	Products	Energy-efficiency regulations by country, with a focus on Europe and the United States		Ensuring full compliance with the energy-efficiency regulations of each country for consumer and office equipment, including requirements for power consumption during stand-by mode, energy-efficient external power supplies, and battery chargers, by carrying out reviews from the deliberation phase of the legislation onward. Examining responses in preparation for stricter regulations on power usage during network standby to be implemented in the future.
Recycling (Resource Conservation)		• Recycling regulations in Europe/ WEEE (primarily targeting marketing companies) • Recycling regulations of US states • Recycling regulations in Asia (South Korea, India, Vietnam, etc.)		Participating in regional recycling schemes and implementing recycling programs at local marketing subsidiaries, placing logos on products to indicate proper sorting and disposal, and providing information to users as well as recyclers.
Nature Preservation		EU Timber Regulation (enacted in March 2013) Australian Illegal Logging Prohibition Act (enacted in November 2014)		Complying with regulations for obtaining evidence (declarations) that verify and ensure timber or timber products sold in the EU and Australia do not contain illegally sourced timber from suppliers.
Management of Chemical Substances		EU RoHS Directive	Exemptions	Promoting the use of alternatives (RoHS-compliant products) to every extent possible, including for exemptions. For applications on which exemptions are indispensable from a technological standpoint, sharing opinion as an electronics manufacturer by participating in the lobbying committee launched for exempted applications by industry associations in Japan and Europe to ensure the usable period is extended.
			Additional restricted substances	Four phthalates are expected to be added to the six current substances controlled under the RoHS Directive sometime in 2019 or later. We are responding by examining and promoting alternatives ahead of this change to ensure our entire supply chain is in full compliance.
		EU REACH Regulation (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemical Substances)		Completed second registration in 2013, and working to comply with future registration deadlines in 2018. Active in development and improvement of the framework for electric and electronic industry compliance with REACH regulation. Conducting compliance activities, including investigation and notification in line with the framework.
		Standardization of green procurement • Participation in creation of IEC TC111 material declaration standards		Collaborating with other electrical and electronic equipment manufacturers to roll out the Guidelines for the Management of Chemical Substances in Products. The management structure and process described in the guidelines have already been incorporated into the Canon Green Procurement Standards.
Eco-Label		International ENERGY STAR® Program		Promoting energy efficiency of products for the new V2.0 standard for imaging equipment used in the United States, Japan and Europe. Completed compliance and accreditation of most products, including copying machines, multifunction devices, printers, large-format inkjet printers, and scanners. Each product has also been certified or registered.
		EPEAT®		Proactively registering products, including multifunction devices, under EPEAT®, which began for imaging equipment in 2013 as an official procurement requirement in the United States. Have already registered inkjet printers, scanners and fax machines, and will expand the number of registered products in the future.
		Japan Eco Mark		Have acquired the Japan Eco Mark for a wide range of product lines, including copying machines, multifunction devices, printers, large-format inkjet printers, projectors, calculators, toner cartridges, and ink cartridges, by promoting environmentally conscious designs. As an industry representative, participated in the creation of revised standards for copying machines, printers, toner cartridges, and ink cartridges, and promoted the creation of environmentally conscious products.
Provision and Disclosure of Environmental Information		Eco-Declarations		Actively participating in the development of declaration formats, such as The Eco Declaration (TED).

Environmental Accounting

Environmental Accounting

In 2014, we invested ¥21.6 billion in environmental conservation. Of this amount, ¥9.35 billion was dedicated to improvements in such areas as countermeasures for global warming and the efficient use of resources, which resulted in benefits of ¥11.43 billion.

2014 Results Through Environmental Accounting



• Environmental Accounting Results for 2014

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

Environmental Conservation Cost

(Billions of yen)

Category		Details of Key Activities	2014	
			Investment	Cost
(1) Business Area Cost			2.25	13.40
Details	Pollution Prevention Cost	Air, water and soil pollution prevention, etc.	1.46	9.83
	Global Environmental Conservation Cost	Energy conservation, efficient logistics, prevention of global warming, etc.	0.57	1.57
	Resource Circulation Cost	Efficient resource use, waste reduction, sorting, recycling, etc.	0.22	2.00
(2) Upstream / Downstream Cost		Green procurement initiatives, product recycling*1, etc.	0.25	5.88
(3) Administration Cost		Environmental education, environmental management system, tree planting, information disclosure, environmental advertising, personnel, etc.	0.02	2.12
(4) R&D Cost*2		R&D for reducing environmental impact	0.00	0.01
(5) Social Activity Cost		Contributions to environmental and other organizations, sponsorships, memberships, etc.	0.06	0.14
(6) Environmental Remediation Cost		Soil remediation	0.00	0.05
(7) Other		Other environmental protection-related costs	0.00	0.00
Total			2.58	21.60

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

Environmental Conservation Benefit

Details of Benefit		Environmental Protection Indices	
		Index	Index Value
Benefit Related to Business Area Cost	Benefit related to resources input into business activities	Energy conservation (t-CO_2)	21,447
	Benefit related to waste or environmental impact originating from business activities	Recycled resources volume (t)	70,972
Benefit Related to Upstream / Downstream Cost	Benefit related to goods and services produced from business activities	Product energy conservation amount (t-CO_2)*3	2,270,000
		Recovery of used products (t)*4	75,614

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

Economic Benefit Associated with Environmental Conservation Activities

(Billions of yen)

Details of Benefit		2014
Revenue	Sales revenue from waste recycling	2.54
Cost Reduction	Reduction in energy costs from energy conservation	2.76
	Reduction from green procurement	0.02
	Reduction in waste handling costs from resource conservation and recycling	1.79
Total		7.11

Benefit of Upstream / Downstream Costs

(Billions of yen)

Details of Benefit	2014
Lower energy costs from reduced product energy consumption*5	53.26
Profit from used product recycling	4.32

*5 Calculated as the reduction in energy consumption of electrographic multifunction devices and laser printers sold in 2014 (excluding production printers) × 12 yen/kWh (economic effect for the customer).

Overview of Environmental Impacts

Reducing Lifecycle CO_2 Emissions

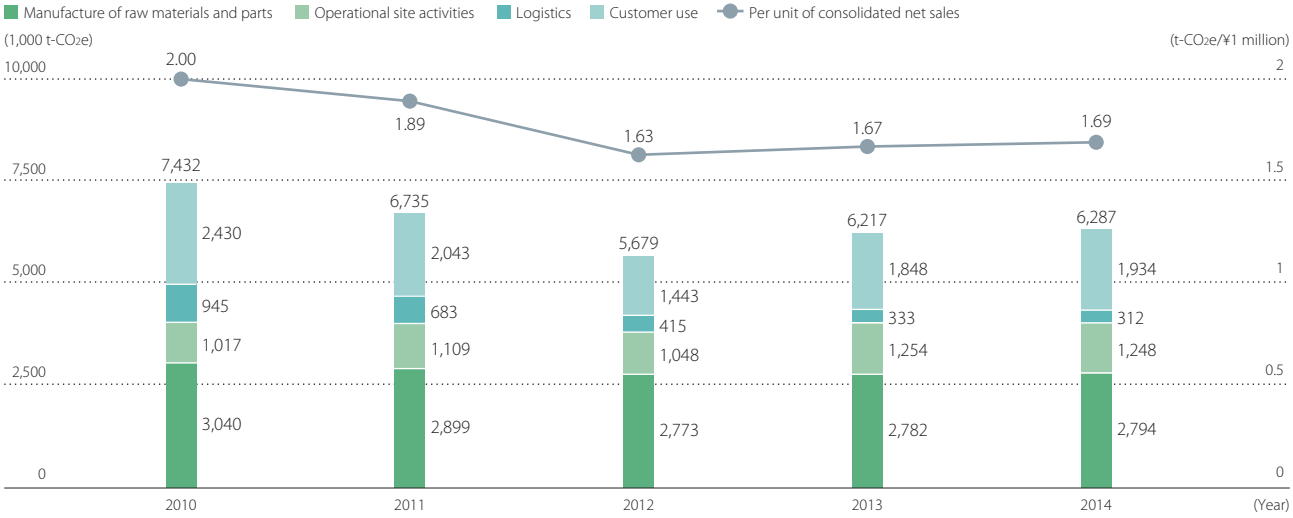
Canon assesses the amount of CO_2 emissions produced during the product lifecycle (see graph below) and carries out environmental assurance activities based on an annual action plan.

In 2014, we implemented measures aimed at reducing environmental impact in all stages of the product lifecycle. Looking at the lifecycle by stage, in the manufacture of raw materials and parts, we reduced the amount of raw materials and parts we used by making products lighter and more compact, but increased production in the office business unit caused CO_2 emissions to increase by approximately 12,000 tons compared to 2013. For the customer use stage, we worked to reduce CO_2 emissions from use through the development of energy-conservation technologies; however, due to the economic recovery we saw an increase in sales of industrial equipment with high environment impact, resulting in an increase of approximately 86,000 tons compared to 2013.

Regarding operational site activities, we were able to reduce CO_2 emissions by approximately 6,000 tons year on year by our energy-conservation activities, which included making equipment operations more efficient at production sites and eliminating waste at sales sites. Finally, in logistics, we lowered CO_2 emissions by approximately 21,000 tons compared to 2013 by promoting a modal shift, improving transport efficiency and changing transport routes. As a result, total lifecycle CO_2 emissions for the entire product lifecycle in 2014 amounted to approximately 6.29 million tons, an increase of approximately 70,000 tons (approximately 1.1%) over 2013. Additionally, emissions increased by approximately 1.2% per unit of consolidated net sales compared to 2013.

In 2015, we will continue with such initiatives as we strive to make improvements in each stage toward achieving our mid-term goals. Furthermore, our production sites set improvement targets not only for the reduction of CO_2 emissions, but also for total waste generation, water use, and emissions of chemical substances, as part of their ongoing efforts to reduce all environmental impacts.

Lifecycle GHG Emissions (CO_2 Equivalent)



Note: Sales outlets (worldwide) of marketing companies included in data count have been expanded starting in 2013.

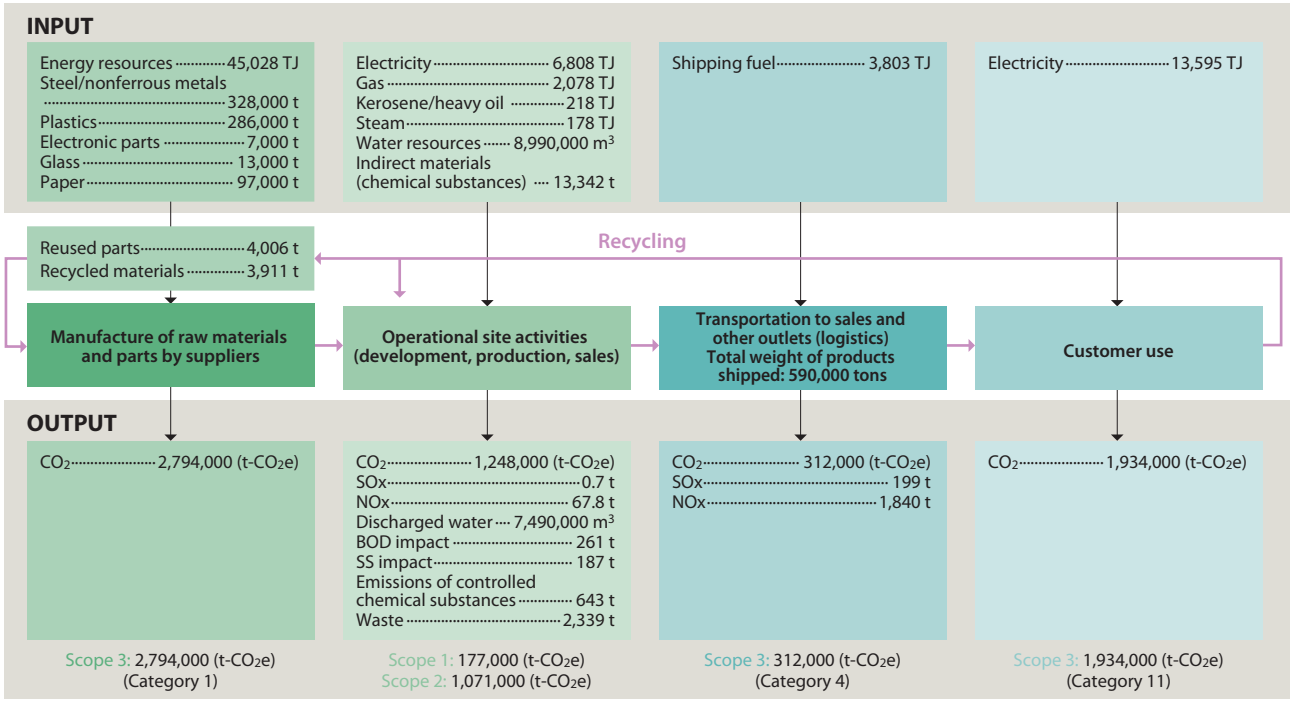
• Basic Approach to CO_2 Calculations

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

We use CO_2 emission factors for electricity for each region and year. In Japan, the factors are published by Japan's Ministry of the Environment and the Federation of Electric Power Companies of Japan. Outside Japan, they are published by the International Energy Agency. (Please refer to Operational Sites Covered in the Environmental Section. (page 65))

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

2014 Material Balance



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

Scope 3 GHG Emissions in 2014

(1,000 t-CO_2e)

Category	Scope	2014	Method
1	Purchased goods and services	2,794*	Calculated by multiplying the volume of each material input by the emission factor for each material/process.
2	Capital goods	675	Calculated by multiplying the total amount of each category of purchased capital goods by the emission factor for each category.
3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	96	Calculated by finding the total for fuel and electricity usage at each operational site and then multiplying it by the emission factor from fuel extraction to burning and power generation.
4	Upstream transportation and distribution	312*	Logistics from the supplier to Canon manufacturing sites is calculated by finding the average transport distance and transport volume and then multiplying this by the emission factor for transportation. Logistics from manufacturing site to customer is calculated by multiplying the emission factor of transportation by logistics performance data.
5	Waste generated in operations	1	Total of waste generated for each material at each operational site is calculated and multiplied by the emission factor of end-of-life treatment by material.
6	Business travel	102	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method For business travel using a personal vehicle, the total payment amount is converted to fuel usage and then multiplied by the emission factor of fuel consumption. For accommodations, the total payment amount is converted to the average number of accommodation nights and added after multiplying by the emission factor of accommodations.
7	Employee commuting	199	The emission factor for each transportation method is multiplied by the total payment amount for each transportation method For commute by personal vehicle, the total payment amount is converted to fuel usage and then added after multiplying by the emission factor of fuel consumption.
8	Upstream leased assets	-	Leased buildings and vehicles are applicable, but both are included in Scope 1 and Scope 2.
9	Downstream transportation and distribution	51	Average transport distance and weight of distributed products is calculated for each region and multiplied by the emission factor of transportation.
10	Processing of sold products	0.2	Weight of parts at distributor is multiplied by the emission factor of product assembly to calculate the impact of product assembly.
11	Use of sold products	1,934*	Lifetime energy usage is calculated for each product and then multiplied by the average electricity emission factor.
12	End-of-life treatment of sold products	220	Sold products are categorized by material and then emission factor of end-of-life treatment is multiplied by each based on the volume of materials used.
13	Downstream leased assets	-	Leased assets such as multifunction devices are included in Category 11 above together with sold products.
14	Franchises	-	N/A
15	Investments	-	N/A
	Total	6,384	

* Data verified by a third party in 2014

Third-Party Verification of Greenhouse Gas Emissions (converted to CO_2)

Third-party verification has only been obtained for CO_2 emissions occurring in 2014 from quantitative data appearing in the above graphs "Lifecycle GHG Emissions (CO_2 Equivalent)" and "2014 Material Balance."

Action Plan

	Action Plan for 2014	2014 Results	Related Pages	Action Plan for 2015
Product Development	**Promoting environmentally conscious design** • Implement smaller, lighter weight products • Promote designs with product lifecycles in mind • Reduce environmental impact through the use of simulations during development	• Reduced size of DR-M1060 A3 document scanner by approximately 53% compared to conventional model, and weight by approximately 40%, by making the housing frame from plastic, reducing the size of the feed tray, and shortening the paper feed track.	p. 36	**Promoting environmentally conscious design** • Implement smaller, lighter weight products • Promote designs with product lifecycles in mind • Reduce environmental impact through the use of simulations during development
		• Incorporated reinforced compliance with the EPEAT® in the United States into the internal Environmentally Conscious Design Guidance, which contains necessary design technologies for effectively promoting the development and manufacture of environmentally conscious products.	p. 37	
		• Examined and promoted alternatives for restricted substances in advance of their future addition to the EU RoHS Directive to ensure compliance across the supply chain.	p. 29	
Materials and Parts Procurement	**Reducing environmental impact from raw materials/procured goods** • Reduce waste in resource input and energy in cooperation with suppliers	• Checked suppliers' management and activities for reducing CO_2 emissions.	p. 38	**Reducing environmental impact from raw materials/procured goods** • Reduce waste in resource input and energy in cooperation with suppliers
	Handling of hazardous substances in procured goods and legal compliance • Enhance environmental information management • Strengthen compliance systems	• Revised controlled chemical substances and Green Procurement Standards.	p. 38	**Handling of hazardous substances in procured goods and legal compliance** • Enhance environmental information management • Strengthen compliance systems
		• Made changes to management system for chemical substances included in products (added online survey system).	p. 35	
		• Complied with the scheme for communicating information on chemical substances used in products according to Japan's Ministry of Economy, Trade and Industry survey on information communication standardization and international deployment.	p. 39	
Manufacturing	**Reducing CO_2 emissions at operational sites** • Reinforce energy-saving production technologies; promote installation of energy-saving equipment • Raise efficiency by thoroughly managing energy use • Use energy sources with less environmental impact	• Canon Australia's headquarters office received 5 Green Star rating for sustainability from the Green Building Council of Australia for its environmental consciousness.	p. 41	**Reducing CO_2 emissions at operational sites** • Reinforce energy-saving production technologies; promote installation of energy-saving equipment • Raise efficiency by thoroughly managing energy use • Use energy sources with less environmental impact
		• Ueno Canon Materials improved its production efficiency and reduced energy usage through cold-air temperature optimization and use of waste heat-recovery equipment in toner production process.	–	
		• Oita Canon Materials reduced CO_2 emissions by approximately 2,800 tons by revising operation of ancillary equipment and raising the operation efficiency of facilities.	p. 40	
	Resource efficiency at operational sites • Strengthen waste reduction through implementation of resource conservation measures • Improve the resource recycling and recycling technologies	• Canon Vietnam lowered waste emissions by approximately 19 tons by eliminating materials waste from the design stage for waste metal generated during the press process.	p. 42	**Resource efficiency at operational sites** • Strengthen waste reduction through implementation of resource conservation measures • Improve the resource recycling and recycling technologies
	Management of hazardous substances and legal compliance • Strengthen management systems for regulated chemical substances	• Canon Zhuhai reduced amount of chemicals used in wastewater treatment processes by approximately 199 tons by reducing the amount of water used in lens production.	–	**Management of hazardous substances and legal compliance** • Strengthen management systems for regulated chemical substances
		• Océ Technologies reduced amount of organic solvents used by approximately 95% by switching from manual cleaning in production processes to automated laser cleaning.	p. 44	
		• Canon Virginia reduced the use of mold release agents by approximately 30% by making mold release coatings used in part molding processes more efficient.	p. 44	

	Action Plan for 2014	2014 Results	Related Pages	Action Plan for 2015
Logistics	**Reducing CO_2 emissions during logistics** • Shift to modes of transportation with less environmental impact • Reduce waste in transport distances, loading methods and distribution processes	• Canon Zhongshan reduced CO_2 emissions by approximately 92 tons by switching transport of parts from Hong Kong from truck to ship.	p. 47	**Reducing CO_2 emissions during logistics** • Shift to modes of transportation with less environmental impact • Reduce waste in transport distances, loading methods and distribution processes
		• Canon USA's Atlanta Warehouse became the first warehouse in the United States to receive LEED v4 Certification from the U.S. Green Building Council® in recognition of its environmentally conscious design.	p. 49	
		• Canon Marketing Japan received the Minister of the Environment's Award at a 2014 "eco-drive" activity concours after it lowered gasoline consumption by 147,044 litters and reduced CO_2 emissions by approximately 335 tons (both compared to 2009) by promoting eco-friendly driving habits and car sharing.	p. 49	
		• Canon Marketing Japan reduced containerboard usage by approximately 6,000 boxes in 2014 by creating toner cartridge-collection boxes from recycled plastics derived from used ink cartridges.	p. 50	
		• Canon Marketing Japan reduced paper waste by approximately 50% by introducing a uniform billing label that helped to lower the amount of paper used.	p. 50	
Product Use	**Reducing CO_2 emissions during use** • Combine increased functionality and image resolution with lower energy consumption • Visualize environmental impacts • Provide usage proposals for customers	• Reduced CO_2 emissions of the imagePRESS C800/C700 Color Digital Press during use by lowering the melting point of toner.	p. 55	**Reducing CO_2 emissions during use** • Combine increased functionality and image resolution with lower energy consumption • Visualize environmental impacts • Provide usage proposals for customers
		• Lowered TEC value of the imageRUNNER ADVANCE C350/C250 series of office multifunction devices to 1.3 kWh/0.8 kWh using a low power consumption design and achieved power consumption of less than 1 W during sleep mode. Reduced product weight to approximately 45 kg by making the main housing lighter.	p. 55	
		• Reduced daily power consumption of the MG7500 series multifunction inkjet printer by approximately 43% compared to the previous model.	p. 55	
		• Complied with conditions for power usage during network standby outlined in the ErP Directive enacted in 2015.	p. 52	
		• Introduced "Carbon Offset Products Making Use of Carbon Footprint" program for all products in the remanufactured multifunction devices in the Japanese market.	p. 54	
Recycling	**Strengthening the promotion of product recycling** • Expand "Collection and Recycle" systems for used products throughout the Canon Group • Encourage remanufacturing, parts reuse and recycling • Create advanced materials recycling technologies	• Constructed new building at Canon Ecology Industry, our recycling hub for consumables, and introduced cleaner, more efficient recycling process.	pp. 15–16 p. 57	**Strengthening the promotion of product recycling** • Expand "Collection and Recycle" systems for used products throughout the Canon Group • Encourage remanufacturing, parts reuse and recycling • Create advanced materials recycling technologies
		• Held in-house exhibition on recycling in order to enforce recycling efforts.	p. 56	
		• Canon Hong Kong held an ink-cartridge recycling contest to promote recycling of used ink cartridges.	p. 61	
		• Increased amount of recycled materials used to 3,911 tons by expanding the number of models that use recycled plastics.	p. 58	
		• Enhanced workplace environment on the automated toner cartridge recycling system, while achieving significant improvements in throughput of recycling and purity of recycled plastics.	pp. 15–16	
Biodiversity Conservation	**Biodiversity initiatives** • Utilize Canon technologies and products for biodiversity conservation • Consider biodiversity centered on operational sites • Contribute to the realization of a community rich in biodiversity	• Canon Marketing Taiwan received an excellence award in the category of information/communication facilities and accessories at Taiwan's 2014 Top Green Brand Awards in recognition of its sponsorship of tree planting activities and beach cleanup activities.	p. 63	**Biodiversity initiatives** • Utilize Canon technologies and products for biodiversity conservation • Consider biodiversity centered on operational sites • Contribute to the realization of a community rich in biodiversity

Environmentally Conscious Product Development

Management of Chemical Substances in Products

Eliminating Designated Chemical Substances from Products

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

• Compliance with the EU RoHS Directive

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

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

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

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

• Compliance with EU REACH Regulation

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

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

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

Compliance with chemical products registration

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

Compliance with notification of substances in articles

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

Managing Product Environmental Information

Product Environmental Information System

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

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

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

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

This basic environmental data as well as data on chemical content in products and parts are managed by the Integrated Chemical Management System, the Product Environmental Specification Control System, and the Online Survey System. This linkage makes it possible to share environmental data about products, materials, packaging materials, and information on environmental evaluations of suppliers within the Group.

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

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

Promoting Environmentally Conscious Design

Introducing Methodologies for Environmentally Conscious Designs that Consider Product Lifecycles

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

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

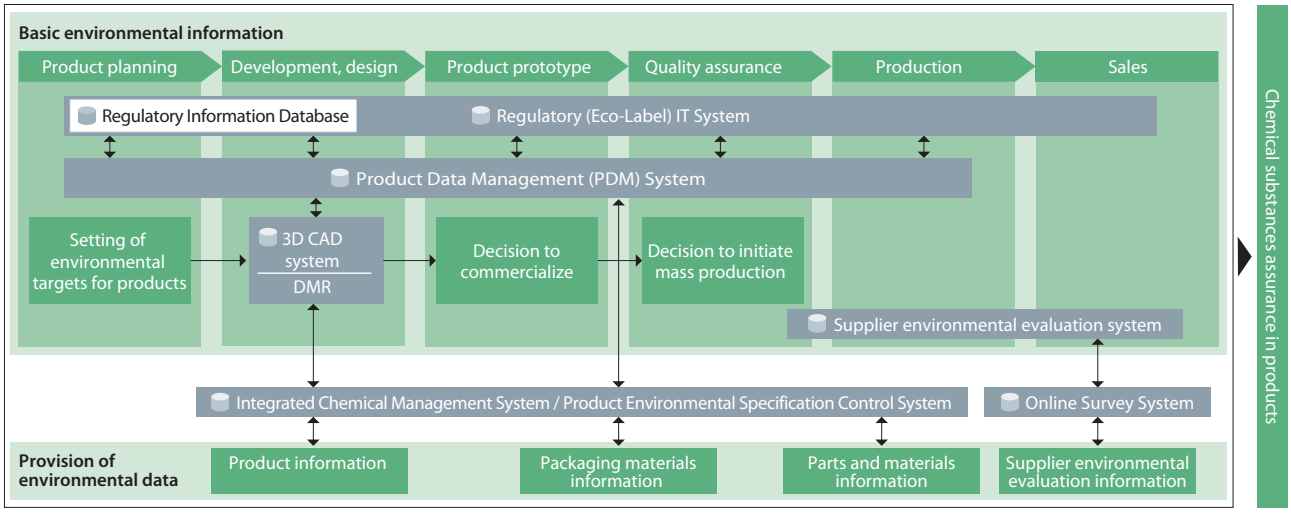
• Promotion of Smaller, Lighter Products

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

The DR-M1060 A3 document scanner is now more efficient as a result of such features as duplex scanning. At the same time, the scanner is approximately 53% smaller in size than the previous model and weighs approximately 40% less thanks to the use of plastics in its housing frame, a smaller paper supply tray size and shortened paper feed track.

DR-M1060

Product Environmental Information System



• Recycling-Conscious Designs

Canon's approach to product creation is comprehensive, covering all stages of the product lifecycle, from development and planning to collection and recycling. We consider achievement of the 65% reuse and recycling and 75% recovery rates*1 set by the EU WEEE Directive*2 to be indispensable when developing products. Additionally, in order to comply with the directive's requirements on facilitation of dismantling*3, we also pursue easy-disassembly designs.

Canon published the Environmentally Conscious Design Guidance in 1998 as a set of guidelines on product development that summarizes the necessary design technologies for effectively promoting environmentally conscious product development and manufacturing. The guide is made available to all Canon employees through the company's intranet and utilized from product planning to development and design. It is revised every few years, and in 2014 it added provisions on strengthening compliance with the EPEAT® (see page 54) eco-label system in the United States. In 2015, we plan on adding provisions to boost our response to the increased recycling rate targets initiated due to changes made to the EU's WEEE Directive.

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

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

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

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

Using Low Environmental Impact Materials

In addition to environmentally conscious product design aimed at curbing CO_2 emissions and resource consumption, Canon also uses low environmental impact materials in products.

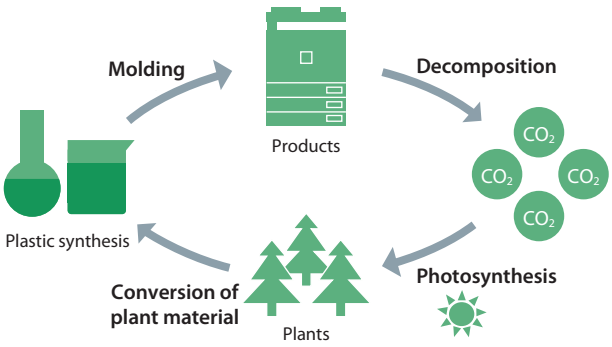
• Use of Bio-Based Plastics in Products

In 2008, Canon Inc., in partnership with Toray Industries, Inc., succeeded in developing a bio-based plastic with the world's highest level of flame resistance.

In 2009, we started to employ bio-based plastics in the exterior parts of office multifunction devices, which require a high degree of flame resistance. Since then, we have gradually expanded their use to include operational switches that users make frequent physical contact with and parts used in commercial printers, the largest product in the industry to use biomass plastics. We believe the use of bio-based plastics will help us not only reduce CO_2 emissions from production but, by deploying bio-based plastics and other components that users make direct physical contact with, also provide an invaluable opportunity to raise environmental awareness among users.

Going forward, we will continue to actively examine the use of biomass plastics and other low environmental impact materials.

Bio-Based Plastic Material Cycle



Environmentally Conscious Materials and Parts Procurement

Energy- and Resource-Conservation Measures during Procurement

Cooperating with Suppliers to Reduce Environmental Impacts

Canon actively collaborates with suppliers to reduce environmental impacts during the production of raw materials and procured goods.

Specifically, we work with suppliers as part of our green procurement activities to ensure legal compliance in their business activities and to assist them in reducing emissions of CO_2, waste products, and chemical substances.

For example, Canon designers visit suppliers to understand issues arising during processing, and reflect solutions in product designs. This in turn reduces the use of raw materials and leads to less energy being consumed during processing. Additionally, we gather information to ascertain the impact suppliers have on the environment.

Being Conscious of Forest Resources

The depletion of forest resources has become a major social issue, and in recent years forest-resource conservation regulations have been tightened around the world, including the EU Timber Regulation in 2013 and the Australian Illegal Logging Prohibition Act in 2014.

Canon has for many years acted to conserve forest resources through the procurement of paper manufactured under forest certification schemes for use in its offices and the use of paper manufactured from environmentally conscious raw materials. Furthermore, to ensure the protection of forest resources and compliance with forest resource-conservation regulations, we have published our stance toward timber resources on the Canon website, and also work closely with our suppliers to ensure forest resources are protected.

Managing Chemical Substances in Procurement Items

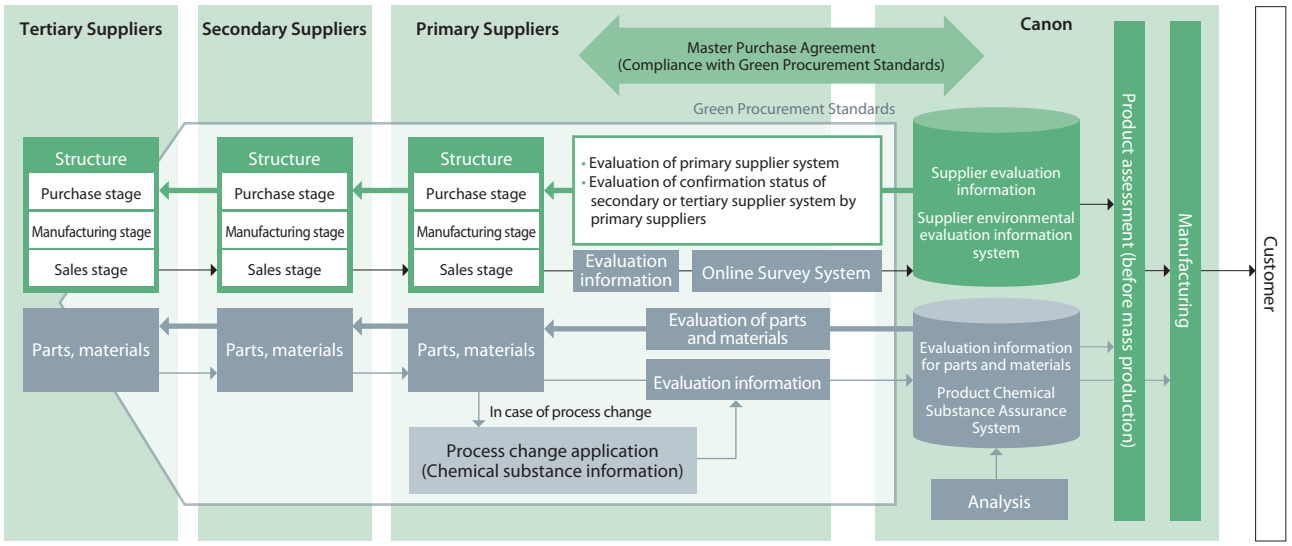
Promoting Green Procurement

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

Canon evaluates suppliers from two perspectives based on its Green Procurement Standards: overall environmental activity structure and initiatives, and the management of chemical substances contained in delivered parts and materials. This ensures that chemical substances are managed thoroughly across the entire supply chain. We also conduct regular in-house analysis

Green Procurement Standards ver. 10.0

Management System for Chemical Substances in Products



for chemical substances, such as lead, which, while banned by us, are still used and have the potential to get mixed in during manufacturing processes.

In 2014, we revised the Green Procurement Standards and published version 10.0. Changes were also made to the management of chemical substances contained in delivered parts and materials based on revisions made to the industry's Guidelines for the Management of Chemical Substances in Products. We also made changes to our use of controlled chemical substances based on the latest legal and regulatory trends. Additionally, we have asked suppliers to take proper environmental precautions after identifying risk processes in the management of chemical substances.

Two Perspectives of Supplier Evaluation

Overall environmental activity structure and initiatives

- Environmental management system for business activities
- Performance of business activities
- Management system of chemical substances in products
- System of chemical substance management in the supply chain

Management of chemical substances contained in delivered parts and materials

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

Participating in Creation of Industry-Wide Standards

Collection and Disclosure of Information Related to Chemical Substances

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

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

In 2013, the Ministry of Economy, Trade and Industry (METI)'s study group on chemical regulations and the expansion of Japanese companies in Asia discussed how to best communicate information on chemicals used in products made in Japan. Based on the recommendation of this study group, METI began discussing the creation of a new scheme for conveying information through its survey on information communication standardization and international deployment. Canon is currently making preparations to ensure that it can comply at an early stage with this new scheme once it is launched.

- **Supplier Management Initiatives in China**

The pollution-prevention initiatives of factories and suppliers in China are being monitored more closely by authorities in line with tighter regulations related to air, water and ground pollution. This requires stricter management of suppliers' practices; companies that fail to manage suppliers with pollution issues will face penalties, including suspensions. Given the situation, Canon held discussions with China's Institute of Public & Environmental Affairs (IPE) and is now applying that information in its environmental evaluations of suppliers.

Standardization of Supplier Evaluations and Audits

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

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

Additionally, in 2012, Japan Industrial Standards (JIS) were established, setting forth guidelines for the management of chemical substances throughout the supply chain, and a standardized cross-industry checksheet applicable to both upstream and downstream operations was considered. Canon was also involved in these activities, reflecting JEITA's results and contributing to standardization. As a result of these ongoing discussions, the third edition of guidelines for the management of chemical substances in products was published in February 2013. Canon is now using the guideline's checksheet in all its operations.

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

Environmentally Conscious Manufacturing

Reducing CO_2 Emissions at Operational Sites

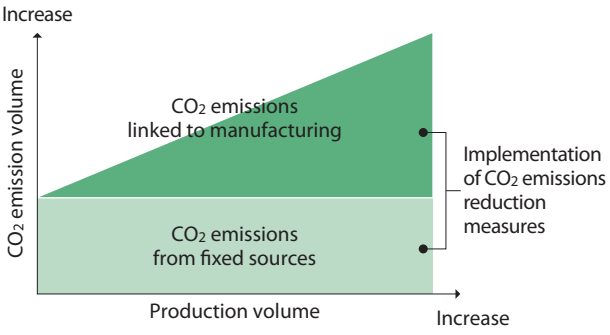
Greenhouse Gas Reduction and Energy Conservation

Canon promotes energy-conservation activities, including the development of technologies to prevent global warming and other improvement including high-energy-consuming manufacturing facilities and air-conditioning equipment, across the entire Group. Additionally, we have worked hard to reduce greenhouse gas emissions other than CO_2 as well, and by 1999 we successfully eliminated PFCs, hydrofluorocarbons (HFCs) and sulfur hexafluoride (SF_6), which had been used as cleaners, solvents and aerosol propellants. We have also been reducing greenhouse gases emitted mainly in the semiconductor manufacturing process, by installing burners to eliminate greenhouse gases through forced combustion.

Basic Approach to Managing CO_2 Emissions

Given the fact that the economic climate can have a major impact on manufacturing activities and greenhouse gas emissions, starting in 2009, Canon classified CO_2 emission volumes into fixed CO_2 emissions, which are relatively independent from fluctuations in production volume, and production-based CO_2 emissions, which are more likely to be affected by production-volume fluctuations. We established a management scheme for predicting and monitoring results for fixed CO_2 emissions and production-based CO_2 emissions, and carry out appropriate measures as we confirm the effects of energy-reduction activities. Specifically, to cut CO_2 emissions from fixed sources, we introduced energy-efficient equipment and reexamined operating conditions so as to optimize operation and maintenance. We also reduced CO_2 emissions linked to manufacturing by integrating production lines and reducing energy consumption in standby mode. Moreover, with various problems related to climate change occurring around the world, external changes such as tighter regulations, increased costs and stable energy procurement could affect the manufacturing activities of the entire Group. To address these risks, Canon Inc.'s production site management division works closely with each manufacturing site to implement measures and solutions.

CO_2 Emission Management Schematic



Initiatives and Results in 2014

In 2014, each operational site engaged in energy-conservation activities that included optimization of manufacturing conditions, raising the efficiency of equipment, and improving the energy efficiency of buildings, among others. As a result, greenhouse gas emissions from 2014 were reduced by 0.5% compared to 2013, totalling 1.248 million tons. Meanwhile, greenhouse gas emissions per unit of consolidated sales improved by 0.4% versus 2013.

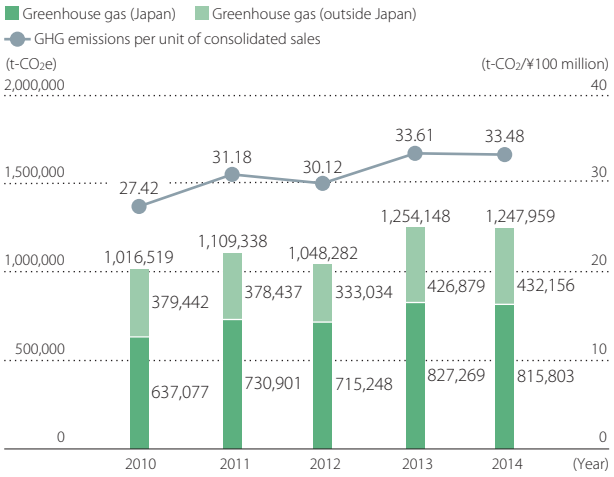
Total greenhouse gas emissions increased in 2013 compared to 2012 (see page 41). The main factors behind this were the increase in the CO_2 conversion coefficient of domestic power compared to 2012 and an approximately 10% increase in emissions from a significant expansion in the number of sales outlets (worldwide) of marketing companies included in data count starting in 2013. In 2015, we will continue efforts to enhance energy-saving production technologies and improve production efficiency as a means to reduce greenhouse gas emissions further.

Examples of Initiatives

Reducing Energy Consumption through Eco Innovation Activities (Oita Canon Materials)

Oita Canon Materials, which manufactures consumables on an automated production line, proactively engages in efforts to reduce the amount of energy it consumes. It has worked to raise the operational efficiency of ancillary equipment and to visualize the amount of energy it consumes and wastes using a program developed in-house to ascertain energy usage for each process carried out by manufacturing equipment. Furthermore, it changed the humidification method for air conditioners to more effectively utilize waste heat, which helped it to reduce CO_2 emissions by approximately 2,800 tons in 2014.

Greenhouse Gas Emissions



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

* Sales outlets (worldwide) of marketing companies included in data count have been expanded starting in 2013.

Trends in Greenhouse Gas Emissions According to Scope

(t-CO_2e)

	2010	2011	2012	2013	2014
Scope 1	187,317	184,631	145,340	172,958	176,878
Scope 2	829,202	924,707	902,942	1,081,190	1,071,082

Energy Consumption by Region in 2014

(TJ)

	Electricity	Gas	Oil	Other (steam, wide-area heating and air conditioning)
Japan	4,407	1,644	180	33
Americas	344	202	0	0
Europe	106	120	14	33
Asia and Oceania (except Japan)	1,951	112	24	112
Total	6,808	2,078	218	178

Use of Renewable Energy by Region in 2014

(MWh)

	Renewable energy
Japan	86
Americas	7,280
Europe	72,190
Asia and Oceania (except Japan)	671
Total	80,227

Utilizing Low Environmental Impact Energy Sources

Canon is promoting the use of energy sources that have a lower environmental impact, such as switching from kerosene to electricity and LNG, and the use of renewable energy sources, including solar power generation. Nearly all of the power purchased by Océ's three production bases is sourced from renewable energy. In 2014, Canon USA's Atlanta Warehouse installed a photovoltaic (solar power) system (see page 49). Such initiatives reflect Canon's commitment to utilizing more renewable energy to power its business.

TOPICS

Canon Australia Headquarters Office Receives GBCA 5 Green Star Rating

Canon Australia launched the New Spaces Project for the relocation of its headquarters office in an effort to create an environmentally conscious space that uses energy more efficiently, uses materials with less of an impact on the environment, and adopts a design that better utilizes natural light. These efforts were recognized by the Green Building Council of Australia (GBCA) with a 5 Green Star rating for sustainability. The move also reduced electricity use for Canon Australia's headquarters by 79%. After relocating to the new office, Canon Australia set up the New Environment Committee in an effort to raise environmental awareness among employees and lower its environmental impact in terms of waste and energy.

Exterior view of the new 5 Green Star office building


Floating shelf planters made from recycled toner cartridges collected through the Cartridges for Planet Ark Program

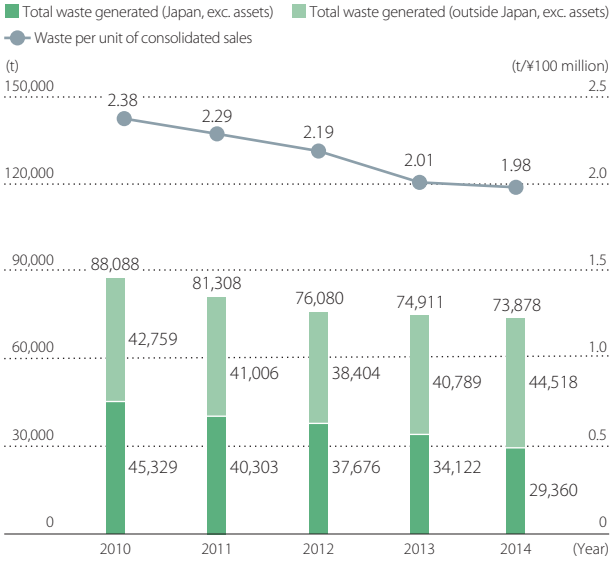
Resource Efficiency at Operational Sites

Reducing Waste

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

In 2014, we worked to reduce waste materials in manufacturing processes, reuse parts containers, and recycle waste materials in-house through collaboration between manufacturing sites and design divisions. As a result of such efforts, we reduced total waste by approximately 1.4% compared to 2013, equaling 74,000 tons, and improved the rate per unit of consolidated sales by 1.5% versus 2013. With regard to landfill waste, Canon was responsible only for landfill waste designated by local authorities for processing by them, and as a result we generated zero landfill waste. In 2015, we will continue waste-reduction efforts while also implementing new and effective measures at other sites.

Total Waste Generated



General Landfill Waste Generated by Business Activities (Tons)

	2010	2011	2012	2013	2014
General landfill waste generated by business activities	3,934	4,114	3,073	2,811	2,339

* General landfill waste generated by business activities is included in total waste generated (excluding assets).

2014 Recovery Volume by Type of Waste (Tons)

Type of Waste	Type of Recovery Treatment	Recovery Amount
Paper	Cardboard, paper used by OA equipment, toilet paper, raw material for paper products, building board, roadbed materials, etc.	16,103
Plastics	Raw materials for plastic products and other applications, roadbed materials, cement materials, fuels, blast furnace reducing agents, soil improvement agents, etc.	13,992
Metals	Raw materials for metals, roadbed materials, etc.	15,607
Oils, acids and alkalis	Cement materials, fuels, roadbed materials, reuse of oils, chemicals and solvents, etc.	7,811
Sludge	Cement materials, construction materials, aggregates, metal materials, organic fertilizers, compost, etc.	3,257
Wood	Construction boards, bedding for plants, fuels, pulp materials, fertilizers, etc.	2,529
Glass and ceramics	Glass materials, roadbed materials, cement, metal materials, etc.	778
Others	Combustion aid, roadbed materials, soil improvement agents, iron-making materials, metal materials, etc.	10,895
Total		70,972

Examples of Initiatives

Reducing Waste from Metal Pressing Process with MFCA (Canon Vietnam)

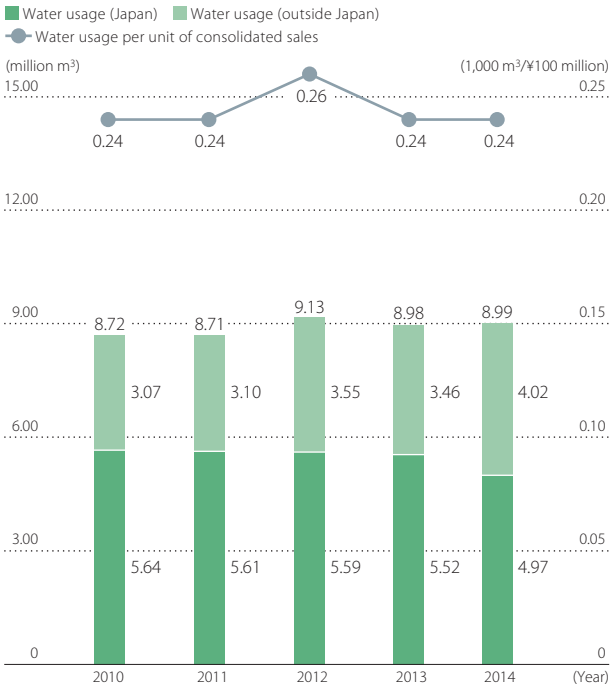
Canon Vietnam's Que Vo Plant generated considerable amounts of waste material from the metal materials used during the metal pressing process. Through MFCA activities that reduce waste materials, the plant carried out a detailed analysis of manufacturing processes to identify where waste was occurring and take appropriate measures to prevent it. For example, improvements made to molds used in the pressing process included modifications to the processing conditions of existing molds and the development of new mold designs. Thanks to the information sharing between the design division and the mold manufacturer, materials waste has been eliminated from the design stage. This helped the plant reduce its waste in 2014 by approximately 19 tons compared to 2013.

Reducing Use of Water Resources

Approximately 40% of the water resources used by Canon are utilized during manufacturing processes. Water-based cleaning is very effective in processes that require advanced cleaning capabilities, such as lens and semiconductor manufacturing, and the stable procurement of quality water in adequate amounts is essential for this. We are thus working to develop and implement water-recycling technologies and reduce our use of water and discharge of wastewater. These activities are squarely in line with our policy to reduce water usage and efficiently utilize limited water resources. Water-related risks include the possible shutdown of production due to flooding or lack of water supply. We, therefore, carry out risk evaluations on economic trends and climate change to ensure we respond appropriately.

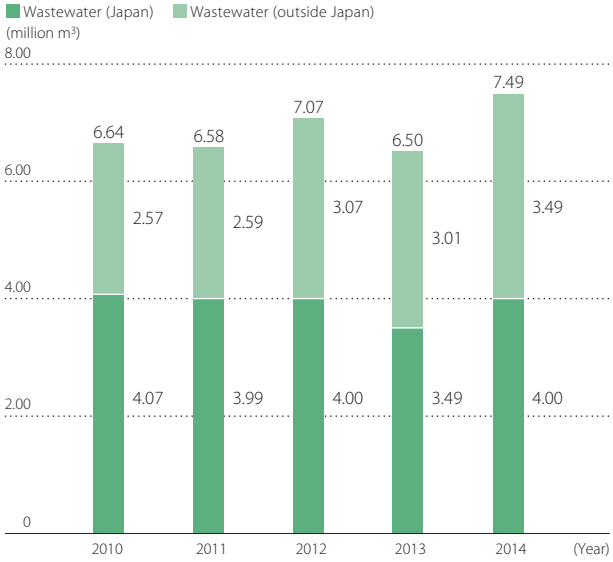
Canon effectively utilizes only water approved by local authorities to ensure that its use does not affect water resources. We also comply with wastewater standards stipulated for each community, and in areas where these standards are quite rigorous we have introduced closed-loop systems that do not discharge any wastewater. We are working hard to curb our use of water by thoroughly managing water usage, and treating and recycling water used during manufacturing processes. Currently this closed-loop system has been introduced at seven sites: Fuji-Susono Research Park, Oita Canon Materials, Hiratsuka Development Center, the Ayase Plant, the Utsunomiya Plant, Canon Zhuhai and Oita Canon.

Use of Water Resources



As a result of these efforts, Canon's water usage in 2014 was nearly unchanged compared to 2013 at 8.99 million m³. Additionally, water usage per unit of consolidated sales was also virtually unchanged year on year. In 2015, we will continue with our efforts to reduce water usage and wastewater.

Total Wastewater Discharge



Use of Recycled Water and Recycling Rate in 2014

	Recycled water (million m³)	Recycling rate
Japan	1.78	35.9%
Outside Japan	0.09	2.1%
Total	1.87	20.8%

Water Usage in 2014 by Type

(million m³)

	Tap water	Industrial water	Groundwater	Total
Japan	1.67	2.14	1.16	4.97
Outside Japan	3.02	0.77	0.23	4.02
Total	4.69	2.91	1.39	8.99

Destination of Discharged Wastewater in 2014

(million m³)

	Rivers	Sewerage system	Total
Japan	1.03	2.97	4.00
Outside Japan	1.58	1.91	3.49
Total	2.61	4.88	7.49

Management of Hazardous Substances and Legal Compliance

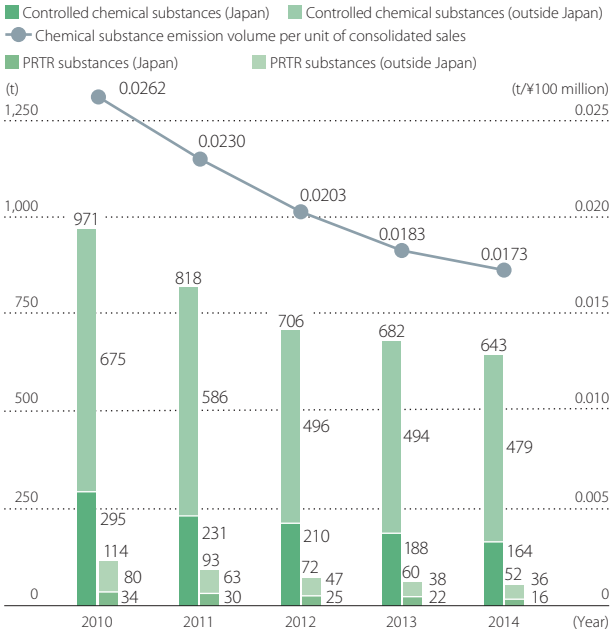
Reducing Emissions of Controlled Chemical Substances

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

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

We have initiated leak-prevention measures to reduce the risks of accidents and environmental pollution associated with the use of these substances. We have also reinforced our management practices by linking our purchasing system with our chemical management system.

Emissions of Controlled Chemical Substances and Amount of Chemical Substances Designated by the PRTR System



Note: **PRTR (Pollutant Release and Transfer Register) System:**
A notification system for the transfer and release of chemical substances.
Controlled chemical substances exclude C) Regulated substances.
Océ Group data has been included only for controlled chemical substance volume starting in 2013.
Océ Group data has been added to emissions of controlled substances and emissions of PRTR substances in 2014.

In 2014, we worked on reducing our use of these substances as well as decreasing the amount of solvents used in cleaning through improvements in chemical-coating techniques. As a result, we successfully reduced our emissions of controlled substances by 643 tons, or 5.7% compared to 2013. Per unit emissions based on consolidated sales were also improved 5.6% over 2013. In 2015, we will continue to implement effective measures toward reducing our emissions of chemical substances.

Substances Canon No Longer Uses

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

*1 Excludes use in semiconductor manufacturing

*2 Discontinued use in Japan in December 2001

Examples of Initiatives

Reducing Hazardous Chemical Substances in Manufacturing Processes (Océ Technologies)

Océ Technologies is committed to eliminate or reduce hazardous chemical substances used in their manufacturing processes. In 2014, manual cleaning using an organic solvent was replaced by an automatic laser cleaning process. The new process reduced the use of organic solvent for cleaning by approximately 95%. Additionally organic solvent reductions were gained from improving a spray coater installation.

The Amount of Chemical Substances Used during Parts Molding was Reduced (Canon Virginia)

Canon Virginia optimized the spray angle and nozzle shape used for mold release agents during the molding processes to reduce mold release agents in 2014 by approximately 30% compared to 2013.

2014 List of Chemical Substances Subjected to the PRTR Act

(kg)

Directive No.	Name of Substance	Emissions Volume		Transfer Volume		
		Atmosphere	Public Water	Sewerage System	Waste	Recyclables
7	N-butyl acrylate	11	0	0	0	1,145
20	2-aminoethanol	108	0	6	0	15,421
31	Antimony and its compounds	47	0	0	0	2,631
53	Ethylbenzene	284	0	0	0	25,717
57	Ethylene glycol monoethyl ether	423	0	0	3	416
58	Ethylene glycol monomethyl ether	128	0	0	0	143
71	Ferric chloride	0	0	0	0	121,357
80	Xylene	4,635	0	0	20	145,623
125	Monochlorobenzene	6,122	0	0	0	99,359
128	Methyl chloride	8	0	0	0	0
150	1,4-dioxanes	585	0	0	0	841
181	Dichlorobenzene	0	0	0	0	24
202	Divinylbenzene (m- and p- isomer mixture)	0	0	0	0	1
232	N,N-dimethylformamide	425	0	0	0	612
240	Styrene	991	0	0	0	10,106
296	1,2,4-trimethylbenzene	8,059	0	0	0	11,172
298	Tolylene diisocyanate	0	0	0	0	390
299	Toluidine	2	0	0	0	0
300	Toluene	23,316	0	0	6,485	64,472
306	Hexamethylene diacrylate	0	0	0	0	1
308	Nickel	0	0	0	0	886
309	Nickel compounds	0	0	6	10	4,525
343	Pyrocatechol	8	0	0	0	2,230
349	Phenol	34	0	0	0	93
374	Hydrogen fluoride and its water-soluble salts	4	6	1,547	0	424
384	1-Bromopropane	266	0	0	9	2,485
392	N-hexane	5,356	0	0	257	771
395	Water-soluble salts of peroxodisulfuric acid	0	0	0	0	1
405	Boron compounds	0	0	0	15	1,329
410	Poly (oxyethylene) nonylphenyl ether	0	0	0	0	2,102
412	Manganese and its compounds	0	0	0	0	151
448	Methylenebis (4,1-phenylene) diisocyanate	0	0	0	0	2,581

• PCB Waste Management

In accordance with relevant laws, Canon strictly manages polychlorinated biphenyl (PCB), which damages living organisms and the environment. As of December 2014, 19 operational sites were storing PCB waste. There are 62 capacitors and transformers and 3,428 fluorescent ballasts in storage. These PCB wastes are processed sequentially by the Japan Environmental Safety Corporation.

• Impact on Atmosphere and Public Waterways

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

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

In 2014, as in the previous year, there were no violations related to air, water or other emission regulations.

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

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

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

*4 **Suspended solids (SS)**
A collective term used for substances of less than 2mm in diameter that float in the air and do not dissolve.

Soil and Groundwater Remediation Status

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

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

Status of Soil and Groundwater Cleanup Activities

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

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

Environmentally Conscious Logistics

Reducing CO_2 during Distribution

CO_2 Emission Reduction in Transportation

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

In 2014, containers used by other shippers to import goods to the Port of Tokyo/Yokohama were reused by Canon in a system known as Container Round Use (CRU) to export goods. This helped to reduce CO_2 emissions during the ground transport of containers.

We have also worked to reduce CO_2 emissions attributable to international transportation as well as carriage within regions outside Japan by all of our Group companies worldwide. In 2014, Canon Vietnam expanded its use of CRU, using containers from the import of components for the export of finished products, which reduced its CO_2 emissions from the ground transport of containers. Canon Zhongshan reduced the number of containers it uses by modifying the layout of cargo inside the container. It also shifted the mode of component imports arriving from Hong Kong from truck to feeder ship and worked with business partners to maintain load efficiency on return routes. As a result, in 2014, Canon Zhongshan was able to reduce its CO_2 emissions by 92 tons compared to 2013.

As a result of these measures, global logistics-related CO_2 emissions (including within Japan, within regions overseas, and international transportation) amounted to 283,000 tons, a year-on-year reduction of 27,000 tons (approximately 9%).

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

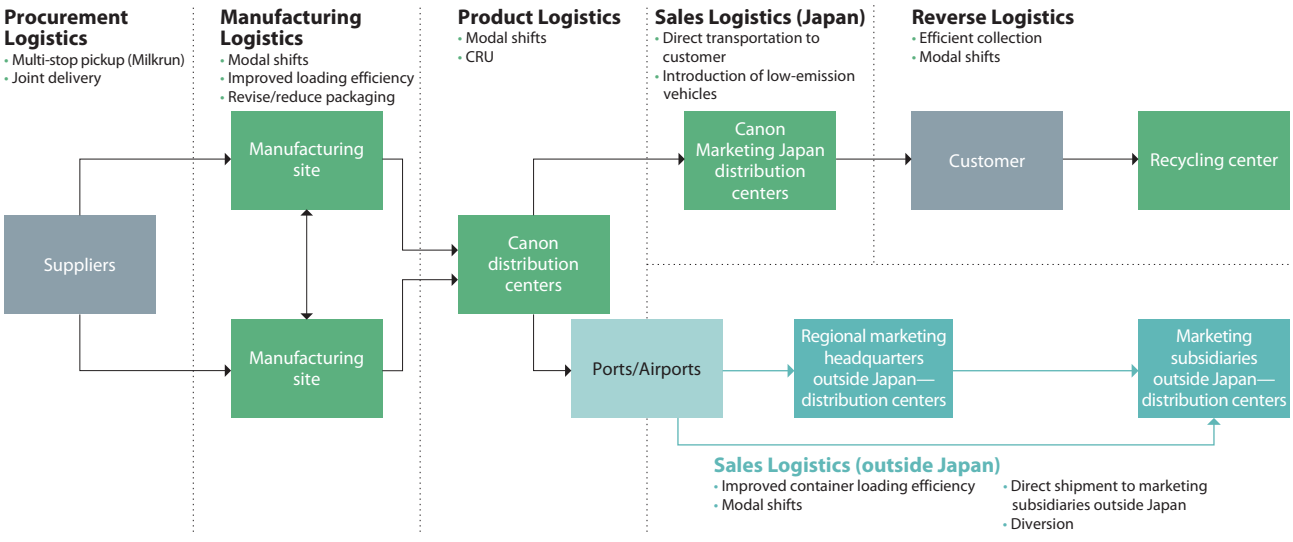
Logistics-Related CO_2 Emissions

(1,000 t-CO_2)

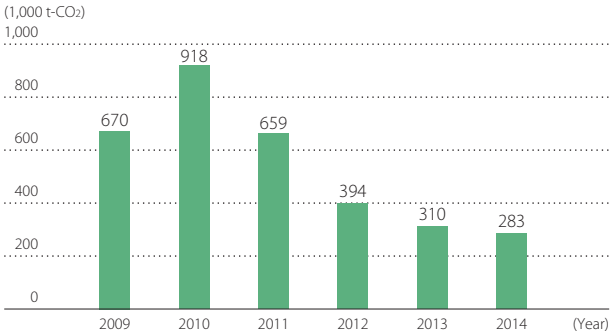
		2009	2010	2011	2012	2013	2014
Japan		29	33	31	27	26	24
Outside Japan		72	84	79	85	77	73
International transportation	By air	376	611	389	137	85	65
	By ocean	193	190	160	145	122	121
	Subtotal	569	801	549	282	207	186
Total		670	918	659	394	310	283

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

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



Logistics-Related CO_2 Emissions



Examples of Initiatives

Making Full Use of the SmartWay® Transport Partnership (Canon USA)

Canon USA is a Charter Partner of the SmartWay Transport Partnership*, a voluntary program established by the U.S. Environmental Protection Agency. SmartWay was started in 2004 in an effort to help improve the energy efficiency of freight transport. SmartWay Transport Shippers, including Canon USA, commit to pursue active use of SmartWay Transport Carriers, and those carriers, in turn, agree to set environmental and fuel efficiency goals that will result in significant, measurable air quality and/or greenhouse gas improvements.

In 2014, thanks to the active use of SmartWay certified transportation providers, Canon USA was able to reduce its CO_2 emissions from transport by 15% compared to the previous year.

* **SmartWay Transport Partnership:** Established by the U.S. Environmental Protection Agency to include shippers, carriers and logistics providers, this partnership aims to move more goods, more miles with lower emissions and less energy by benchmarking operations, tracking fuel consumption and improving performance.

Initiatives to Reduce CO_2 through More Efficient Distribution

Canon's manufacturing bases, which supply products to markets worldwide, are mainly located in Japan and other parts of Asia. As international and region-to-region shipping increases, we are working hard to decrease CO_2 emissions due to distribution by shortening shipping distance through such measures as direct delivery or rerouting.

Promoting Modal Shifts

Canon strives to reduce transport-related CO_2 emissions* through modal shifts, within Japan and overseas, from road and air transportation to a combination of ocean and rail, which have a lower environmental impact.

* Setting air shipment at 100, the ratios for CO_2 emissions due to transport for truck/ocean/rail are 15/4/2.

• Modal Shifts in Japan

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

In 2005, Canon became one of the first companies in Japan to acquire corporate certification for the Eco Rail Mark system promoted by

Eco Rail Mark

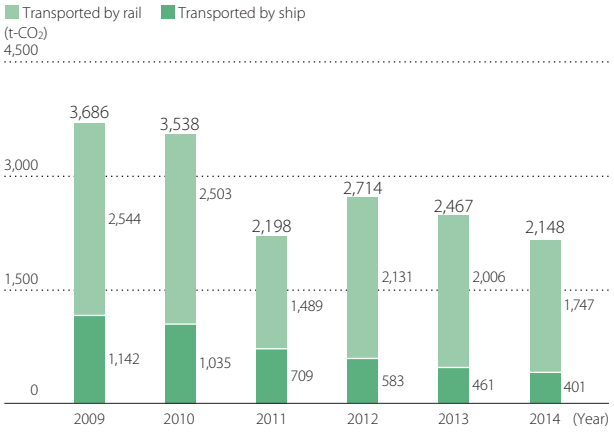
Major Initiatives for Optimizing Distribution and Resultant CO_2 Emission Reductions

Major Initiatives in 2014	CO_2 Reduction (t)
Reduced long-distance truck transport by shifting the transport mode for parts shipped to plants in North America from ground transport within the United States to sea shipments	268.2
Reduced long-distance transport within South Korea by changing the port of export for some products made at the Ansan Plant in South Korea to the one nearest the plant	180.7
Reduced the number of containers used by improving load efficiency and the mode of packaging for production parts shipped to plants in China	98.7
Shortened transport distance by shipping office equipment products for South Africa, which were previously transported via Europe, directly from production plants in Asia	53.3
Reduced long-distance truck transport by shipping products, which were shipped from our plant in Aomori to the Kanto region in Japan by truck and then loaded onto ships in the Kanto region, via rail using sea freight containers	28.8
Reduced the number of containers used by making the shipments of cartridge products bound for Brazil more efficient through modifications in packing modes	11.4

Japan's Ministry of Land, Infrastructure and Transport. The Eco Rail Mark certifies that Canon proactively addresses global environmental problems through the use of alternative rail transport. Since 2005, we have continued to meet the requirements for certification.

In 2014, we began joint use of containers between Tokyo and Osaka through a partnership with other shippers based out of Osaka, which greatly increased the rate of shipments by rail. As a result, CO_2 emissions in 2014 were reduced by 2,148 tons owing to this modal shift.

Effects of CO_2 Reductions due to Modal Shifts (Japan)



• Modal Shift in International Transportation

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

CO_2 emissions from air shipments in 2014 totaled 64,000 tons, marking a 25% reduction compared to 2013. This also means we have been able to reduce these emissions by approximately 90% over the previous four years, from a peak of 611,000 tons in 2010.

Reducing Environmental Impacts at Logistics Sites

Canon works to reduce CO_2 emissions from logistics, while implementing initiatives at its logistics sites around the world to lower their environmental impacts.

During the expansion of its Atlanta Warehouse in Georgia, Canon USA incorporated a wide range of facilities and systems for reducing environmental impacts, including energy-efficient lighting and air-conditioning systems, solar panels, and water conservation and recycling systems. In recognition of these initiatives, the Atlanta Warehouse became the first warehouse

Canon USA's Atlanta Warehouse

in the United States to receive LEED v4 certification* from the U.S. Green Building Council® in the new "Warehouses & Distribution Centers" category.

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

Reducing Environmental Impacts of Company-owned Vehicles

Canon Marketing Japan instituted a car-sharing program and a telematics system for obtaining the operational data of vehicles in order to address and improve upon areas it identified for improvement when it comes to company-owned vehicles, which are the environment, safety, and efficiency. As a result, Canon Marketing Japan was able to reduce gasoline consumption by 147,044 liters and CO_2 emissions by 335 tons

Awards ceremony

(each compared to 2009). It was also able to lower the number of accidents and reduce vehicle maintenance costs by 180 million yen (compared to 2008).

In recognition of these initiatives, Canon Marketing Japan was honored with the Minister of the Environment's Award at a 2014 ecodrive activity concours sponsored by the Foundation for Promoting Personal Mobility and Ecological Transportation.

Improving Packaging and Shipping Processes

Towards Smaller, Lighter Packaging

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

For instance, PIXMA multifunction inkjet printers were reduced in size through improvements to the paper feed mechanism, while its stronger exterior body requires less package cushioning.

Compared to the 2009 MP560 model, the MG5600 series models, released in 2014, were approximately 7% smaller in size and 22% lighter in weight. Additionally, the number of boxes loadable in a 40-foot container was increased from 832 to 880, an approximately 5% improvement in load efficiency.

In the area of ink cartridges, the new FINE cartridge launched in 2011 also uses approximately 30% less packaging by volume than the previous FINE cartridge.

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

Reducing Environmental Impacts through Improvements in Shipping Process

Canon is working to lower the environmental impacts of shipping operations at its logistics sites.

For example, Canon Marketing Japan introduced a proprietary uniform billing label for individual shipments from its own warehouses. By consolidating multiple bills and envelopes into a single label, it has been able to significantly reduce the amount of paper used in the shipping process, including waste from release paper and other sources.

Canon Marketing Japan is expected to see an approximately 50% reduction in waste paper thanks to the operational process improvements yielded by this uniform billing label system. Additionally, Canon Marketing Japan plans on proposing this system to customers as a solution that reduces environmental impacts, cuts costs and maintains confidentiality.

Examples of Initiatives

Reducing Containerboard Usage with Returnable Boxes (Canon Marketing Japan)

Canon Marketing Japan has created a stowable container made of recycled plastics from used ink cartridges that can be used as a returnable box. It began using the box as a toner cartridge collection box at its own sites in 2013, and reduced its use of containerboard by approximately 6,000 boxes in 2014. This resulted in an approximately 3.7 ton reduction in CO_2 compared to conventional means of disposal.

Canon Marketing Japan has used product shipment boxes for new drum cartridges as returnable shipping boxes since 2007. This initiative has helped reduce annual CO_2 emissions by approximately 47 tons.

Toner cartridge collection box

Environmentally Conscious Product Use

Reducing CO_2 Emissions during Use

Energy Conservation during Use

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

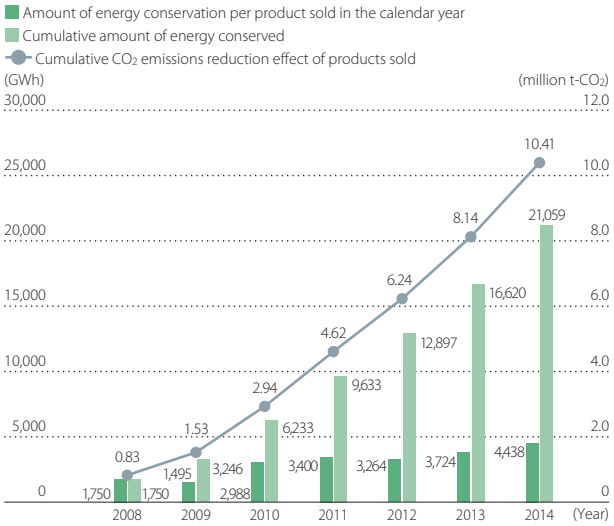
Thus, in order to reduce energy consumption during product use we have set goals by product segment for industry-leading power-saving achievements, with measures implemented as appropriate.

In 2014, improvements were made in products for offices and consumers, but an increase in sales of industrial equipment caused CO_2 emissions from customer use to increase approximately 4.7% compared to the previous year to 1.934 million tons.

• Canon's Proprietary Energy-Conservation Technologies

Canon adopts such energy-conservation technologies as induction heating (IH) (from 2002) and on-demand fixing (from 1990) for office products, such as copying machines, multifunction devices (MFDs) and laser printers. Through introduction of these technologies, which have led to shorter printer startup times, greater thermal efficiency and similar improvements, we estimate that cumulative CO_2 emissions on the part of customers use were reduced by approximately 10.41 million tons over the previous seven years, from 2008 to 2014.

Energy-Conservation Effects of Office Products



Note: **Target products**

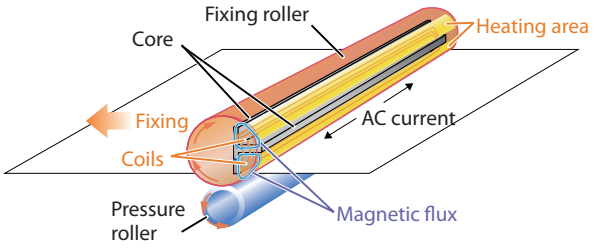
Electrophotographic multifunction devices and laser printers (exc. Production printers).

Energy-conservation effect using the average energy consumed by products sold in 2007 as a baseline.

Cumulative yearly effect assumes that products sold in each year are used for 5 years.

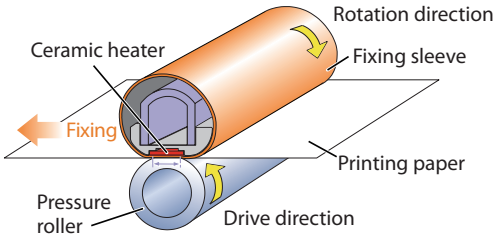
Note: The conversion of electric power consumption to CO_2 emissions was calculated by using the weighted average of sales per region based on emission factors published by the Federation of Electric Power Companies (Japan) and the International Energy Agency (outside Japan).

IH Fixing Technology



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

On-Demand Fixing Technology



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

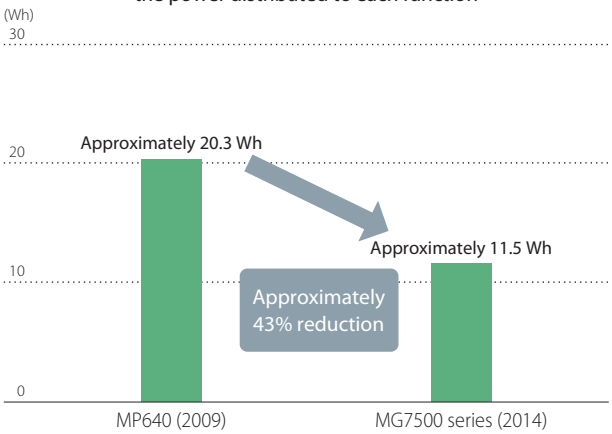
Reduction in Daily Electricity Consumption for Multifunction Inkjet Printers

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

+

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

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



Energy-Efficient Product Design

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

The EU ErP Directive*, which requires that companies incorporate eco-design principles into their product design, came into effect in 2009.

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

In 2015, we added network standby power consumption as a new requirement. Based on this, we fulfilled the requirements of transit time and threshold value, which are standards for network standby power consumption in the design of our network equipment. We also disclosed standby power consumption to our customers.

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

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

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

Qualified Environmentally Conscious Products

Regulatory Compliance

At the product planning stage, Canon emphasizes compliance with such standards as Japan's Law on Promoting Green Purchasing*1, the Eco Mark*2, and programs like the International ENERGY STAR® Program*3. The compliance rate of our main environmentally conscious products sold in Japan in 2014 was 100% for nearly every product group, making it among the highest in the industry.

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

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

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

*3 **International ENERGY STAR Program**
An energy-conservation program established by the U.S. Environmental Protection Agency (EPA), and also implemented in EPA-approved international partner countries such as Japan and the EU. Only the products that meet specific energy requirements can be labeled with the ENERGY STAR® logo.

2014 Conformance with Standards for Environmentally Conscious Products

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)	International ENERGY STAR® Program
Copying Machines / Multifunction Devices (MFDs)	21/21 (100%)	21/21 (100%)	21/21 (100%)
Laser Printers	7/7 (100%)	7/8 (88%)	8/8 (100%)
Inkjet Printers	4/4 (100%)	4/4 (100%)	4/4 (100%)
Large-format Inkjet Printers	8/8 (100%)	8/8 (100%)	8/8 (100%)
Image Scanners	6/6 (100%)	–	6/6 (100%)
Projectors	3/3 (100%)	0/3 (0%)	–

Notes: Values show the number of models meeting specifications out of the number of models on sale in Japan, with the conformance ratio in parentheses.
Image scanners are outside the scope of Eco Mark specification.
The International ENERGY STAR® Program has no specifications for projectors.
One new laser printer model was excluded from the provisions of the Law on Promoting Green Purchasing.

2014 Conformance with Standards for Consumables

	Law on Promoting Green Purchasing (Japan)	Eco Mark (Japan)
Toner cartridges	2/2 (100%)	2/2 (100%)
Ink cartridges	4/4 (100%)	4/4 (100%)

Note: Values show the number of models meeting specifications out of the number of models on sale in Japan, with the compliance ratio in parentheses.

Providing Usage Proposals for Customers

Distributing Information on Environmentally Conscious Products

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

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

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

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

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

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

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

GREEN NAVI is comprised of an Office Edition, which highlights products that help offices to reduce CO_2 emissions; a Home Edition, which showcases products for the home; and, an IT Solutions Edition, which introduces products that make business activities more eco-friendly and more efficient. The website has been designed so that general consumers can easily understand its contents, and it features an Energy and Resource-Conservation Simulator that makes it possible to check the CO_2 reduction effect when replacing an old model with a new one. Home Edition 2 highlights Canon's initiatives for each aspect of a product's lifecycle and uses a quiz format to test users' knowledge about the carbon footprint of products.

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

GREEN NAVI website

• Helping Customers Achieve Sustainability

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

Providing Product Environmental Information

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

Moreover, in 2009 we began posting on our website in Japan a unique product environmental data sheet, entitled GREEN PROFILE, which features a listing of each product and model with such information as environmental labeling responses, elimination of hazardous substances, and energy and resource conservation.

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

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

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

• Visualizing CO_2 Emissions using the Carbon Footprint of Products (CFP) Program and Carbon Offset

Canon has promoted the acquisition of CFP certification as part of the Japan Environmental Management Association for Industry (JEMAI)'s CFP communication program since 2012.

CFP is a system to calculate the greenhouse gas (GHG) emissions of a product over its entire lifecycle, from raw material procurement to production, distribution, use and EoL (End of Life), and disclose the total GHG emissions in CO_2 equivalent. CFP has since spread throughout Europe and Asia, and in May 2013, ISO technical specifications for calculation and communication method of CFP were published (ISO/TS 14067). As of December 31, 2014, a total of 27 models, including office multifunction devices and laser printers, had achieved CFP certification.

Additionally, the "Carbon Offset Products Making Use of Carbon Footprint" program, which is promoted by the Japan's Ministry of Economy, Trade and Industry, was introduced to the all series of remanufactured multifunction devices in the Japan market. Canon's remanufactured multifunction devices achieved zero CO_2 emissions* through their entire lifecycle through the carbon offset program. At the same time, we established a new business model where the amount of CO_2 emitted during customer use can be incorporated as a CO_2 reduction amount in the calculation, reporting and disclosure systems of the Act on Promotion of Global Warming Countermeasures and can be reflected in the action plans of local governments in Japan.

Canon is committed to obtaining additional CFP certification in the future and expanding the "Carbon Offset Products Making Use of Carbon Footprint" program.

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

The CFP mark

• Registration of the EPEAT® in the United States

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

Canon products that have been registered include multifunction devices, copying machines, laser printers, inkjet printers, fax machines, document scanners and network scanners. Among these, 13 models of Canon multifunction devices have received the highest rank of gold classification in the imaging equipment category, which was established in 2013.

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

Improving Product Value during Use

Examples of Environmentally Conscious Products

• The imageRUNNER ADVANCE Office MFD Series

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

The C3300-series of devices, launched in 2015, can be shut down directly from a PC using the bundled application software. They also come equipped with a function (optional) to shut down multiple devices simultaneously at predetermined times, helping to reduce work loads for administrators and lower office power consumption.

Bio-based plastic (see page 37) is utilized for frequently used operational buttons. We also use recycled plastics, made from recovered materials, and are thoroughly committed to utilizing materials with the lowest environmental impact. In addition, we use mercury-free displays, and all parts except for electrical and electronic components are lead free.

In terms of transport, to further reduce environmental impacts throughout the product lifecycle, we use containerboard packaging free of foam polystyrene when shipping within Japan.

imageRUNNER ADVANCE C3300

• imageRUNNER ADVANCE C350/C250 Office Multifunction Devices

The imageRUNNER ADVANCE C350/C250 office multifunction devices are the same size as A4 multifunction devices, but offer A3 capabilities in response to the needs of customers who want a more compact and easy-to-use multifunction device. These devices achieve a fast output speed of 35 pages-per-minute for A4 documents in both color and black-and-white, while their improved high-resolution color-printing capabilities greatly improve productivity when it comes to office documents. They also offer a 7-inch LCD touch screen and new toner bottle, while the automatic cassette replacement assist feature makes these multifunction devices easier to use than ever before. Thanks to the low power consumption design, the TEC value* has been kept at 1.3 kWh/0.8 kWh. They also use less than 1W of power during sleep mode. These products are much lighter now at approximately 45 kg, even though they have the same high-capacity paper supply (up to 2,300 sheets).

* **TEC (Typical Electricity Consumption) value:** An environmental indicator for the amount of power consumed by a printer in assumed conditions during a one-week period

imageRUNNER ADVANCE C350

• imagePRESS C800/C700 Color Digital Press

The imagePRESS C800/C700 color digital press incorporates enhanced technologies in a small and scalable footprint. The new CV toner delivers superior color printing quality with accuracy and optimal gloss control, while also reducing energy consumption. The toner has a lower melting point, which requires less heat and energy and reduces power consumption during operation. This makes it possible to reduce the size of the fixing units dramatically. These innovative designs help to significantly reduce CO_2 emissions during customer use and the amount of raw materials used in manufacturing process compared to previous models. The highly efficient digital press offers the ability to save energy and costs. Additionally, the imagePRESS C800/C700 series are compliant with the latest international ENERGY STAR Program Ver. 2.0 and qualified at the Gold rating from the EPEAT® environmental evaluation system.

imagePRESS C800

• PIXMA MG7500 Series Multifunction Inkjet Printer

The PIXMA MG7500 series multifunction inkjet printer, launched in September 2014, not only provides such outstanding functions as high-quality and high-speed photo printing, but also reduces power consumption through energy-conservation technologies at every stage of operation, such as printing, standby and off mode. As the result, PIXMA MG7500 series reduces power consumption by approximately 43% compared with the 2009-model MP640.

The printer is also equipped with Eco settings, such as automatic double-sided printing and a power-off timer, which can be easily selected directly on the device, allowing for paper conservation as well as reduced power consumption while in standby. Users can also easily check to see their contributions to the environment using the Ecology Information function that displays the number of sheets saved and the amount of CO_2 reduced.

The series exceeds EU RoHS (Restriction of Hazardous Substances) Directive requirements regarding the use of hazardous substances, further lowering its effect on the environment and the human body. While the RoHS Directive is expected to expand in the future, Canon's own measures remain ahead of tightening regulations.

In addition to environmental consciousness, we have also improved usability. The Intelligent Touch System features a touch panel display that makes operations easier and more intuitive. Printing can be done remotely using the wireless LAN connection feature. And, the all-in-one device incorporates PIXMA Touch and Print, a function that enables users to print simply by passing a smartphone over the printer, making printing simpler and easier than ever.

The PIXMA MG7500 series is one of many products that embody Canon's environmental vision "to achieve both highly functional products and minimal environmental impact."

PIXMA MG7500 series

• EOS Rebel T5 (EOS 1200D) Digital SLR Camera

The entry-level EOS Rebel T5 (EOS 1200D) digital SLR camera, released in March 2014, features a number of enhanced basic functions, including a high-resolution CMOS sensor and full high-definition video capture, compared to its predecessor the EOS Rebel T3 (EOS 1100D), launched in 2011. Despite these upgrades, the camera is lighter in weight while maintaining roughly the same size as the previous model.

EOS Rebel T5 (EOS 1200D)

Collection and Recycling

Recycling Systems

Global Collection and Recycling System

To foster a recycling-oriented society, Canon is building collection and recycling systems for used products in Japan, Europe, the Americas, Asia and Oceania. Additionally, Canon does not transport waste regulated under the Basel Convention across international borders.

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

To encourage this kind of manufacturing, Canon Inc. issues the Environmentally Conscious Design Guidance (see page 37), which is a guide for the design technologies necessary for promoting efficiency in the development and production of environmentally conscious products.

• Initiatives at Recycling Centers

Canon organizes an international conference on recycling as an opportunity for managers in charge of recycling at its recycling centers worldwide to share and promote best practices across the entire Group. We also host in-house exhibitions related to recycling. In 2014, we organized an in-house exhibition at our Shimomaruko headquarters in June and held a conference at Canon Ecology Industry in October.

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

• Compliance with the WEEE Directive in Europe

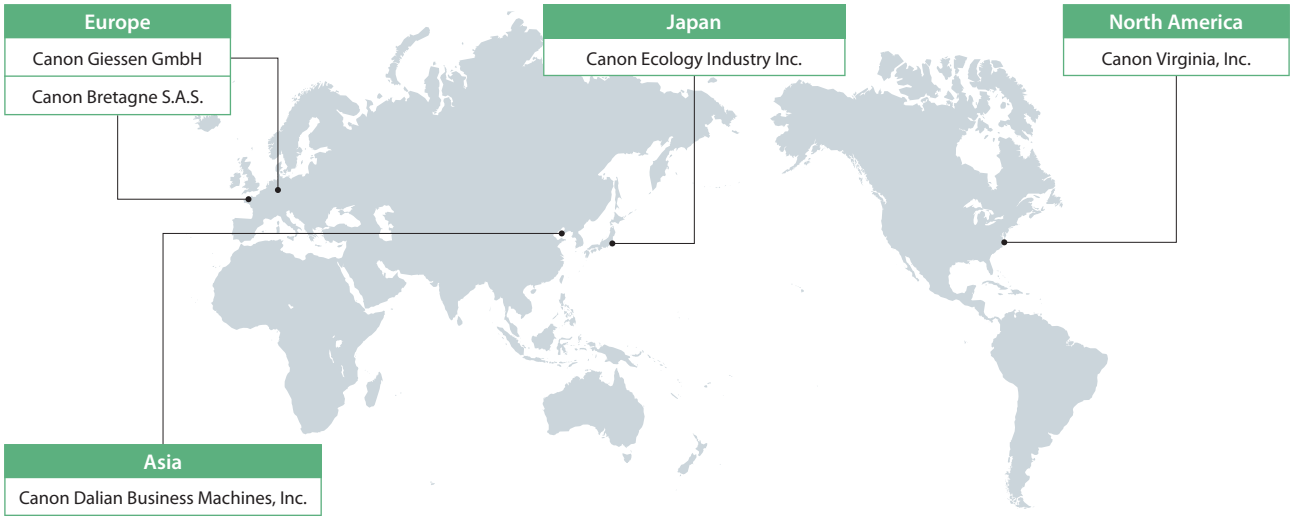
The EU WEEE Directive, which aims to reduce environmental impact caused by the disposal of waste electrical and electronic equipment by obligating EU manufacturers to collect and recycle used devices, went into effect in August 2005. EU member states must establish and amend laws in compliance with the directive, and implement frameworks for collective recycling.

Canon complies with the EU WEEE Directive through easy-to-recycle product designs, the inclusion of symbols on products to show proper collection and sorting, and the disclosure of necessary information to users.

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

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

Canon's Main Recycling Centers



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

• Establishing Collection and Recycling Sites in Japan

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

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

Furthermore, we are working to improve collection rates by offering a number of collection methods for consumables such as toner cartridges and ink cartridges, including collection at retail outlets, and the Bellmark Foundation collection program. Ink cartridges are also collected at post offices and local government offices. In 2015, new facilities were introduced at Canon Ecology Industry's newest building to realize a more efficient and clean recycling operation.

* Remanufacturing involves selecting the parts from a collected product that are suitable for reuse and then recycling them into a product with the same standard of quality as a new one.

Product Collection and Recycling

Promoting Reuse of Products and Parts

Canon promotes the reuse of used products and parts it has collected from the standpoint of waste reduction and effective resource use. By expanding our activities in this area, Canon's volume of reused products and parts reached 4,006 tons in 2014.

Remanufacturing Copying Machines

Canon has promoted the remanufacturing of copying machines in Japan, the Americas and Europe since 1992.

Canon markets the "Refreshed" series of remanufactured copying machines for the Japanese market as part of its efforts to reduce CO_2 emissions from procurement and manufacturing.

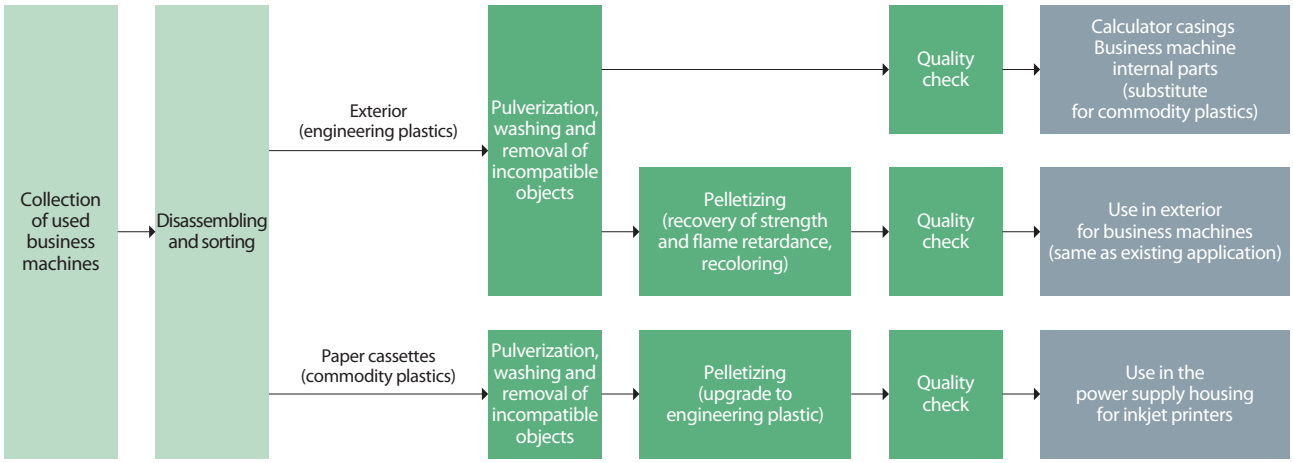
In 2014, we launched three new color models in the imageRUNNER ADVANCE (iR-ADV) series of multifunction devices. Of these, the iR-ADV C2030F-R achieved an average parts reuse rate of 66.3% (mass ratio) thanks to Canon's proprietary remanufacturing technologies. Meanwhile, the iR-ADV C5051F-R achieved a rate of 75.8%, and the iR-ADV C5035F-R comes close behind with a rate of 73.3%.

Additionally, the "Carbon Offset Products*1 Making Use of Carbon Footprint*2" program run by the Ministry of Economy, Trade and Industry was initiated for 9 models, including the imageRUNNER ADVANCE series. Products and services receiving certification under this program are able to display the *Donguri* (acorn) mark in catalogues and on the product itself. This program enables products to essentially eliminate*3 CO_2 emissions during the entire lifecycle by offsetting emissions that are emitted from raw materials, product distribution, customer use, disposal and recycling processes.

The *Donguri* (acorn) mark granted by Japan's Ministry of Economy, Trade and Industry

imageRUNNER ADVANCE C2030F-R

Recycling of Plastic Materials from Business Machines



*1 A carbon offset occurs when a product or organization offsets all or part of the greenhouse gas (GHG) emissions that it cannot reduce by GHG reducing or absorbing volume occurring elsewhere.

*2 A program to clearly label the amount of greenhouse gas emissions associated with products and services, from raw materials procurement to disposal and recycling processes, which converts these emissions into CO_2.

*3 Does not include CO_2 emissions attributed to paper usage.

Recycling Plastics from Used Products for Application in New Canon Products

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

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

Plastics extracted from products and reused in new ones during 2014 totaled 3,911 tons (including toner cartridges).

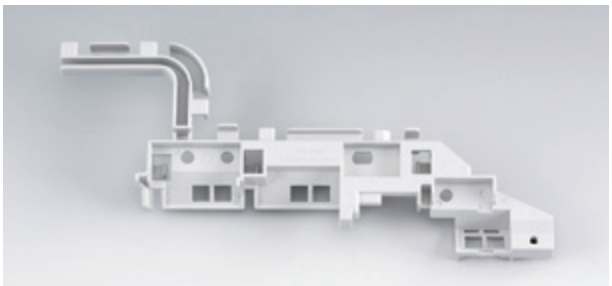
We will expand the types of plastic eligible for recycling in order to increase the amount of recycled plastics.

• Example of Plastics Recycling

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

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

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



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

Collection and Recycling of Consumables

Toner Cartridge Recycling

At a time when there were no company-based systems for product collection and recycling, Canon led the industry in 1990 by launching its Toner Cartridge Recycling Program. Over 25 years later this program is still running strong.

Collected toner cartridges are sorted by model, and their parts and materials are either reused or recycled. Used cartridges are currently collected from 24 countries and regions throughout the world for recycling (consumption area recycling) at four bases*1 in the United States, France, China, and Japan.

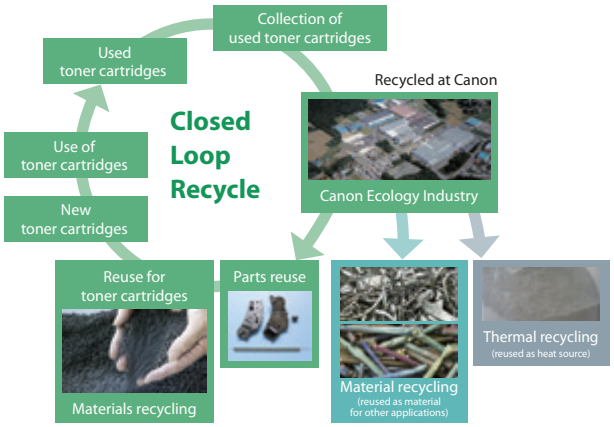
We implemented a closed-loop recycling*2 system in 1992, and today new toner cartridges using recycled parts and plastics are sold around the world. Additionally, rather than be sent to landfills, parts and materials not reused or recycled directly by Canon are instead reemployed as effective resources.

Through the toner cartridge-recycling program, as of 2014 we have achieved a cumulative reduction in the use of new resources of approximately 232,000 tons and a reduction in CO_2 emissions of approximately 502,000 tons.

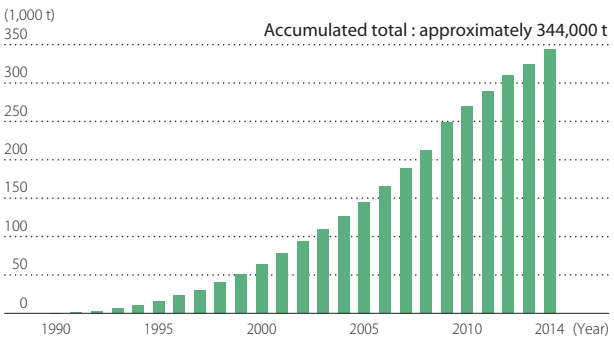
We also recognize the importance of raising awareness regarding our recycling efforts. A special microsite for the toner cartridge-recycling program communicates the details and achievements of the program in an easy-to-understand fashion. It can be found on Canon's website.

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

Closed-loop Recycling



Used Toner Cartridges Collected (Recovered Amount, by Weight)



Note: Data aggregation method changed after 2009.

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

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

Reference: Toner Cartridge Recycling Program special microsite
http://www.canon.com/environment/cartridge-sp/

• Automated Toner Cartridge Recycling Plant

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

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

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

* Source: Canon survey

• Automated Sorting of Returned Toner Cartridges

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

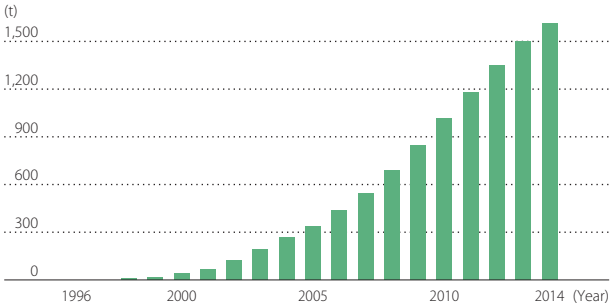
In 2010, however, Canon Ecology Industry was able to introduce an automated sorting system. The new system contributes to more efficient operations at the plant.

Automated toner cartridge sorting system

Ink Cartridge Recycling

Canon introduced ink cartridge collection and recycling in 1996, steadily expanding its operation to new regions thereafter. As of March 31, 2015, collection and recycling is being carried out in 31 countries and regions throughout the world.

Used Ink Cartridge Collection Volume (Cumulative)



Note: Figures include cartridges for large-format inkjet printers, compact photo printers, etc.

• Recycling in Japan

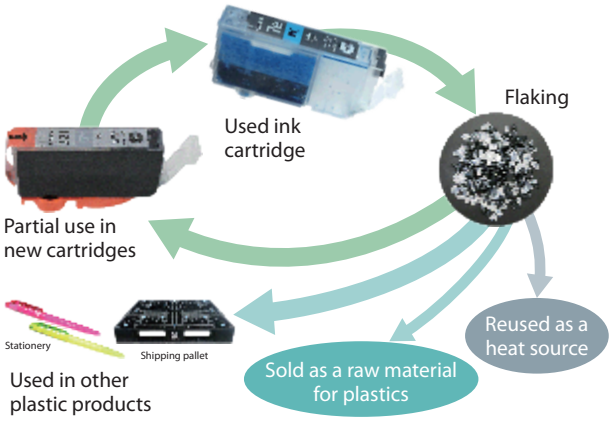
Ink cartridges collected in Japan are recycled into plastics by Canon Ecology Industry.

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

These recycled plastic raw materials are then sent to Canon's manufacturing plants, where they are used to make inkjet printer parts (closed recycling). They are also utilized inside and outside the company in various plastic products, such as shipping pallets, construction materials and stationery, and reused as heat sources.

Automated recycling line

Ink Cartridge Recycling



• The Ink Cartridge Satogaeri (Homecoming) Project

In order to more actively promote ink cartridge collection, Canon pursues cooperation with other printer manufacturers to increase the number of shared collection points. In April 2008, Canon took the initiative by calling on the industry to establish the Ink Cartridge Satogaeri Project in collaboration with five other companies.

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

Activities have steadily gained momentum as the participation of local governments, beginning in 2009, has expanded collection sites to include city halls and ward offices. As of the end of March 2015, approximately 220 local governments were participating, with the number of collection points reaching approximately 2,050.

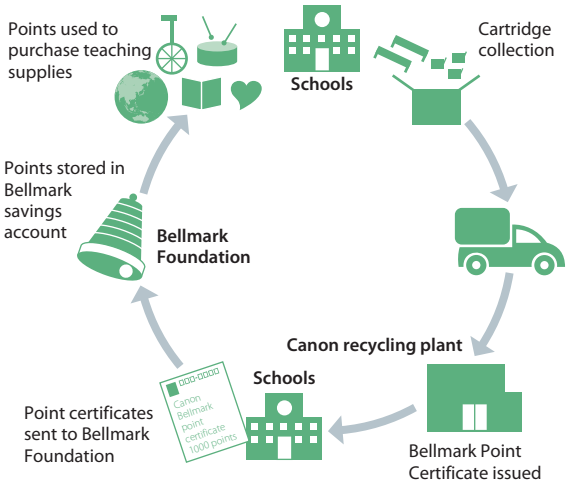
Newly set up collection box in Maebashi City

• Bellmark Foundation's Educational Support Activities

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

The number of participating schools has risen steadily, reaching approximately 16,400 schools as of March 31, 2015.

Bellmark System Overview



• Cartridge Collection outside Japan

Canon also proactively recycles used ink cartridges at locations outside Japan. Collected cartridges are reused as materials or recycled to reduce waste. As of March 31, 2015, collection and recycling was in place in 30 countries and regions throughout the world (excluding Japan).

Collection points are reviewed and determined based on the situation in each country and region. Boxes have been established in mass retail and other cooperating outlets, shopping malls, companies, schools, stations, and Canon service centers and showrooms. Used ink cartridges can also be returned to Canon by mail in certain regions, ensuring that the methodology of the campaign is considerate of customer convenience.

Canon Hong Kong launched the Ink Cartridge Recycling Program to promote the recycling of used ink cartridges. In 2011, CHK initiated the first-ever Canon x McDull Inter-school Ink Cartridge Recycling Competition cum Design Contest, extending the program into education sector. In addition, CHK coordinated with a local environmental organization, the Business Environment Council, to organize green workshops in primary & secondary schools, sharing different green initiatives against the threats of climate change and burden of environment.

In the school year of 2014–2015, a total of 224 schools joined the Ink Cartridge Recycle competition covering 164,911 Hong Kong youngsters. CHK also organized 26 workshops attended by approximately 8,900 students. To reduce environmental impact, as of January 2015, CHK collected and recycled 105,535 ink cartridges, saved around 3m^3 of landfill area and reduced over 3.6 tons of greenhouse gas emissions.

Recycling of Small Rechargeable Batteries

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

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

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

Recycling Containers and Packaging Materials

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

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

Canon also works to minimize the amount of containers and packaging materials it uses in order to reduce the amount of such materials discarded not only in Japan but outside of Japan.

Biodiversity Initiatives

Basic Approach

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

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

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

Biodiversity Policy

Basic Policy

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

Action Guidelines

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

Specific actions

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

Specific Initiatives

Utilization of Canon Technologies and Products for Biodiversity Conservation

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

- **Supporting Conservation at Yellowstone National Park**

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

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

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

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

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

Environmental ad: "Wildlife as Canon Sees It" (March 2015)

Mindful of Biodiversity around Operational Sites

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

• Preserving Wildlife Habitats at Operational Sites

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

Additionally, Oita Canon is raising green pheasants onsite to protect these species, which had been living there prior to the start of operations. In November 2014, a release event was held at the Canon Forest located within the grounds. Local elementary school students from Saiki City were invited to join in the release of 22 green pheasants.

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

Children releasing pheasants into the wild

• Bringing Greenery to Our Operational Sites

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

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

Contributing to a Society that Nurtures Biodiversity

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

• Afforestation Program at Canon China

Canon China has been carrying out an afforestation program called Green Pioneer since 2007. In 2014, activities were carried out at 14 locations, including in Beijing and Shanghai, with a total of 1,594 volunteers in attendance, including employees and their families. These activities resulted in a total of 2,542 trees being planted.

• Environmental Conservation Activities at Canon Marketing Taiwan

Canon Marketing Taiwan has been proactively promoted and participated in environmental conservation activities. In 2014, it has not only successively launched ink cartridge recycling, tree planting and beach cleaning activities, but also installed power saving LED signboard to do its biggest efforts on power saving and carbon reduction. CMTW received the honor Excellent award which is given high rank 3 companies of the "Information/Communication facilities and accessories" in 2014 Top Green Brands in Taiwan, which is held by Taiwan's topnotch magazine publishing company "Business Next."

Beach-cleanup activity

Environmental Communication

Canon's Communication Activities

Canon takes every opportunity and uses a variety of media to present environmental information to stakeholders through constructive, two-way communication activities. Mainly, we focus on environmental communication activities, which include environmental education outreach programs at local elementary schools, providing information to assist customers with their environmental activities, posting environmental ads on our website, and operating a dedicated hotline for inquiries about the environment.

Environmental and Social Contribution Activities

- **Environmental Education Outreach Program for Children**

As part of its environmental and social contribution activities, Canon has set up an environmental education outreach program for teaching children about the importance of the environment. Classes in 2014 covered toner cartridge recycling, and were attended by approximately 500 children and their guardians across Japan. The children were split into teams to conduct "sorting experiments." Using four types of materials that included steel, styrene foam, and differing sizes of plastics, the children learned about methods to efficiently sort the materials by utilizing their unique characteristics.

An environmental education outreach program in session

- **Fostering Environmental Awareness through Photography Classes**

Canon Eurasia has held the environmental and social contribution program "Look at the Environment through the Canon Lens" since 2011. The program involves holding photography classes at schools throughout Turkey followed by a nature-themed photo contest for students using cameras that Canon arranges. Through this program, we are contributing to the nurturing of creativity and environmental awareness among children, the leaders of the future. This program is conducted in collaboration with the Government of Turkey, local governments, and stakeholders. In 2013 and 2014, the program was held as part of the EU's Environmental Education—The Road to Healthy Life initiative that took place in the Mugla region. Since its start in 2011, the program has been held on seven occasions across Turkey, with a total of 153 students participating.

Participating in Environmental Exhibitions

Canon participated in Eco-Products 2014, the largest general environmental expo in Japan, held in December 2014 in Tokyo. The Canon booth mainly highlighted the 25th anniversary of the Toner Cartridge Recycling Program in 2015 (see pages 15 and 59) and remanufactured multifunction devices that were the first such products to use the "Carbon Offset Products Making Use of the Carbon Footprint" program led by the Ministry of Economy, Trade and Industry. Additionally, a large number of children, mostly elementary school students, took part in activities at the toner cartridge recycling program's materials sorting corner.

TOPICS

Selected for Inclusion in the CDP Japan 500 CDLI

Canon proactively discloses information on climate change and CO_2 emissions.

CDP*, an international NPO involved in environmental assessments, releases the results of its evaluations on corporate strategy, information disclosure, and performance in terms of climate change. In 2014, Canon was selected for inclusion in the Climate Disclosure Leadership Index (CDLI) for the first time.

* **CDP:** A project involving institutional investors that encourages companies to publish information on their strategy against climate change and detailed greenhouse gas emission data.

Operational Sites Covered in the Environmental Section

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

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

Marketing Headquarters outside Japan		
Canon U.S.A., Inc.	U.S.A.	All product segments
Canon Europa N.V.	The Netherlands	All product segments
Canon Europe Ltd.	United Kingdom	All product segments
Canon (China) Co., Ltd.	PRC	All product segments
Canon Australia Pty. Ltd.	Australia	All product segments

Companies Subject to Third-party Verification of GHG Emissions Other than Those Above (76 companies)
In Japan (18)
Outside Japan (58)

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

Other Companies Subject to Reporting (6 companies)*
In Japan (3)
Outside Japan (3)

* Including data only for companies attaining ISO 14001 consolidated certification.

Respecting Human Rights

With operations throughout the world, Canon currently employs over 190,000 people. In an age of increasing globalization and diversification of societal needs, making effective use of the strengths and individuality of a diverse workforce is more important than ever. Canon, therefore, makes special efforts to respect the rights of each and every employee, regardless of race, nationality, gender or age, and to build a corporate culture where a diverse workforce can fully contribute its individual skills and expertise.

Stakeholder Feedback

- Utilization and appreciation of female staff and other employees is a major issue to be addressed in Japanese society and the global community going forward. (Investor/analyst in Japan)
- Prevention of discrimination and harassment in the workplace, and proper management of wages and working hours are important issues. (NGO in Europe)
- I expect a major corporation such as Canon to engage in fair business practices that respect human rights, and to proudly declare that it does so. This, in turn, will have a positive impact on other companies and effect societal change. (NPO in Japan)

Establishing an active workplace culture through fair hiring practices

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans

Concern for Human Rights Issues	• Provided consultation services through Harassment Hotlines
	• Held hotline operators liaison meeting for Canon's operational sites and Group companies
	  • Discussed operations of each hotline
	  • Reviewed operator manual and trained hotline operators in response methods
	• Held 29 harassment prevention training seminars attended by 470 managers (Canon Inc.)
	• Displayed posters to raise awareness of the hotline and harassment prevention
		• Continue to hold hotline operators liaison meeting
		• Continue to hold harassment training for newly appointed managers and managers returning from overseas assignments
		• Carry out employee training by harassment hotline operators at each Group company

Respect for Diversity	• Career development support and workplace improvements for women (Canon Inc.)...❶
	  • Held seminars (263 participants)
	  • Held lectures for managers (approx. 1,300 participants)
	  • Carried out selective training: Women's leadership training (54 participants) / Advanced women's leadership training (15 participants)
	  • Continued implementation of mentor system for women leaders
	  • Held seminars for employees returning from childcare leave (8 times, 182 participants)
		• Continue career development support and workplace improvements for women
		• Formulate and implement the seven themes of VIVID

	• Promoted employment of persons with disabilities...❷ 2014 employment rate of persons with disabilities (Canon Inc.): 2.10%	• Expand employment opportunities for persons with disabilities and expand job duties for those already hired

	• Promoted global hiring/utilization of human resources
	  • Held global leadership training for management candidates of overseas Group companies...❸
	  • Promoted employment of international students studying in Japan
	International student hiring plan for 2015: 5 engineers (Canon Inc.)
	  • Canon Global Assignment Policy (C-GAP)
	Number of participants as of December 31, 2014: 1,170
		• Promote international personnel exchanges and localization of human resources

TOPICS 2014

❶ Steadily increasing number of female managers

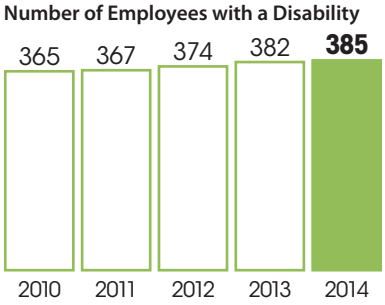
Canon established the cross-company organization VItal workforce and Value Innovation through Diversity (VIVID) to facilitate active, long-term participation in the workplace by female employees, doing so through a variety of initiatives. As of January 1, 2015, there are 236 women who hold a position at the level of assistant manager or higher. Of these, 82 have achieved the rank of manager. (See page 71)

Making a proposal to management during a women's leadership training session

❷ Increasing employment of persons with disabilities

Canon takes a proactive approach to hiring persons with disabilities and to developing a more employee-friendly workplace environment. Our commitment is reflected in the increase in the number of persons with disabilities hired annually. In 2014, Canon employed 385 persons with disabilities, bringing its employment rate of persons with disabilities to 2.10%, surpassing the 2.0% required by law. (See page 73)

Number of Employees with a Disability



Note: Canon Inc.

❸ Training future leaders globally

Canon held global leadership training for promising management candidates at its overseas Group companies, helping them to cultivate the awareness and sense of mission needed to serve in management posts and direct global operations as capable managers and leaders. (See page 74)

Global leadership training

Concern for Human Rights Issues

Prohibiting Discrimination

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

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

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

Preventing Harassment

Canon maintains a zero-tolerance policy on harassment, which it communicates to management executives and all employees.

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

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

Use of these hotlines has increased as awareness of their existence has grown, but since 2008 the number of harassment incidents has dropped and remained largely unchanged of late.

In 2014, we held a hotline person in charge liaison meeting for Canon Inc.'s operational sites and Group companies. In addition to sharing information about the operations of each hotline, the program provided a review of the hotline operation manual as well as guidance on response methods. We will follow the progress of the hotlines by hosting this event on an annual basis, as we also expect that hotline person in charge will change due to personnel transfers.

Educating Employees on Harassment Prevention

Canon conducts a variety of training programs and poster campaigns to raise awareness of harassment issues among employees. Two types of posters were created in 2014 to raise awareness about harassment prevention and Canon's Harassment Hotlines. These posters were displayed at Canon Inc. and its Group companies.

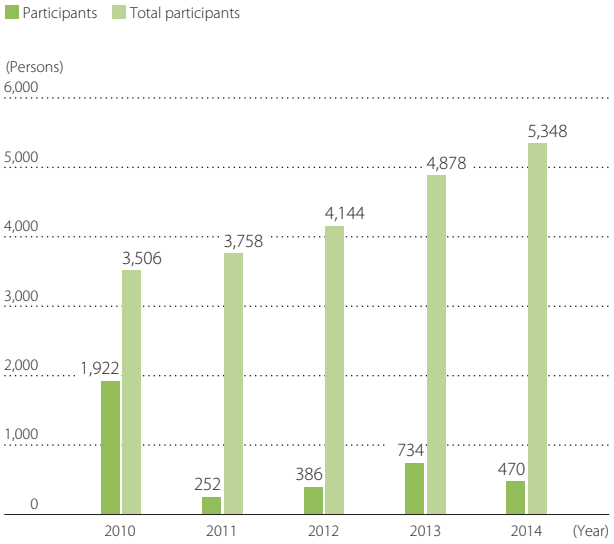
Moreover, harassment-prevention measures are discussed when considering case studies during biannual Compliance Meetings held by each department of Group companies in Japan.

Canon Inc. continually conducts harassment prevention training for executive and managerial-level staff with the aim of developing measures to address decreased productivity due to deteriorating workplace conditions, mental health issues, occupational injuries, lawsuit risks and corporate legal responsibilities. In 2014, training was conducted 29 times, for a total of 470 participants, targeting those managers who had not yet completed it, were transferred to operational sites outside Japan, or were newly appointed. Although nearly every manager at the company has now completed the training, we will continue to provide it for newly appointed managers and managers returning from overseas posts to a managerial position.

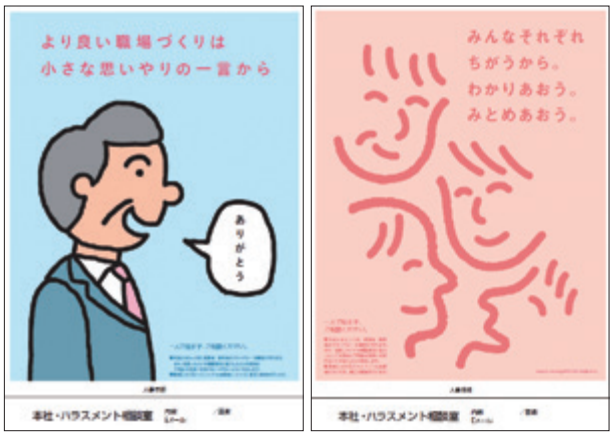
The same training program will be held for harassment hotline person in charge at Group companies, who will in turn assist with training employees at their respective companies.

Harassment-prevention training for managers

Participants in Harassment Prevention Training for Managers

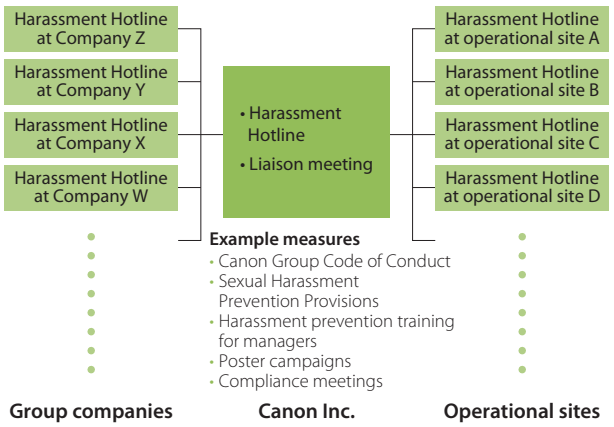


Note: Includes retired employees



Posters to raise awareness about harassment prevention

Canon's Organizational Structure for Harassment Prevention



Eliminating Child and Forced/ Compulsory Labor

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

In 2014, we continued to carry out investigations of our manufacturing companies in Asia to confirm their compliance with laws pertaining to child labor and forced/compulsory labor. To date, no Canon Group company has violated laws relating to child labor or forced/compulsory labor.

Freedom of Association and Right to Collective Bargaining

At Canon Inc., we respect fundamental labor rights, including freedom of association and the right to collective bargaining.

Such rights are clearly stated in the collective agreement concluded with the Canon Workers' Union as part of the measures to protect and respect the mutual rights of the company and its employees.

The collective agreement states that collective bargaining between the company and the workers' union is to be conducted in an orderly and fair manner, with both parties working to quickly find peaceful solutions to problems. To build and maintain an amicable relationship between labor and management, our company president attends and participates in the monthly Central Worker/Management Conference.

We will continue to carry out educational and awareness-raising activities aimed at protecting the rights of both the company and its employees, including training for newly appointed managers.

Training for newly appointed managers

Respecting Diversity

Employment and Promotion of Diverse Human Resources

Guided by its corporate philosophy of *kyosei*, Canon works to achieve a sustainable society in which all people, regardless of race, religion or culture, can live harmoniously and work together into the future.

At Canon, we respect cultural diversity, and actively pursue fair employment and promotion practices irrespective of gender, age, or disability.

Promoting Success for Women

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

In 2012, Canon Inc. established VItal workforce and Value Innovation through Diversity (VIVID), a cross-company organization for the promotion of diversity, and formulated a three-year medium-term plan for 2013 to 2015.

We carried out a variety of activities in 2014, mainly in-house, following the key theme of "change management mindset." As of the end of 2014, the average length of employment at Canon Inc. was roughly equivalent for men and women: 17.2 years for men and 17.3 for women. And, as of January 1st, 2015, there are a total of 236 women who hold a position at the level of assistant manager or higher.

Activities for 2015, the third year since the inception of VIVID, will focus on seven select themes to encourage the greater involvement of women, and by extension, foster a dynamic and exciting workplace culture that enables us to respond flexibly to change. Seven themes have been selected for 2015. These are support hiring of women for technical positions; support career development; cultivate female candidates for managerial positions; improve human-resource systems; change management mindset; improve work methods; and, raise awareness.

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

Employee Data by Gender (Canon Inc.)

Category		2009	2010	2011	2012	2013	2014	Definitions
Number of employees	Male	21,259	21,772	21,511	21,773	22,173	22,430	Employees (other than directors) at Canon Inc., not including employees dispatched within and outside Japan
	Female	4,424	4,247	3,938	3,923	3,941	3,979	
	Total	25,683	26,019	25,449	25,696	26,114	26,409	
Average age	Male	39.0	39.7	40.5	41.1	41.6	42.1	
	Female	37.3	38.3	39.5	40.2	40.7	41.2	
	Total	38.7	39.4	40.4	40.9	41.4	42.0	
Average years of service	Male	14.6	15.4	16.1	16.4	16.7	17.2	
	Female	13.2	14.4	15.9	16.5	16.9	17.3	
	Total	14.4	15.2	16.1	16.4	16.7	17.2	
Number of managers	Male	4,029	4,129	4,159	4,142	4,205	4,251	Excluding dispatched employees in Japan and outside Japan (employees of Canon Inc.) Percentage of female managers indicates ratio of women in managerial positions
	Female	55	56	59	61	64	77	
	Total	4,084	4,185	4,218	4,203	4,269	4,328	
Ratio of female managers (%)		2.0	2.0	2.1	2.2	2.3	2.6	
Number of hires	Male	985	335	320	360	332	330	Employees hired through regular recruitment (not including mid-career hires)
	Female	137	36	59	61	57	72	
	Total	1,122	371	379	421	389	402	

• Major Policies in 2014 for Promoting Success for Women

VIVID Seminar

VIVID seminars were held at five operational sites in Japan from June to October with the aim of applying the opinions of managers and female employees in future policies and measures. A total of 263 managers and employees participated in these discussions. Through these discussions it became clear that the gap in awareness between managers and female employees was impacting employee motivation. From this we further recognized that changing the mindset of management is absolutely essential to promoting success for women in the workplace.

The VIVID mark

A VIVID seminar

Company-wide Survey

In March 2013, Canon Inc. conducted a company-wide survey on the promotion of success for women. Issues that came up in the results analysis became themes for discussion at VIVID seminars, and were later applied in policy development.

Lecture for Managerial Staff

In November 2014, a lecture on the promotion of success for women was held at the Takeshi Mitarai Memorial Hall, located within our Shimomaruko headquarters. Approximately 1,300 managers from the Keihin district listened to the guest speaker address the topic of diversity management as a form of management strategy.

Lecture on the promotion of success for women

Selective Training

54 female employees were selected to take part in women's leadership training held in January, February, July and August. Between July and November, 15 participants from the previous year's training participated in an advanced course covering more challenging topics, and made presentations to executive management.

Mentoring System

We have implemented a mentoring system in which managerial staff at the general manager level or higher from other headquarters serve as mentors to female employees that have completed the women's leadership training program. In 2014, 37 mentors (14 during the third term and 23 during the fourth term) joined the program.

Seminar for Employees Returning from Childcare Leave

To help employees remain motivated and active during the childcare years and achieve success after returning to work after childcare leave, Canon Inc. holds a seminar for employees returning from childcare leave and their supervisors. This seminar was held a total of eight times in 2014, five times from January to March, and three times from October to December. A total of 182 employees attended.

Women's leadership training participants

Promoting Employment of Persons with Disabilities

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

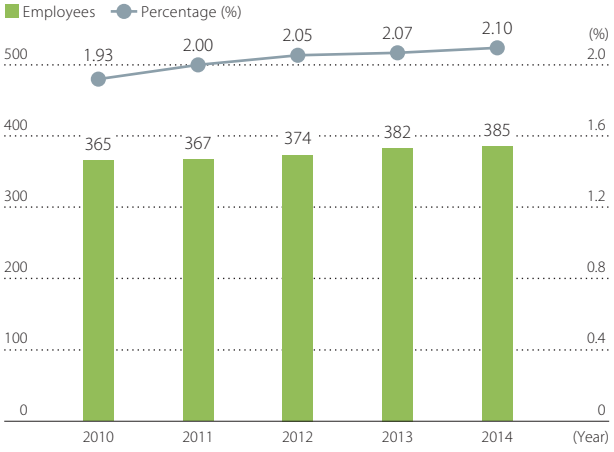
Canon Inc. are doing our utmost to make workplaces more comfortable and accessible for people with disabilities by improving our facilities, including providing greater barrier-free access. Additionally, we are working on increasing the number of workplaces where people with disabilities can be assigned while also checking to make sure people with disabilities are settling into and becoming active members of their assigned workplace.

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

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

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

Number and Percentage of Disabled Employees (Canon Inc.)



Re-Employment after Retirement

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

In 2000, we partially revised our system for re-employment after retirement and introduced a system of open recruitment internally for re-employment posts. Further, we raised the age limit for re-employment to 65 in 2007. In 2013, Canon Inc. made changes to its company systems based on revisions to the Act on Stabilization of Employment of Elderly Persons, and in 2014 we revised our systems to create positions for re-employed workers.

A variety of positions are made available to employees who request re-employment after retiring. These veterans work effectively, putting their experience and expertise to good use in various ways, such as handing down their skills as "master craftsmen," or acting as prior-art technology examiners, promoters of intellectual property, career counselors, and quality or environmental inspectors.

Re-employed workers utilize their experience and expertise in a variety of positions

Hiring and Utilizing a Global Workforce

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

Promoting Localization at Group Companies

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

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

In 2014, we held a global leadership training program for promising management candidates at Group companies outside Japan with the aim of fostering future managers and specialists who will lead our global operations. This training helps them to cultivate the awareness and sense of mission needed to serve in management posts and direct global operations as capable managers and leaders.

Ratio of Locally Hired Personnel in Canon Group Companies Outside Japan (As of December 31, 2014) (%)

	The Americas	Europe	Asia (excluding Japan)
Presidents	35.0	93.0	22.0
Managers	91.0	95.5	89.0

Promoting Employment of International Students

Canon Inc. welcomes applications from international students during its regular graduate recruitment. In April 2015, five graduates joined the company in technical positions.

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

	2011	2012	2013	2014	2015
Technical	2	10	7	6	5
Administrative	0	4	2	2	0

Active International Personnel Exchanges

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

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

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

As of December 31, 2014, a total of 1,170 employees had been dispatched outside Japan under this program.

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

Establishing a Proper Workplace Environment

In order for a company to grow continuously, it is essential that employees, who are the life force of its operations, enjoy a comfortable work environment and are able to fully utilize their talents. At Canon, we treat our employees fairly and help them develop their talents while also giving due consideration to promoting a healthy work-life balance and ensuring occupational safety and health, thus enabling them to work in security and with peace of mind.

Stakeholder Feedback

- A global corporation like Canon needs to respect the rights of its workers and provide a workplace environment that meets the highest occupational safety and health standards. (NGO in the Americas)
- The conditions of a workplace largely dictate its productivity, so this is an area that Canon should prioritize. (Government official in Europe)
- As a leading Japanese company, I expect Canon to lead by example when it comes to developing and improving hiring practices and workplace environments. (Supplier in Japan)

Training session at Canon Vietnam led by a local instructor

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans
Promoting a Good Work-Life Balance	• Reducing overtime Canon Inc. total average working time per employee in 2014: Approximately 1,751 hours, reduction of 48 hours compared to 2010	• Maintain total average working hours per employee at less than 1,800 hours
	• Supporting the dual responsibilities of work and childcare Introduced new paid leave system in which leave can be taken in 30-minute increments	• Increase participation rate in work-life balance programs
Supporting Personal Growth and Skill Development	• Held workplace revitalization training for all general line managers (657 participants) • Held ALP and MAP training for employees dispatched overseas	• Continue training and program improvement
	• Development of human resources in engineering...1 Held training in specialized fields, including machinery, electronics, optics, materials, and software Participants: 3,483 employees (150 lectures, 316 classes) from Canon Inc.	• Step up expansion of technical training to Group companies
	• Development of human resources in manufacturing...2 • Held training at the Manufacturing Training Center (634 participants) • Trained 171 employees as instructors at operational sites • Held Technical Skills Testing for five job types at four overseas operational sites (199 participants)	• Continue to hold training • Expand Technical Skills Testing to 8 operational sites and 9 job types
	• Promoted overseas training for young employees (Canon Inc.)	• Continue to offer training programs
Occupational Safety and Health	• Promotion of occupational safety and health activities across the Canon Group • Held meetings of the Central Safety and Health Committee in July and December • Introduced the occupational safety and health management system at five of Canon's operational sites and 15 bases of 11 Group companies (as of December 31, 2014)	• Establish occupational safety and health policy at each operational site
	• Creation of occupational safety and health management systems at production bases outside Japan Held a liaison meeting overseas for the first time involving managers responsible for safety and health...3	• Hold liaison meetings at production bases in Asia
	• Occupational accident prevention • Expanded activities aimed at eliminating occupational accidents caused by machinery and reducing damage by increasing safety awareness • Accidents requiring time off from work: 20 / Accidents not requiring time off from work: 130 (Canon Group companies in Japan) • Carried out activities to raise awareness about common occupational injuries, such as falls and falling objects	• Continue to carry out activities with the goals of eliminating occupational accidents caused by machinery and reducing damage by increasing safety awareness
Health Management	• Continued to hold and expand mental health training • Provided simple physical check-ups to employees age 40 and over at all operational sites • Continued to carry out activities to raise awareness about cancer screening	• Continue initiatives in mental healthcare, lifestyle disease prevention and early cancer detection

TOPICS 2014

1 Developing next-generation human resources in engineering

Canon has established an Engineer Development Committee based in the five principal fields of machinery, electronics, optics, materials, and software. This committee is responsible for building a rank-based system for cultivating human resources, from new hires to technical leaders, as well as implementing training and other measures. (See page 83)

Technical training

2 Bolstering human-resource development in manufacturing

Canon is committed to developing the human resources that support its production activities at overseas sites. In addition to general training, we also develop instructors for our sites in Asia and hold Technical Skills Testing at overseas sites. (See page 84)

Cell-leader management training at Canon Zhongshan Business Machines

3 Reinforcing occupational safety at overseas sites

Last year, we held our first-ever liaison meeting for safety and health managers at overseas production bases. Managers from the Philippines, Vietnam, Thailand and Malaysia gathered in the Philippines to discuss the initiatives and challenges of their respective sites. (See page 87)

Liaison meeting for safety and health managers

Hiring and Treatment of Human Resources

Basic Human Resource Policy

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

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

Guiding Principle of the Three Selfs Spirit

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

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

Guiding Principles

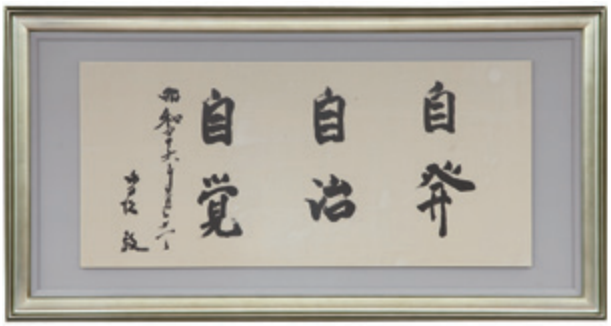
Three Selfs
Adhere to the principles of self-motivation, self-management and self-awareness in day-to-day activities

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

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

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

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



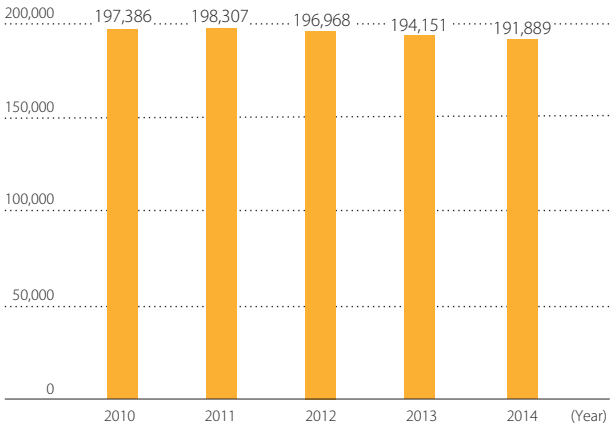
The *San-ji* (Three Selfs) Spirit autographed by Takeshi Mitarai, the first President of Canon

Hiring and Worker–Management Relations

Employment Figures

As of December 31, 2014, Canon had approximately 192,000 employees worldwide. Approximately 70,000 (36.1%) of these employees are employed within Japan. Employee retention is also high. For instance, at Canon Inc. the turnover rate in 2014 was only 0.9%.

Number of Canon Employees



Number of Employees by Contract Type (Canon Inc.)

	2010	2011	2012	2013	2014
Permanent employees	23,822	23,892	23,870	23,894	23,817
Fixed-term workers	35	28	23	19	16
Contract workers	370	109	1	0	0
Part-time workers	24	27	27	27	25

Turnover Rate (Canon Inc.) (%)

	2010	2011	2012	2013	2014
Turnover rate	0.7	0.8	0.9	0.8	0.9

• Creating Local Employment Opportunities at Production Bases

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

For example, Canon Prachinburi (Thailand), which started operations in April 2013, hired approximately 3,700 people locally, and Canon Business Machines (Philippines) hired approximately 2,500. Both production sites plan on expanding their work force moving forward.

Worker–Management Relations

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

Every month, Canon Inc., Canon Marketing Japan, Fukushima Canon and Ueno Canon Materials convene a Central Worker/Management Conference with the Canon Workers' Union to exchange opinions and information spanning a range of subjects. The 2014 conference focused on recent developments at the company and within the workers' union. Additionally, special committees have been established to consider wages, working hours, safety and health issues, and welfare. Based on these conferences, new systems are established and policies are enacted. As of the end of 2014, combined employee membership in the Canon Workers' Union totaled 28,259.

Group companies in Japan hold a similar conference, which they refer to as the Canon Group Workers' Union Conference. This conference brings together 16 Group workers' unions, including executives from 19 Group companies as well as representatives of the Canon Workers' Union. In 2014, reports were given on the current situation of both labor and management throughout the Group as a whole. As of the end of 2014, the number of employees in unions that are part of the Canon Group Workers' Union Conference totaled 51,000.

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

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

• Minimum Notification Period for Changes in Work Duties

Canon Inc. has established a minimum notification period clause within its labor agreement to ensure that personnel transfers do not negatively impact the lives of employees.

Employees receive official notice of personnel transfers at least two weeks in advance for temporary assignments and at least one week for other types of transfers. Even for employees not temporarily transferred, we make efforts to give official notice two weeks in advance. Employees who need to relocate due to the transfer are officially notified up to four weeks in advance.

Remuneration System

Salary Linked to Role and Performance

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

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

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

With regard to such matters as determination of basic salary amounts and increases as well as calculation and payment of bonuses, a committee meets with the Canon Workers' Union four times a year to check whether remuneration is being paid in accordance with the rules of the labor agreement. The minutes of these meetings are made available to all employees. This same committee facilitates discussions between labor and management on the implementation and improvement of the remuneration system as well.

Average Annual Salary per Employee (Canon Inc.)

(Millions of yen)

	2010	2011	2012	2013	2014
Average annual salary	7.52	7.66	7.59	7.56	7.70

Ratio of Canon's Minimum Wage to Local Minimum Wage

		Japan	United States	China
Local minimum monthly wage		133,200 yen	1,257 dollars	1,680 renminbi
Canon	Standard minimum monthly wage	161,900 yen	1,956 dollars	2,260 renminbi
	Ratio compared to the local minimum wage	122%	156%	135%

Note: Figures represent wages for leading manufacturing companies in each region not average wages.

Employee Benefits

Canon Inc. offers various employee benefit programs, covering each stage from hiring to retirement, enabling employees to lead comfortable and enjoyable lives.

In addition to Japan's national social insurance programs, employees are eligible for added benefits that include a corporate pension plan as well as membership in our welfare association and health insurance society. Canon Inc. also offers a voluntary employee stock ownership plan, savings plan and group life insurance policies, among other benefits.

Furthermore, Canon Inc. provides subsidy programs to promote better communication in the workplace, and maintains a range of facilities for employees, including gymnasiums and cafeterias. We also host events for employees and their families.

Company sports day event

Stage event at a summer festival

Encouraging Work-Life Balance

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

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

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

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

Phase IV of the action plan was launched in April 2012 and runs through March 31, 2015. Our 2014 efforts based on this plan are outlined in the table below.

Reducing Overtime

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

As a result, the average annual overtime hours per employee in 2014 worked out to 130.9, a roughly 19% reduction compared to 2010, before the Summertime System was implemented.

We have also taken other measures, such as encouraging employees to take their paid leave, which brought the total hours worked per employee in 2014 down to approximately 1,751, which was 48 hours less than in 2010.

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

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

	2010	2011	2012	2013	2014
Total hours	1,799	1,768	1,744	1,740	1,751
Overtime hours	162.0	145.6	115.3	116.3	130.9

Action Plan Phase IV

Action Plan	Measures	Results as of End of 2014
(1) Promote use of work-life balance programs and raise overall participation rate.	• Confirm use of work-life balance programs (April 2012–March 2014) • Examine and implement concrete measures (through March 2015)	• Confirmed that, in addition to female employees, who have made up the majority of those taking advantage of these programs, the trend for use of these programs by male employees is on the upswing. • Currently, the consultation contact points are the Human Resources Management & Organization Headquarters at our corporate HQ, and the HR division at each operational site. Since there are virtually no obstacles to access the programs at any workplace, there are currently few cases of consultation. • Introduced time-increment paid leave program in April 2014.
(2) Continue efforts to reduce overtime work, promote use of paid leave, and maintain an appropriate level of total work hours.	• Confirm and analyze statistics on overtime work and redemption of paid leave (April 2012–March 2015) • Investigate and implement concrete measures (through March 2015)	• Prohibited overtime work, in principle, throughout the year. • Earlier work hours were implemented from July–September as promotion period of work-life balance. This change was continued as an opportunity to pursue further improvements to labor practices. • Total annual overtime companywide decreased by approximately 19% compared to 2010 due to improvements in productivity and the promotion of work-life balance.
(3) Continuing from phase III, as part of our social contribution activities, carry out community contribution activities in which children—who are the future of our communities—can participate.	• Reach out to local regions and communities and implement appropriate initiatives (April 2012–March 2015)	• Continuously conducted throughout Japan the following community contribution activities in which children—who are the future of our communities—could participate. (1) Unique tutorial program for children, including lessons on lens-crafting, environmental education outreach programs and environmental science classes (2) Junior Photographers photography classes (3) Support for girls soccer (Canon Girls-eight)) (4) Tag rugby lessons and rugby lessons, etc. (5) Track and field clinics

Supporting the Dual Responsibilities of Work and Childcare

To enable employees to focus on childcare responsibilities with peace of mind, Canon Inc. offers an array of programs, including childcare leave for employees raising children up to the age of three, reduced work hours for employees with small children,*1 and a childcare leave support program,*2 which go beyond the legally stipulated minimum requirements. In 2007, Canon Inc. introduced various pregnancy-support systems, including maternity leave to protect the health of pregnant women, a fertility treatment cost-assistance program, and a fertility-treatment leave system. Additionally, we revised our reduced work hour system in 2010, lowering the basic work unit from one hour to 30 minutes, making it easier to use. In response to changes in the law as of June 2010, we also introduced a nursing care leave program. In April 2014, we introduced a time-increment leave program in which employees can take paid leave in 30-minute increments for specific reasons (injury or illness, childcare, nursing care, etc.) with the aim of promoting employee health, workplace flexibility, diversity, and increased productivity.

Consultation desks have been set up at our Shimomaruko headquarters and each of our operational sites to handle employee inquiries about these systems. The most common topics of inquiry made to the Shimomaruko headquarters in 2014 included changes to the childcare leave period and childcare leave benefits.

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

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

*2 **Childcare leave support program**
Canon Inc. provides support to employees who are returning to work after taking childcare leave through our Himawari Club internet portal site.

Number of Employees Taking Childcare and Nursing Care Leave*

	2010	2011	2012	2013	2014
Employees taking childcare leave	176 (16)	126 (17)	154 (15)	153 (14)	168 (22)
Employees using reduced work hours for childcare	137 (4)	144 (3)	147 (3)	169 (9)	144 (7)
Employees taking maternity leave	23	24	25	19	27
Employees working reduced hours due to pregnancy	1	1	2	4	6
Employees taking nursing care leave	12	14	7	12	13
Employees using reduced work hours for nursing care	7	2	4	5	6
Applications for childbirth support	215	225	261	263	222

Note: Number of employees in that year using the system for the first time.
( ) Number of male employees.

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

		2010	2011	2012	2013	2014
Number of employees returning from childcare leave	Number of returning employees	132	143	136	134	155
	Return rate (%)	100	100	100	96.3	95.5
Number of employees returning from nursing care leave	Number of returning employees	13	15	6	8	10
	Return rate (%)	100	100	100	100	100

Adopting Leave System for Volunteer Activities

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

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

Every year, a number of employees make use of this opportunity, and as of the end of 2014, we had 10 employees taking leave for this purpose.

Supporting Personal Growth and Skill Development

Training System

Canon Inc.'s Educational System

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

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

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

In 2013, we launched training programs to revitalize workplaces through improved understanding of the position-based pay system. These training programs include the Active Leader's Program (ALP) for managers, which focuses on fair and equitable personnel evaluations and the importance of communication to foster understanding of evaluation results; and the My Action Program (MAP) for general employees, which reviews communication with supervisors in interviews and day-to-day activities to discover areas for improvement.

In 2014, ALP and MAP training was provided to employees dispatched overseas. Workplace revitalization training was conducted 31 times over the year with the aim of helping all general line managers, 657 in total, to improve the job satisfaction of employees under their supervision. Building on this training, general managers then held meetings with members of their respective divisions to discuss the theme of increasing job satisfaction in the workplace.

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

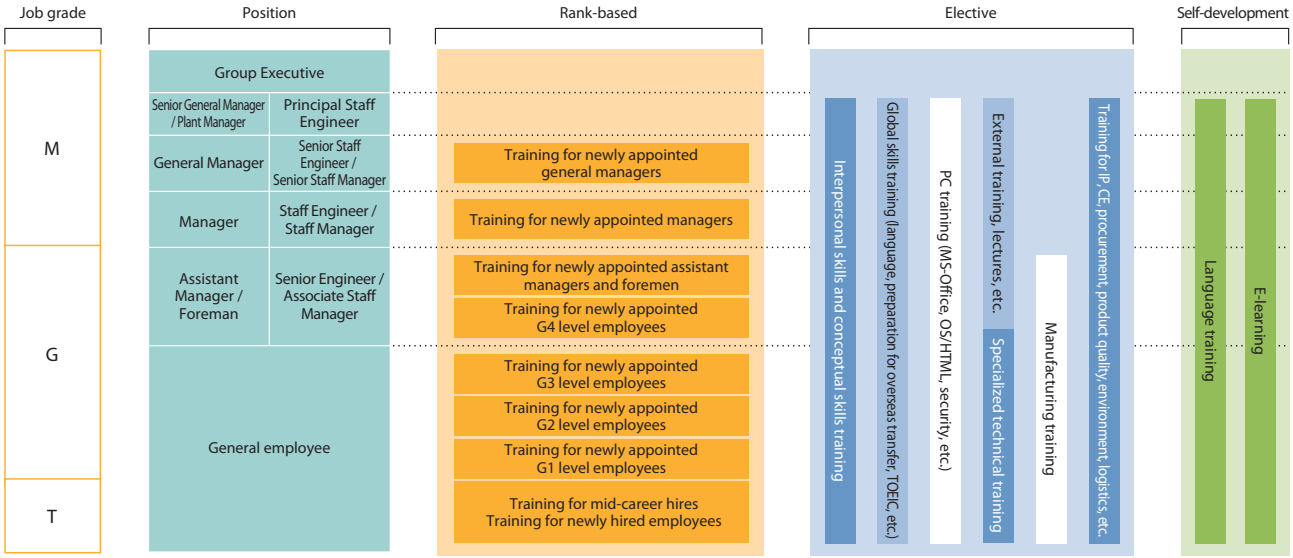
Number of Participants in ALP and MAP Training by Year

	2013 (employees in Japan)	2014 (employees dispatched overseas)
ALP	2,676	158
MAP	19,065	243

Employee Training Time (Hours)

	2010	2011	2012	2013	2014
Average hours per employee	22	21	24	28	22

Canon's Educational System



Supporting Employee Career Development

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

Since 2005, Canon Inc. has also operated an internal career matching system to support its employees in pursuing satisfying careers. The system aims to match the right people to the right jobs, promote internal mobility of human resources and bring greater vitality to the company. In 2014, 68 employees were transferred through this system.

Moreover, Canon has since 2001 conducted an employee career support program known as My Career Course. This course stimulates self-initiative for growth by having each employee reconsider his or her own goals and life plan. Employees from a variety of Canon Group company fields, mostly in their 30s and 40s, attend this course. This course was held three times in 2014, with a total of 25 participants.

• Company-Wide Events to Support Employee Self-Development

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

These events also have the goal of providing learning opportunities to employees typically unable to receive training because their workplace is in a remote location or their work schedule does not allow for it. We are endeavoring to ensure that all sites have the same access to events, by dispatching in-house instructors for example.

In addition to events, various self-development e-learning programs are offered to employees throughout the year.

Number of Participants in Self-Development E-Learning Programs

	2010	2011	2012	2013	2014
Number of programs	75	58	59	52	199
Number of participants	895	635	577	746	6,766

2014 Events Report

Theme	Name of Event	Number of sessions	Participants
Language skills	TOEIC-Bridge*	10	437
Global awareness	Cross-Cultural Exchange Seminar	1	22
Business skills	Essence of Logical Thinking	10	651 (Total number)

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

Development of Human Resources in Engineering

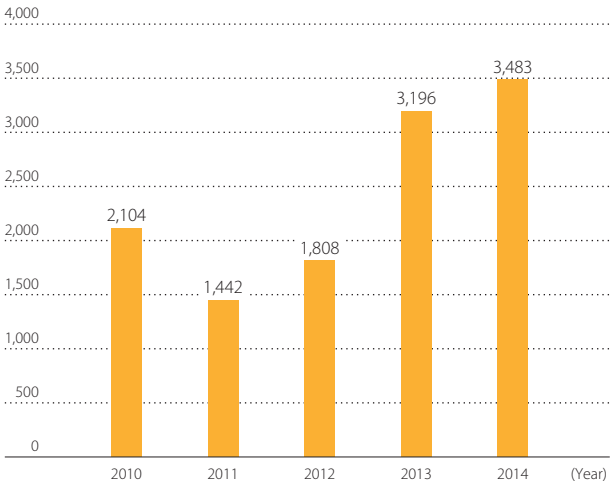
Looking to the future, Canon has put training systems in place for each of its specializations, including machinery, electronics, optics, materials, and software, to support the development of next-generation human resources in engineering.

A committee for the development of engineering human resources has been set up for each of the five core specializations noted above. These committees develop rank-based training programs, from new hires to junior employees and technical leaders, and conduct courses and other measures. We also offer various forms of training for those specializations not represented by one of these committees.

In 2014, a total of 150 programs and 316 classes were held in these specializations, with 3,483 engineers taking part.

Moving forward, we will continue to support human-resource development aimed at reinforcing our technological strengths, which includes offering technical training at Group companies.

Number of Participants in Technical Training



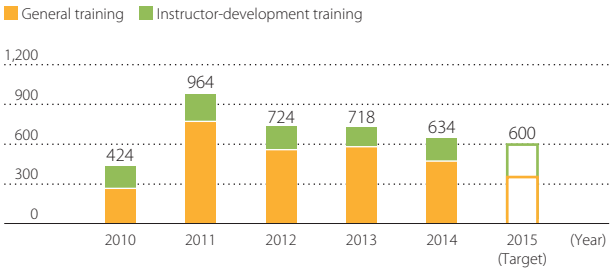
Development of Human Resources in Manufacturing

At Canon, we seek to foster skilled manufacturing personnel at each of our production sites as we press on toward sustainable development of global production systems in harmony with the international community. We place particular emphasis on human-resource development at our overseas production sites, with Canon Inc.'s Manufacturing Training Center at the center of these efforts. In 2014, a total of 634 employees took part in development programs.

Additionally, we continue to offer instructor-development training, which was started in 2011. This program targets managers, supervisors and plant engineers at our manufacturing companies in Southeast Asia and China, aiming to develop instructors for technological and technical skills training, production management training and other future local training programs. In 2014, instructor-development training was held on 39 occasions, with a total of 171 employees participating.

The Technical Skills Testing Program has also been established at sites outside Japan with the goal of improving technical skills development. In 2014, testing was carried out on injection molding, printed circuit board (PCB) assembly, measuring, factory automation (FA) and press at Canon Hi-Tech (Thailand), Canon Vietnam, Canon Dalian, and Canon Suzhou, with 199 employees participating. Plans for 2015 call for this testing to be expanded to eight sites and nine job types, mainly in Asia.

Number of Training Course Participants (Manufacturing Training Center)



Developing Globally Minded Personnel

With 268 operational sites* worldwide as of the end of 2014, the globalization of Canon's operations is proceeding apace. Against this backdrop, one of the main strategies listed in Phase IV of our Excellent Global Corporation Plan is the development of personnel befitting a global company. In accordance with this, we are stepping up training to develop a globally minded workforce.

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

• Enhancing Senior Leadership at Group Companies Outside Japan

Starting in 2014, Canon began offering Global Leadership Training to senior management of Group companies outside Japan in order to share the company's management philosophy and develop leaders that produce innovation in a global environment.

In 2015, this training was offered in Tokyo. 20 executives representing 12 countries and regions attended, bringing the total number of participants in the program to 40.

Global Leadership Training

• Tokyo Seminars Improve the Level of Management at Group Companies

Canon has invited management-level employees from Group companies around the world to the Tokyo Seminar since 1980 with the aim of enhancing participants' awareness of their roles as Canon Group members and raising their level of management. The 49th Tokyo Seminar was held in 2014, with 24 participants. A total of 1,103 employees have participated in the seminars to date.

In view of our business expansion throughout Asia, we launched a China version of the Canon Tokyo Seminar in 2009, and a Vietnam version in 2010. In 2014, the China seminar was held for the sixth time, with 19 participants, marking a total of 111 participants to date, while the Vietnam seminar had a total of 32 participants.

Tokyo Seminar

• Internationalization Training for Young Employees

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

The Asia Trainee Program, launched in 1995, enables recruits who are 30 years old or younger to engage in practical study at local companies in Asia. After receiving five months of language training at university, the employees dispatched as trainees spend about one year gaining practical experience at Asian affiliates. Every year, about 10 employees make use of this program, and by the end of 2014 a total of 87 had participated. Trainees completing the program are employed at Asian affiliates.

In 2011, the dispatch of young employees to Europe and the US that had been carried out independently by each division was organized into the newly established Europe–US Trainee Program. As of the end of 2014, a total of 25 young employees had been sent to these regions; and, an additional 9 employees are to be dispatched in 2015. For employees dispatched to non-English speaking areas, we offer language education and practical training similar to the Asia Trainee Program, and expect that they will play an important role in developing our business in such markets as South America and Russia.

Since 1984 we have been employing a similar system for employees in technical fields, called the Overseas Study Program for Technicians. The program is intended to develop engineers and technicians who can function internationally, as well as enable them to acquire specialized knowledge and skills, which they can use to contribute to Canon's business endeavors in the future. In 2014, five employees studied abroad, bringing the total number of employees that have taken part in the program of overseas study at universities in the US and Europe to 89. Together with ongoing improvements to R&D in the US and Europe, we plan to select approximately 10 employees each year for overseas study.

Employees studying abroad on the Overseas Study Program for Technicians

Certification and Award Programs

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

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

Other awards include the Invention Award for contributions to inventions and intellectual property, the Quality Award for contributions to quality improvement, the Production Innovation Award for outstanding activities leading to production-related innovations, the Canon Meister (Multi-Skilled Worker) Award Systems (certification/commendation) for employees demonstrating a wide range of skills that contribute to, advancements in manufacturing, and the Environment Award in recognition of excellent environmental practices.

The Procurement Innovation Award was newly added in 2013. This award recognizes activities that greatly contribute to enhancing procurement in terms of product functionality, quality or cost.

Certification and Awards in 2014/2015

Canon President Award of the Year	4 (products), 2 (activities)
Invention Award	43 (493 award winners)
Quality Award	4 President's Awards, 3 Quality Management Headquarters Group Executive Awards
Production Innovation Award	3 Production Innovation Excellence Awards (President's Awards), 6 Merit Awards (3 Production Engineering Headquarters Group Executive Awards, 3 Focus Awards)
Skilled Technician Award	2 Canon Master Craftsman
Canon Meister Certification/ Commendation	22 Expert Grade 1 recipients (cumulative totals: 65 Expert Grade S and 300 Expert Grade 1 recipients)
Environment Award	2 President's Awards, 3 President's Honorable Mentions
Procurement Innovation Award	2 President's Awards, 4 Honorable Mentions

Occupational Safety and Health Management

Occupational Safety and Health

Occupational Safety and Health Policy and Organization

At Canon, the health and safety of employees form the foundation of our business activities. Adhering to the principle that "management without safety is not management," labor and management work hand in hand to prevent occupational injuries, accidents and health issues.

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

Canon established the Central Safety and Health Committee as its supreme safety and health organ. This committee determines safety and health policies and measures for the entire Group while also promoting the elimination of occupational accidents, the maintenance and improvement of health, traffic safety, fire prevention, disaster preparedness, and the creation of a pleasant workplace. At the meeting of the committee in July 2014, occupational accidents that occurred both inside and outside Canon were reviewed in an effort to encourage all production bases to take action to prevent similar accidents from happening in the future. At the meeting in December, the committee confirmed the objectives for 2015 along with the action plans of each base.

Canon has been working since 2000 to install occupational safety and health management systems (OSHMS) at its production bases as a framework for ensuring worker safety and health. As of December 31, 2014, these systems had been introduced at five of Canon's operational sites and 15 bases of 11 Group companies.

Central Safety and Health Committee

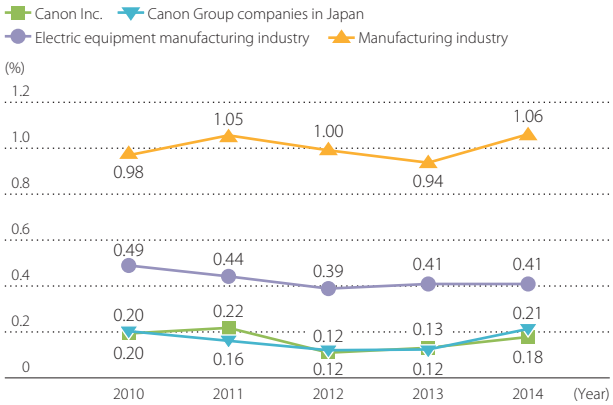
Occupational Safety and Health Initiatives

Canon recognizes that occupational safety and health, disaster preparedness, and health support activities are priorities for maintaining stable corporate management.

Pursuing our goals to eliminate occupational accidents caused by machinery and reduce accidents by improving safety awareness, in 2014 we checked the effectiveness of safety equipment, including safety guards, and made machinery and equipment safer based on risk assessments. As for improving safety awareness, we enhanced safety and health training programs for less experienced employees in an effort to prevent occupational injuries. Additionally, we focused on measures to prevent common occupational accidents, such as trips and falls, raising awareness through direct appeals and poster campaigns.

We will carry over into 2015 our goals to eliminate occupational accidents caused by machinery and reduce accidents by improving safety awareness. We will secure the physical safety of machinery and equipment while also thoroughly managing risk through risk assessments in order to eliminate occupational accidents caused by machinery. To reduce accidents and prevent similar accidents from occurring, we will work to cultivate greater safety awareness among each and every employee and improve the knowledge and competencies of the health and safety staff that provide guidance and training.

Occupational Accident Rate*1 (Frequency Rate*2)



*1 The occupational accident rate for Canon Inc. and its Group companies in Japan. Figures for the electric equipment manufacturing industry and the manufacturing industry are from a Ministry of Health, Labour and Welfare survey on occupational accident trends.

*2 The frequency rate is calculated by dividing the number of occupational fatalities/injuries by total working hours multiplied by 1 million. This rate shows the prevalence of occupational fatalities/injuries per 1 million working hours. A frequency rate of 1 equates to a corporation of 500 employees with one accident per year.

Number of Occupational Accidents at Canon Group Companies in Japan

	2010	2011	2012	2013	2014
Accidents requiring time off from work	21	16	13	12	20
Accidents not requiring time off from work	171	172	131	130	130

Safety awareness posters

Occupational Safety and Health Initiatives at Production Bases Outside Japan

Canon aims to create safety and health management systems at production bases outside Japan that are of the same level as those within Japan.

In July 2014, we held a liaison meeting in the Philippines for managers responsible for safety and health, the first such meeting held at an overseas production base. On the day of the meeting, managers from the Philippines, Vietnam, Thailand, and Malaysia gathered to share information about initiatives undertaken and issues faced by their respective sites. With the aim of supporting the safety and health activities of the Philippines base, participants took a tour of the site with the local staff observing firsthand how approaches to risk assessments are being put into action on the factory floor and their effectiveness.


Conducting a site tour with local staff in the Philippines

We plan to continue holding liaison meetings for safety and health managers at our production bases in Asia to proactively provide opportunities for those in charge of managing occupational safety and health to develop and share their knowledge and experiences.

Health Management

Recognizing that employee health always comes first, Canon focuses on creating a healthy, vibrant workplace environment in which employees can reach their full potential.

By working to promote health, our goal is to minimize losses to both employees and the company due to illness or injury.

Our activities in 2015 will focus on achieving the targets we have set in the key areas of mental healthcare, lifestyle disease prevention and early cancer detection.

Health Management Vision

1. Employees should know their own health (self-awareness), take action to improve their health (self-motivation), and continuously manage their progress (self-management).
2. The company should create an environment in which employees are able to manage their health and work with peace of mind.

Key Activity Themes and Targets for 2015

Key activity themes	Targets
1. Mental healthcare	Reduce number of working days missed
2. Lifestyle disease prevention	Reduce percentage of employees at risk for metabolic syndrome
3. Early cancer detection	Increase cancer screening rate (70% of employees over 40 years of age)

Promoting Mental Healthcare Initiatives

To promote a comprehensive mental health policy, Canon effectively conducts various programs that incorporate four care and three prevention guidelines. In recent years, we have focused attention on employee education and the training of industrial healthcare staff, including human-resource managers.

We provide mental health training to employees who are in their first or second year of employment. This training informs employees about self-monitoring and lifestyle improvement

methods, as well as approaches to stress reduction. Company support systems are also covered.

Canon also hosted a sleep seminar to raise awareness of the importance of getting proper sleep and to help employees feel more energetic and motivated at work.

For managers, we host mental health training specifically tailored for them. This training covers communication methods and points of caution with the aim of reinforcing the importance of managing their own health while also working to create healthy workplaces.

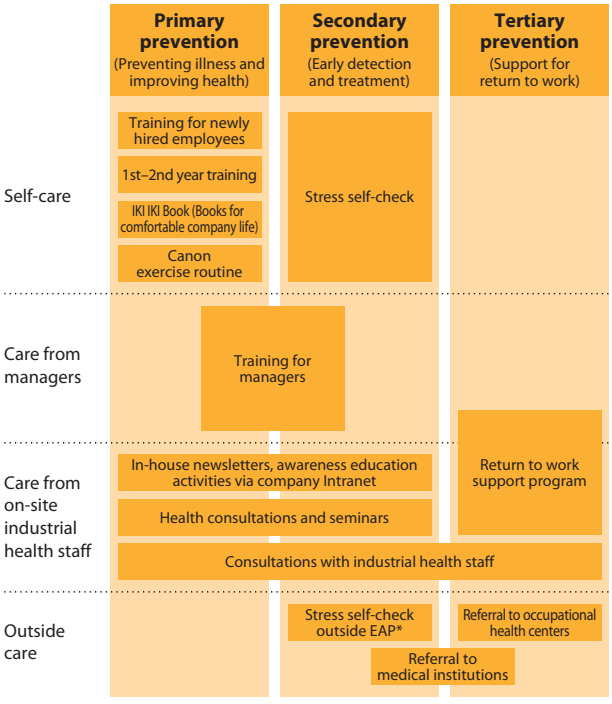
Managers in charge of human resources and health support are provided with specialized mental healthcare training to enhance their ability to address mental health issues as well as interact and coordinate with others.

Additionally, we have strengthened our support services by providing specialized training to health-support staff so that they can in turn assist employees to resolve sleep problems that they may be having.

We will continue these training programs to empower employees through self-care and create an environment in which employees can work with peace of mind.

Sleep seminar

Mental Healthcare System



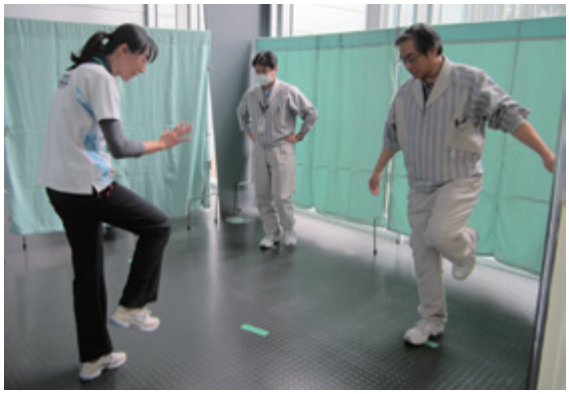
* **EAP**
Employee Assistance Program

Measures for Lifestyle Disease Prevention

Canon carries out lifestyle checks during regular medical examinations with the aim of preventing lifestyle diseases. Based on these results, all Group companies have set improvement targets in order to help employees to continually improve their health.

We have also been working since 2013 to establish good exercise habits among employees. And, in 2014 we conducted a simply physical fitness check of employees age 40 and over at all of our operational sites in an effort to promote health awareness and physical fitness. Additionally, we carried out a Light Exercise Campaign, encouraging employees to use the stairs at work and participate in walking events held across the entire Group.

We will continue with these activities to encourage the development of good exercise habits. We are also making efforts to help employees stop smoking and to prevent exposure to secondhand smoke as part of our health advancement efforts.



Simple physical fitness check

Early Cancer Detection

Canon endeavors to raise awareness of cancer screening among employees in order to encourage the early detection and treatment of this disease.

In 2014, we worked on making it easier for employees to receive screenings and stepped up efforts to inform and educate managers about the importance of these screenings.

To facilitate easier screening, we worked with our health insurance society to provide easier and expanded access to screening clinics and to encourage screenings through appointment events and seminars. We also used manager training programs and various liaison meetings as a platform for raising awareness and encouraging screenings.

We will continue to assist employees in taking the initiative to make lifestyle changes and establish good habits by providing ongoing, systematic encouragement and support, and by increasing awareness among managerial staff.

Fair Operating Practices

Aiming to achieve sound growth, Canon offers highly competitive products and services while also remaining committed to fair operating practices rooted in high ethical standards. To fulfill this commitment, not only do we strive to instill a proper sense of ethics in each and every employee, but we also pursue ethical business practices, which include the creation of mutually favorable business relations with our suppliers as well as protection of and respect for intellectual properties.

Stakeholder Feedback

- It's important to manage whether suppliers are complying with human rights, labor rights and environmental protection requirements across the entire supply chain. (NGO in Europe)
- I believe that green procurement and fair operating practices are essential elements of corporate activities. (Supplier in Japan)
- Stakeholders expect companies to include their supply chain in their CSR activities. (Consumer in Europe)

Compliance training session at a Canon Group company

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans
Compliance	• Compliance education • Continued to hold compliance training • Held specialized legal affairs seminars on the themes of transfer taxation regulations, laws and regulations related to cloud services and big data, and the management of trade secrets	• Expand eligibility and continue to hold training
	• Thoroughly covered security trade controls • Held briefings and training sessions (50 times, 2,696 participants) • Held the Serious Accident Prevention Seminar (15 times, cumulative total of 374 participants) • Launched global e-learning programs in March (English), June (Japanese), and December (Chinese) (approximately 6,300 participants up to December 31, 2014)	• Continue to maintain zero record for security trade control violations • Reinforce and expand scope of guidance for Group companies outside Japan
	• Security trade controls at Canon Group companies • Visited 11 companies in Japan and overseas to provide on-site guidance • Held two liaison meetings for affiliates in Japan • Held Expert Training as an educational tool for persons in charge at Group companies in Japan (21 times, 41 participants)	
Fair Trade	• Promoting CSR procurement Carried out more efficient investigations of suppliers' CSR initiatives through the introduction of online surveys...1	• Bolster cooperation with suppliers to strengthen CSR procurement
	• Initiatives to address conflict minerals Reported the Canon Group's response to conflict minerals to the U.S. Securities and Exchange Commission (SEC)	• Raise CSR awareness in the supply chain and improve the accuracy of CSR surveys
Intellectual Property	• Own approximately 92,000 patents/utility models around the world (as of the end of 2014) • Ranked third in the United States in terms of the number of patents registered	• Continue efforts and seek to obtain effective patent rights
	• Concluded an agreement for curbing patent lawsuits by PAE...2	• Continue to promote measures for reducing litigation risk
	• Brand management Revised company rules on brand trademarks and logos	• Revise rules on brand management to match changes taking place in the business environment

TOPICS 2014

1 Online surveys of suppliers' CSR initiatives

Online surveys solicit information from suppliers of production materials and production-related parts regarding their practices in such areas as human rights and labor relations, occupational safety and health, environmental conservation, and ethics. Canon held an information session for all of its suppliers in Japan and overseas to facilitate the smooth operation of online surveys. From now on, we plan to regularly conduct these surveys once a year. (See page 96)

Online survey briefing for suppliers

2 Agreement for curbing patent lawsuits by PAE

There have been an increasing number of patent lawsuits initiated by Patent Assertion Entities (PAE). PAE have no actual business operations and instead attempt to enforce patent rights with the goal of receiving a large settlement. To address this situation, Canon established License on Transfer Network (LOTNET) together with six companies in Europe and the United States. Essentially, whenever a member company sells its patent to third party, license for such patent is granted to other member companies without requiring any compensation, reducing litigation risk from PAE. (See page 99)

The LOTNET logo mark

Compliance

Policy and Structure

A Shared Compliance Awareness

At Canon, compliance activities form an essential foundation to become a "truly excellent global corporation."

Canon Inc. strives to ensure that executives and employees share common values with regard to legal compliance and corporate ethics. We do this by publicizing our corporate principles and policies, building infrastructure, and providing training and education to increase compliance awareness.

Group companies in Japan carry out similar activities, while Group companies worldwide conduct compliance-related activities in accordance with local laws and regulations, with regional marketing headquarters taking the lead.

Canon Group Code of Conduct Sections (Extract)

Management Stance

1. Contribution to Society
   - Provision of excellent products • Protection of consumers
   - Preservation of the global environment
   - Social and cultural contributions • Communication
2. Fair Business Activities
   - Practice of fair competition • Observance of corporate ethics
   - Appropriate disclosure of information

Code of Conduct for Executives and Employees

1. Compliance with Corporate Ethics and Laws
   - Fairness and sincerity • Legal compliance in performance of duties • Appropriate interpretation of applicable laws, regulations and company rules
2. Management of Corporate Assets and Property
   - Strict management of assets and property • Prohibition against improper use of company assets and property
   - Protection of the company's intellectual property rights
3. Management of Information
   - Management in compliance with rules • Prohibition against personal use of confidential and proprietary information
   - Prohibition against insider trading • Prohibition against the unlawful acquisition of confidential or proprietary information pertaining to other companies • Appropriate use of confidential and proprietary information pertaining to other companies
4. Conflicts of Interests / Separation of Personal and Company Matters
   - Avoidance of conflicts of interests • Prohibition against seeking, accepting or offering improper gifts, entertainment, or other benefits • Prohibition against acquisition of pre-IPO shares
5. Maintenance and Improvement of Working Environment
   - Respect for the individual and prohibition against discrimination
   - Prohibition against sexual harassment • Prohibition against bringing weapons or drugs to the company workplace

• Canon Group Code of Conduct

In 2001, Canon updated its 1992 "Canon Code of Conduct" from a global perspective and introduced the revised "Canon Group Code of Conduct." Canon Inc. and its Group companies confirmed acceptance of the revised code at their respective board meetings. The "Canon Group Code of Conduct" has been translated into 14 languages, including English, French and Chinese. Group companies worldwide enforce the "Canon Group Code of Conduct."

In 2006, a collection of case studies entitled "Practice! A Corporate Ethics Reader" was also distributed to all Group employees in Japan. A second edition was issued in 2008, providing a wider range of common examples and further promoting a deeper understanding of compliance and corporate ethics.

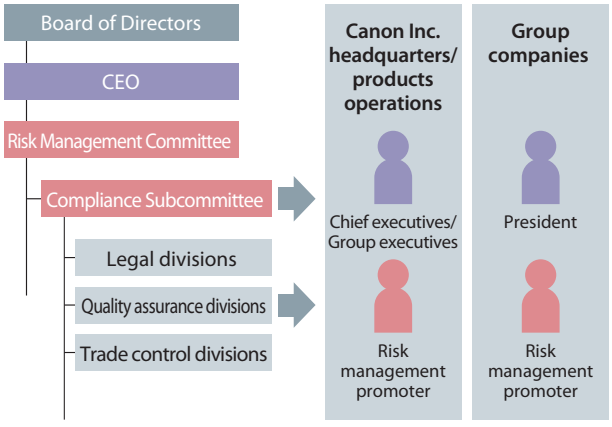
Compliance Promotion System

Canon Inc. has established a Risk Management Committee to develop policies and measures concerning improvement of the Group's risk management system. Within this committee, the Compliance Subcommittee is responsible for ensuring corporate ethics are followed and for building a structure for legal compliance.

Group executives of each Canon Inc. headquarters along with presidents of Group companies have the duty to develop structures for legal compliance based on the policies and measures adopted by Canon Inc.'s Board of Directors. Risk management promoters at each headquarters and Group company are responsible for their administration and execution.

Meanwhile, Canon Inc. divisions in charge of compliance with laws relating to business activities, including legal divisions, quality assurance divisions, and trade control divisions, administer and support the development of legal compliance structures at each headquarters and Group company.

Structure to Promote Compliance



Education and Awareness

Employee Compliance Awareness

• Compliance Week

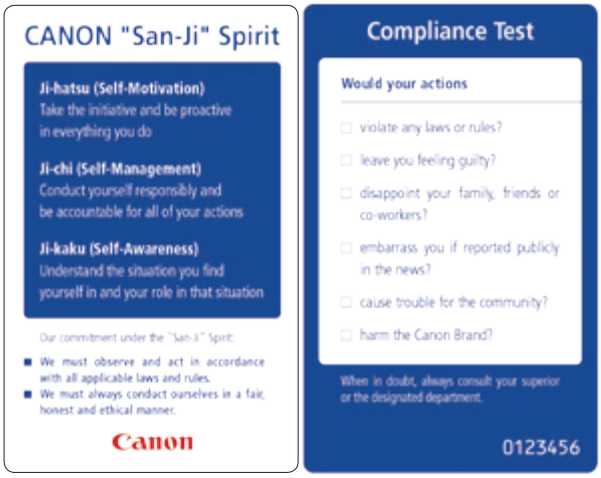
Together with Group companies in Japan, Canon Inc. has hosted Compliance Week twice a year since 2004. Carried out at each company in the first and second half of the year, Compliance Week provides an opportunity for employees to better understand and appreciate how legal and ethical compliance as well as the direct risk of legal violations are issues of personal responsibility. Compliance-related discussions are held in each department and division during this period.

Specifically, Compliance Week involves group discussion of compliance-related problems and solutions at each workplace. By discussing issues and working together toward progressive solutions, employees help to improve the work atmosphere. Additionally, through workplace discussions we are spreading compliance awareness and building operational processes that prevent legal violations.

Compliance Week poster

• Compliance Card

To reinforce the importance of demonstrating high ethical standards and a strict sense of compliance among employees of Group companies worldwide, Canon produced a portable Compliance Card in 17 languages and distributed it to all executives and employees worldwide. The card carries a reminder of the *San-Ji* (Three Selfs) Spirit and a test section that employees can use to check their actions and to reflect on the role of compliance in their everyday activities.



Compliance Card

Compliance Education

• Compliance Training

A strong sense of ownership on the part of each employee and a framework for legal risk management are the basis of compliance. Canon conducts compliance training designed to foster compliance awareness for newly appointed general managers and managers, as well as new employees and managers of specific organizations and Group companies. This training helps participants to understand the legal risks they may face in their operational activities and become more aware of the importance of managing these risks.

• Specialized Legal Seminars

In addition to compliance training, Canon also hosts in-house seminars on various laws and regulations. In 2014, these seminars covered topics that include transfer-pricing regulations, regulations related to cloud services and big data, and the management of trade secrets.

Operation of Compliance Hotlines

At Canon Inc., we have a Compliance Hotline system to receive information related to issues of compliance. Aiming for early detection and resolution of potential problems, these hotlines serve as an important tool in compliance management. We have made improvements to the system aimed at promoting greater use.

The confidentiality of callers as well as information disclosed

during a call is strictly maintained, and callers are guaranteed not to suffer any repercussions for using the hotline. We raise awareness of the hotline services by such means as an intranet compliance site, compliance training and informative posters.

Hotlines have been established at nearly all Group companies worldwide. The Compliance Office at Canon Inc. works in close coordination with divisions in charge at Group companies to continuously respond to incoming reports and increase system reliability.

Security Trade Controls

Thorough Compliance with Export Control Regulations

Countries with a high level of concern for international peace and security implement strict controls in accordance with international agreements on the export of commodities and technologies for civil use that could be diverted for use in weapons of mass destruction or conventional weaponry. Japan controls such exports through the Foreign Exchange and Foreign Trade Control Law.

To achieve full compliance with these export control regulations, Canon Inc. created a security trade control framework headed by the president in 1988. The Foreign Trade Legal Division within the Global Logistics Management Center works as an administration division, and general managers of all headquarters divisions, except divisions such as the Finance & Accounting Headquarters or Human Resources Management & Organization Headquarters, act as supervisors. Specifically, each related division and the Foreign Trade Legal Division double-check such issues as whether commodities and technologies for export are controlled by regulations, or whether trading parties are engaged in the development of weapons of mass destruction.

We also hold regular briefings and various training sessions for employees to increase awareness of the importance of security trade controls. In addition, the Serious Accident Prevention Seminar, held since 2011, deepens understanding based on specific case studies.

In 2014, briefings and training sessions were held 50 times, with a total of 2,696 employees attending. The Serious Accident Prevention Seminar was held 15 times, with a total attendance of 374. And in March 2014, we launched the English version of a new global e-learning program. The Japanese version went online in June, followed by the Chinese version in December. As of December 31, 2014, approximately 6,300 employees worldwide had taken the course.

Such thorough internal controls have enabled Canon Inc. to remain in compliance with the Foreign Exchange Control Law and maintain a bulk export license from Japan's Ministry of Economy, Trade and Industry continuously since 1990. This license is granted only to exporters who exercise strict controls.

Group Company Security Trade Controls

Canon Inc. supports Group companies worldwide in the establishment of administrative structures and management rules that match their type of business. More precisely, the Foreign Trade Legal Division dispatches representatives to offshore companies to deliver training courses, provides templates for corporate compliance programs, compiles English-language versions of guidelines, supplies educational materials for local employees, and carries out various other activities. A help desk for Group companies in Japan has been operating since April 2010.

In 2014, we made requests to 50 companies in Japan and overseas to provide relevant documents and the like, and we visited 11 of them to give on-site examination. Additionally, two liaison meetings for affiliates in Japan attended by representatives from Group companies in Japan were held. Expert Training for security trade control managers at Group companies in Japan was held 21 times, with a total attendance of 41. The help desk responded to 211 inquiries, bringing the cumulative total of inquiries to 969.

As a result of this guidance and other thorough management efforts, no violations of export control laws took place within the Group during 2014, extending by one year our no-violation record since the implementation of the security trade controls.

We will continue to work to strengthen and expand the range of our guidance, especially for Group companies outside Japan, to keep violations for the Group at zero.

On-site examination of security trade controls conducted in India

Fair Dealing

Fundamental Procurement Policies

Basic Policies

Canon is enhancing its cooperative relationships with suppliers through implementation of the EQCD concept*1, which stipulates the timely delivery of high-quality products at reasonable prices to customers worldwide while taking the environment into consideration.

Accordingly, Canon has formulated and widely published its Procurement Policy, and is endeavoring to build good relations with suppliers by deepening their understanding of Canon's basic stance toward procurement.

In addition, Canon has promoted a policy of green procurement*2 since 1997. In keeping with our corporate philosophy of *kyosei*, we will continue to progress with this policy, giving due consideration to social as well as environmental issues as we carry out our procurement activities.

*1 **The EQCD concept**
This is Canon's basic product development policy. "E" stands for environment: Companies are not qualified to manufacture goods if they are incapable of environmental assurance. "Q" stands for quality: Companies are not qualified to market goods if they are incapable of providing quality products. "C" and "D" stand for cost and delivery: Companies are not qualified to compete if they are incapable of meeting cost and delivery requirements.

*2 **Green procurement**
Favoring the procurement of materials and products that have a lower environmental impact.

Promoting CSR Procurement

Canon strives to ensure that suppliers understand its procurement standards in order to be certain that social responsibilities are not only being fulfilled by Canon itself, but also throughout the supply chain. As part of this effort, we posted a page entitled Requests to Suppliers on our website in 2009. This is a list of items concerning our suppliers' responsibilities in regard to the environment, human rights, labor, compliance, and other matters.

These requests and their purpose are explained to our suppliers at the procurement policy briefings held at locations around the world every year.

Following the Great East Japan Earthquake in 2011, we bolstered our risk response efforts through surveys on such topics as enhanced business continuity management (BCM)* and conflict minerals.

And in 2014, we began online surveys (see page 96) to streamline our promotion of CSR procurement.

Going forward, we will strive to reinforce CSR procurement through closer communication with our suppliers.

* BCM surveys investigate a supplier's level of disaster readiness and the stability of the supply chain.

Procurement Policy

Based on its corporate philosophy of *kyosei*, Canon, aiming to be a truly global company, strives to develop, manufacture and market useful products, boost profits, and achieve corporate growth and development, and thus contribute to the prosperity and well-being of the world. The Procurement Division adopts a global perspective in purchasing quality, appropriately priced merchandise in a timely manner. This facilitates improvements in product quality and reductions in prices, and positions us to work with our suppliers to meet customer needs.

1. We comply with all applicable laws and regulations as well as corporate ethics, and operate in a manner that is protective of the environment.
2. We are open to any and all suppliers, and promote fair and free competition in accordance with the principles of faith and trust.
3. We improve manufacturing by mutual growth with reliable, quality suppliers, which are selected through a fair evaluation process.

Requests to Suppliers

1. Comply with all applicable laws and regulations (for example human rights, labor, safety and health).
2. Contribute to the growth of society as a good corporate citizen.
3. Promote fair, honest and highly transparent business practices along with the implementation of corporate ethics by prohibiting actions that violate corporate social responsibility (such as abuse of dominant positions) and eliminating antisocial forces.
4. Construct a production system with due consideration of environmental conservation by observing Canon Green Procurement Standards and promoting activities to reduce CO_2 emissions.
5. Secure personal and customer information, and strictly manage the information obtained through business.
6. Promote persistent improvement in order to maintain strong financial standing for continuous business and a high level in quality, cost, delivery and technical aspects.

Addressing the Issue of Conflict Minerals

Seeking to ensure that customers can use Canon products with peace of mind, the Canon Group works together with its business partners as well as industry organizations to address the issue of conflict minerals.

In accordance with the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, Canon filed a report at the end of May 2015 regarding the Company's status on this issue with the U.S. Securities and Exchange Commission. This report is also made available on Canon's website.

Based on data gathered through February 2015 regarding products manufactured, or contracted to manufacture by the Canon Group, no specific parts or materials have been found to have contributed to funding armed groups in conflict regions as defined by U.S. legislation.

Due, however, to the complex nature of the supply chain, inquiries may not have reached a number of smelters or refiners located upstream. In response, Canon will enhance its collaboration efforts across various industries and support activities aimed at encouraging smelters to avoid using conflict minerals that finance armed groups.

In April 2015, we began participating in the Conflict-Free Sourcing Initiative (CFSI), an international program established by the Electronic Industry Citizenship Coalition (EICC), which is an international business organization that plays a central role in efforts to address conflict minerals.

Reinforcing Compliance in Procurement

In 2004, Canon established the Canon Group Procurement Code of Conduct to ensure fair and transparent business transactions with suppliers and strict compliance with laws and regulations on procurement from a global perspective. This code stipulates that employees of the procurement division of each Group manufacturing company in Japan and overseas abide by the code's content, maintaining compliance with all applicable laws and ordinances at all times while upholding corporate ethics.

We have taken a number of other steps to reinforce procurement compliance, establishing special internal controls sections within procurement divisions in 2007, and publishing a Procurement Ethics Reader in 2008 to ensure compliance with the Canon Group Procurement Code of Conduct. Furthermore, in 2012 we carried out a procedure inspection of the procurement division at each Group company, including those located outside Japan, and reconstructed our compliance system.

In September 2013, we updated the Canon Group Procurement Code of Conduct and changed the name to The Canon Group Procurement Code of Conduct for Executives and Employees in Charge of Procurement. This code was distributed not only to those in charge of procurement at Canon Inc. and Group companies in Japan, but also to the executive officers and employees that may in the future submit procurement orders. In conjunction with this, we offered Procurement Compliance Training, primarily for managers at divisions that received the code, to thoroughly inform and educate persons in charge of procurement on the proper compliance mindset and other important points for consideration.

In July 2014, we formulated detailed and uniform procurement operation rules for every Canon site engaging in procurement, and made efforts to further strengthen compliance.

Partnership with Suppliers

Development of Procurement Information Infrastructure

Canon aims to rationalize and boost the efficiency of its business and that of its suppliers through the introduction of ICT systems, which digitalize the formerly paper-based work of ordering and cost estimation.

With regards to production materials, we launched an electronic ordering system at all of our production bases in Japan in 2006. This same system, which provides suppliers with order information, including delivery dates, volumes and unit prices, was also implemented at our production bases outside Japan before the end of 2009.

We introduced the same system for the procurement of indirect materials for sites in Japan in 2009, but since then we have developed and introduced a Global General Commodity Purchasing System that is designed to unify business processes worldwide. This new system was launched in Japan during the first half of 2013. The introduction of this system at all of our operational sites worldwide was completed in 2014.

In addition to this, we are introducing an electronic quotation system that is used to send diagrams and other such materials to suppliers and receive quotes (unit prices).

Communicating with Suppliers

Canon holds regular briefings for suppliers at its operational sites and Group manufacturing companies to gain their understanding of the company's business plans and procurement policies. Communicating in this way allows us to share information with suppliers, strengthen cooperation and grow our businesses together.


Deepening dialogue and strengthening ties with suppliers

Fair and Transparent Dealings

Promoting Open Procurement

As stated in our Procurement Policy, we open our doors equally to all suppliers worldwide and conduct business in a fair and impartial manner, and have instituted an Open Procurement policy to make a broad appeal to suppliers not already in our network.

Canon launched the Suppliers Proposal Site within its main company website in 2001 with the purpose of collecting information, including products handled and manufacturing consignment information, from companies worldwide (excluding intellectual property such as designs, ideas and inventions). Products proposed on this site are now being used in Canon products.

We will continue to give careful consideration to all future proposals based on established rules.

Supplier Evaluation Structure

Before initiating transactions with a new supplier, Canon assesses whether it satisfies the company's independent criteria with respect to such areas as global environmental protection, parts supply system and financial position.

In the environmental field in particular, satisfying the Canon Green Procurement Standards is a condition for doing business, ensuring that green procurement of the parts and materials used in our products is practiced.

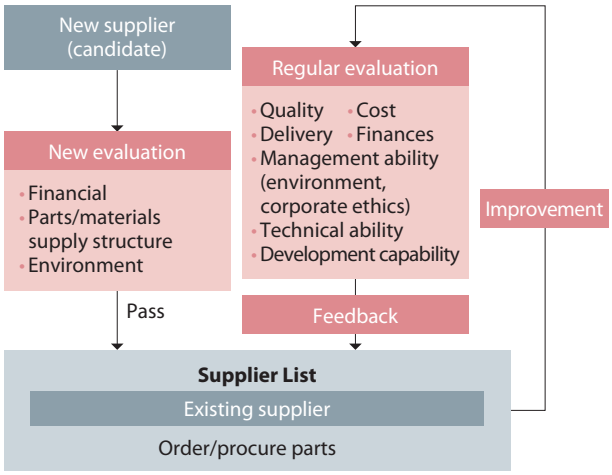
Canon also conducts regular evaluations of existing suppliers. We evaluate their performance in the previous year in the areas of quality, cost, delivery, finances, management ability (environment and corporate ethics), technical ability, and development capability. The results are reflected on our Supplier List, with highly ranked suppliers receiving preferential selection. And, we offer suggestions for improvement and training to suppliers with low scores.

Starting in 2015, we plan to add corporate ethics to the evaluation, looking at such subjects as human rights, labor, and occupational safety and health.

Reference: How to become a supplier
http://www.canon.com/procurement/procedure.html

Reference: Green Procurement
http://www.canon.com/procurement/green.html

Supplier Evaluation Flow



• Introducing Online Surveys for Suppliers

As demands for sustainable procurement become stricter, companies must carry out detailed investigations of supplier business continuity risk aimed at the visualization and prevention of procurement supply chain risks.

Accordingly, in October 2014, Canon Inc. completed development of an integrated management system for supplier information in an effort to improve efficiency by using online surveys.

This annual survey asks suppliers of production materials and production-related parts about their management practices in such areas as human rights and labor relations, occupational safety and health, environmental conservation, and conflict minerals, as well as their activities concerning business continuity management.

To ensure suppliers understand the contents of the survey and can respond easily, we have prepared a detailed instruction manual in addition to holding briefings about the new online surveys at 15 locations in Japan and overseas.

Intellectual Property Activities

Canon's Intellectual Property Approach

Since its establishment, Canon has actively engaged in technology research and development, achieving solid growth as an R&D-oriented company in creating markets and customer segments by developing products with proprietary technologies.

This history underpins the company's belief that the achievements of R&D activities are products and intellectual property. At Canon, the purpose of intellectual property activities is to support business development. As such, we promote effective utilization of intellectual property rights on all aspects of business including entry into new business areas, business diversification, and global expansion of production and marketing operations.

Basic Policy of Canon IP Activities

- IP activities are vital to support business operations.
- The fruits of R&D are products and IPRs.
- Other parties' IPRs should be respected and attended properly.

Respecting Intellectual Property Rights

Canon takes a thorough and persistent approach against counterfeits and intellectual property infringements. At the same time, clear rules have been established to ensure that the intellectual property rights of other companies are respected and that our products do not infringe on rights held by others.

More specifically, thorough investigations of third-party patents are conducted to prevent use of intellectual property held by others without first obtaining the relevant rights. Such thorough investigations of third-party rights are carried out at all stages, from R&D onward, based on cooperation between the R&D division involved in the technology and the department responsible for intellectual property rights.

By thoroughly instilling these rules throughout the company, Canon smoothly and appropriately enters into partnerships with other companies and outside research institutions for cross-licensing or joint research projects. This makes it possible for Canon to achieve greater results than it could attain by using only its own patents.

A Corporate Culture that Supports Intellectual Property Activities

Canon encourages the creation of draft patents (invention proposals) rather than reports, and the reading of patent bulletins rather than research literature as part of day-to-day R&D activities.

To draft an invention proposal, researchers and engineers need to compare his or her own R&D activities with prior art, understanding them objectively and summarizing them systematically. This leads to the acquisition of higher-value patents. Patent bulletins inform researchers and engineers about technical issues and solutions in relevant fields, knowledge of prior art, competitors' activities and other trends. They are also useful for alerting researchers when rights holders need to be taken into consideration during business development.

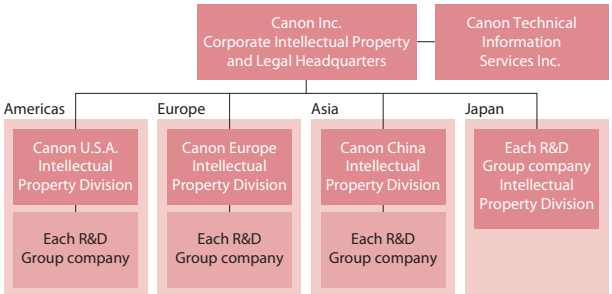
Having such concerns firmly in mind, researchers and engineers involved in R&D are helping to foster a corporate culture of consistently setting high development objectives.

Intellectual Property Management System

To carry out Canon's business activities consistent with its intellectual property strategy, intellectual property rights management has been centralized under the direction of the Corporate Intellectual Property and Legal Headquarters at Canon Inc. The intellectual property rights of the entire Group are managed from the standpoint of optimizing the overall intellectual property portfolio.

For example, when concluding a patent licensing agreement with another company (a third party), the Corporate Intellectual Property and Legal Headquarters approves the agreement only after making adjustments reflecting merits for the entire Group. This step ensures that the Group maintains an appropriate intellectual property portfolio. We review our portfolio regularly to ensure that only necessary rights are being reserved.

Intellectual Property Management Structure



Group Company Management Structure

The respective roles and responsibilities of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters and the intellectual property divisions at each Group company, along with the formulation process for policies on other shared activities and issues are determined by Canon's management rules.

An Intellectual Property Summit is periodically held to facilitate information sharing between Group companies worldwide. This summit serves as a forum to communicate information and perspectives on trends in society as well as intellectual property initiatives being undertaken by Group companies. It also ensures that prompt action can be taken when an intellectual property issue arises. The summit was held in October 2014, with intellectual property division staff gathering from 27 Group companies worldwide.

Moreover, persons in charge at the Corporate Intellectual Property and Legal Headquarters have been posted to or sent to visit Group companies to bolster global intellectual property activities and develop human resources.

Promoting More Innovative Inventions Leading to Patent Rights

As the cycle from product development to marketing becomes shorter, it is more difficult for researchers and engineers to closely study technologies that lead to inventions and to accurately stay abreast of a broad range of related technological trends.

One approach we have taken in this regard is to appoint Patent Portfolio Managers (PPMs) within each products operations. A PPM is a technician with rich knowledge of and experience with technological and patent application trends. PPMs link the seeds of patents that tend to be overlooked amid the company's busy development operations to effective patent applications.

Prior Art Searches to Improve the Quality of Patent Applications

Even if R&D culminates in a patent application, a patent cannot be granted if a third party has submitted an application for a similar invention. Accordingly, we conduct prior art searches for previous publications to ensure that we assess the validity of applications and that we pursue originality in development.

When filing patent applications, researchers and engineers use Canon's search system, P/Net SR, to investigate the existence of similar prior art. In 2006, we incorporated an English-Japanese translation function into the system to allow efficient searches of U.S. patents as well. In addition, Canon Technology Information Services Inc.—a Group company specializing in technology search services—performs more detailed prior art searches.

The thoroughness of such screenings raises the quality of patent applications, while utilization of the Japan Patent Office's Accelerated Examination System*1 and Patent Prosecution Highway*2 speeds up the patent process worldwide.

*1 **Accelerated Examination System**
This is a system of the Japan Patent Office that provides accelerated examinations based on certain conditions.

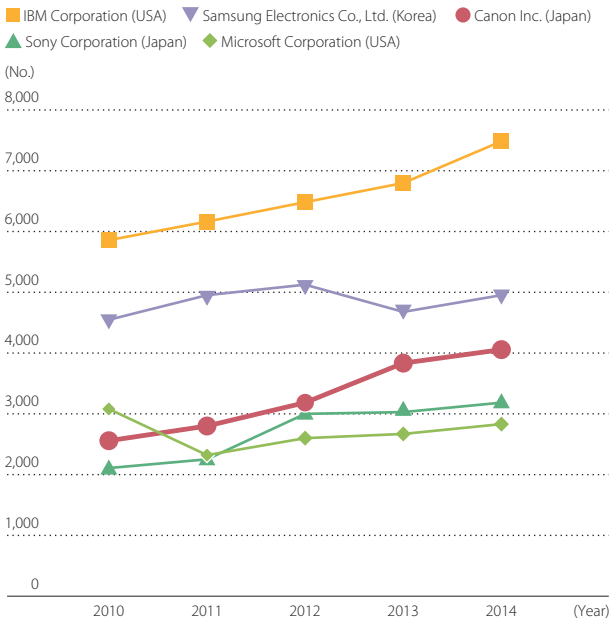
*2 **Patent Prosecution Highway**
This is an arrangement between the Japan Patent Office and various other countries and regions. It enables an application that has been determined to be patentable in the Office of First Filing (OFF) to undergo an accelerated examination in the Office of Second Filing (OSF) with a simple procedure following a request from an applicant.

Patent Application Status

Canon emphasizes patent applications outside Japan, and as of the end of 2014, Canon possessed approximately 92,000 patents and utility models worldwide.

When filing patent applications outside Japan, our teams develop detailed patent-filing strategies based on regional business strategies, technologies and product trends to assess the countries/regions where patents are necessary. Filing of patent applications in the United States in particular has been emphasized, as the United States has many high-tech companies and a large consumer market. As a result, patent registration has increased in recent years; in 2014 Canon became the first Japanese corporation to obtain over 4,000 US patents.

Top 5 Companies Acquiring U.S. Patents



Note: Data published in March 2015 by the U.S. Department of Commerce.
IBM is an acronym for International Business Machines Corporation.

• Agreement for Curbing Patent Lawsuits by PAE

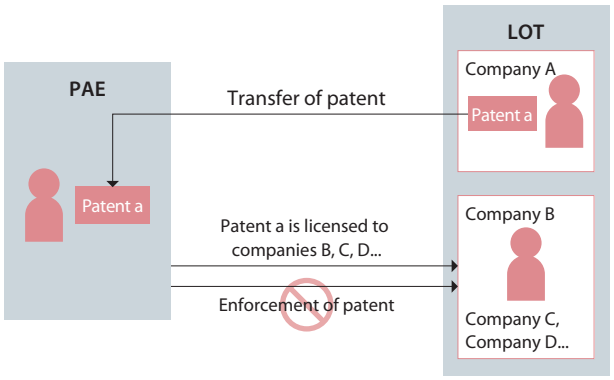
Patent systems have been established to encourage R&D and promote further investments in it by protecting the business advantages afforded by the outcomes of R&D, which in turn contributes to the growth and development of industry. In recent years, however, because of the sudden increase in the number of patents, there has been a sharp increase in patent lawsuits initiated by Patent Assertion Entities (PAE). PAE have no actual business operations and instead attempt to receive large settlements from operating companies. Two-thirds of the more than 6,000 patent lawsuits in the United States are initiated by PAE.

To curb lawsuits by PAE, in 2014 Canon established License on Transfer Network (LOTNET) together with Google, SAP, Dropbox, Asana, Newegg and Red Hat.

Under this LOTNET, whenever a member company sells a patent to third party, license for such patent is granted to other member companies without requiring any compensation, reducing litigation risk from PAE.

As of May 2015, the number of member companies stood at 18, with ownership of more than 300,000 patent assets.

Collaborative Structure of Member Companies



Attempt by private-sector companies to work together to combat PAE

Cooperating with Intellectual Property Policies

In order to strengthen international competitiveness through the use of intellectual properties, the creation of a Japan-wide intellectual property strategy is absolutely imperative. Having served in a variety of roles on intellectual property in Japan, Canon has advanced a variety of proposals to Japan's Patent Office and other government agencies.

In particular, currently the Group Executive of Canon Inc.'s Corporate Intellectual Property and Legal Headquarters serves as a member of the Evaluation, Planning and Verification Committee of the Government's Intellectual Property Strategy Headquarters, while the Adviser acts as the Managing Director of the Japan Intellectual Property Association, where they both actively engage in lobbying Japanese intellectual property policy.

The Group Executive also serves as the Vice President of the International Association for the Protection of Intellectual Property Japan. In this capacity he is able to proactively exchange views with the World Intellectual Property Organization (WIPO) and Commissioners of Patents in the United States, China, South Korea and Europe, thus allowing him to lobby international intellectual property policy.

Commemorative photo taken with WIPO Director General Francis Gurry

Brand Management

Brand Management Approach

The Canon brand is the symbol of Canon's commitment to its customers. Under this brand, Canon is responsible for fulfilling the following mission:

- As a manufacturer, to deliver high-quality, convenient products that provide customer satisfaction and are a pleasure to use.
- As a marketing company, to provide optimal solutions and services that meet customer needs.
- As a corporation, to gain the confidence and trust of society.

Proper brand management is vital to ensure that customers and society are not adversely affected by unauthorized use of trademarks within the Group and improper use of Canon's corporate logos by third parties.

Based on this understanding, Canon established the Brand Management Committee as a deliberative body charged with establishing rules for raising the value of the Canon brand and resolving conflicts. The Brand Management Division was established to serve as the secretariat for the committee and is comprised of relevant persons in charge of branding from each division. This framework allows us to respond promptly to various brand issues as they arise.

Brand Management Rules

Canon has formulated a set of Brand Management Rules, including the Canon Mark Basic Rules, in 2003 to ensure that employees use the Canon brand in compliance with regulations and raise the value of the Canon brand through the trust of customers and society. These rules govern the use of trade names, brand names, the Canon logo, and other corporate insignia.

Canon plans on making fundamental changes to these rules by 2015 based on the current climate as well as feedback concerning its brand received from inside and outside the Group. Based on these plans, in 2014 we made revisions to brand-related rules on the handling of trademarks and the Canon logo.

Promoting Awareness of the Canon Brand

While implementing rules and management systems, Canon carries out brand education programs across all Group companies in the regions where it operates to ensure that all employees fully understand the Canon brand and act with propriety and in accordance with pertinent rules. Such education raises the awareness that "Each and every employee embodies the Canon brand."

For example, Canon Inc. is incorporating brand education programs into its employee-training curriculum. In addition, we are using our corporate intranet to disseminate information that helps to raise awareness of the Canon brand among employees at Group companies, including direction on how to use the Canon logo properly.

In 2014, we updated brand-related content on our intranet site to further increase understanding of the Canon brand.

An increasing number of companies have been joining the Group in recent years through M&A, making it important for everyone within the Group to share the same culture and goal awareness. In light of this situation, we will focus on internal branding so as to increase Group vitality through a shared recognition of the Canon brand.

Measures to Tackle Counterfeiting

Canon's stance on counterfeit products has always been strict. Such products cannot be overlooked as they not only damage the brand, but may also lead to economic losses arising from malfunctions and inferior quality and, in the worst case, cause injury to or endanger the lives of customers who trust the Canon brand. Accordingly, we are actively carrying out anti-counterfeit measures. We crack down on factories that manufacture counterfeits and retail locations that sell them, while cooperating with customs authorities to stop their importation.

We actively work with customs authorities on various initiatives, including dispatching employees to serve as lecturers for authenticity seminars for customs officers and for training programs to combat counterfeit products hosted by customs authorities. We plan on further strengthening our relationship with customs authorities going forward.

The threat of counterfeits is increasing with the growing number of e-commerce sites. We therefore plan to focus our efforts on measures to combat counterfeits sold online.

Customer Care

At the heart of Canon's business activities is the desire to enrich customers' private and professional lives by developing and delivering more convenient products and services. This requires that we take measures to improve the quality of our products and services.
At Canon, we put our philosophy on quality into action, doing our utmost to offer safe products that customers can use with peace of mind and to provide full service and support to ensure maximum customer satisfaction.

Stakeholder Feedback

- It goes without saying that product safety is important, but I would also like Canon to continually bring new technologies to market while maintaining safety. (Official from educational research institute in the Americas)
- I believe it is important to always utilize customer feedback in product development and improvements in order to provide products and services that are safe and easy to use. (Consumer in Asia)
- I expect Canon to create user manuals that are easy to understand for all of their products. (Consumer in Japan)
- I believe that a fundamental aspect of corporate social responsibility is providing products and services that are beneficial to consumers and society. (Consumer in Japan)

The new Canon Experience Center in Costa Mesa, California

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans
Ensuring Product Safety	• Making a total commitment to Canon quality Continued to hold the Quality Fair and Quality Awards, and newly established the Quality Awareness Improvement Award...❶	• Continue to hold Quality Fair and Quality Awards
	• Continued and expanded quality training Created multilingual versions of the Canon Quality Introductory Guide and an online version of the Canon Quality Guidebook	• Promote initiatives that raise employee awareness of quality
	• Product safety education • Held various lectures on product safety regulations and other themes • Promoted product safety education for new hires covering topics from each lecture • Continued e-learning to raise awareness about the Voluntary Action Plan for Product Safety	• Continue to implement employee training
	• Creating sites to provide safe and secure products Constructed a new building equipped with the latest evaluation systems at the Tamagawa Office, and began to relocate quality management operations there	• Consolidate headquarters functions concerning quality management by February 2016
	• Safety assessments of chemical substances released from products Established in-house system that can test for insoluble materials	• Further expand safety evaluations
Pursuing Universal Design	• Improving the quality of user manuals User manual for the VIXIA mini won Excellence Award in manual contest...❷	• Further improve quality of user manuals
Strengthening Customer Support	• Enhancing after-sales service worldwide • Launched Onsite Exchange Service in Europe through a partnership between Canon Europe and Canon Giessen GmbH...❸ • Opened new call center in Albuquerque, New Mexico • Opened new Canon Experience Center in Costa Mesa, California	• Expand service network and improve service level in all regions

TOPICS 2014

❶ Quality Fair to raise quality awareness

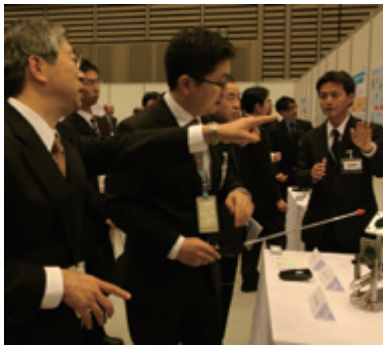
Canon Inc. hosted the Quality Fair to highlight initiatives taking place throughout the Canon Group to improve quality. The goal of this fair is to share best practices in order to raise awareness of quality and encourage similar activities at other sites. (See page 103)

❷ Excellence Award in manual contest

The user manual for the VIXIA mini HD video camcorder won the Excellence Award in the category of digital manual screen displays at the 2014 Japan Manual Contest. The manual received high praise for its user-friendliness. (See page 109)

❸ New service launched in Europe

Canon launched the Onsite Exchange Service in order to shorten customer downtime when a product needs repair. The service involves sending a replacement product to the customer, exchanging it on the spot with the defective or damaged product, and bringing the damaged product back to us for repair. (See page 111)


Quality Fair at Canon Inc.


The VIXIA mini HD video camcorder


Repair work at Canon Giessen GmbH

Basic Quality Assurance Policy

Realizing Canon Quality

Approach to Quality

Our corporate objectives include creating the world's leading products, offering the highest level of quality and service, and contributing to the betterment of culture throughout the world.

Our basic quality policy is to achieve "no claims, no trouble," and we have dedicated ourselves to offering our customers safety, peace of mind and satisfaction. To affirm and publicize our commitment to quality, we promote our motto of "Canon Quality" to stakeholders both inside and outside the company.

To offer customers products that are safe while also providing peace of mind and satisfaction, we implement stringent quality control measures at every stage, from planning, development and production to sales and after-sales service.

Canon Quality
Safety+Smartness+Satisfaction

Product quality slogan

Making a Total Commitment to Canon Quality

In order to maintain outstanding quality, all employees belonging to product-related divisions must always be mindful of quality in every aspect of their work. At Canon, we strive to educate and foster greater awareness of quality among all employees through our efforts to share our basic philosophy and motto on quality.

In 2014, we set up a quality awareness page on the Quality Management Headquarters' website, and each month the Group Executive for this division shared a message with everyone in the Group. We also conducted a quality awareness survey targeting all Group employees.

In addition to these daily efforts to raise awareness, every year in November, Canon Inc. holds the Quality Fair and Quality Awards to recognize activities that have improved quality, and share them with the Group. In 2014, we introduced the new Quality Awareness Improvement Award, which recognizes activities that have contributed to improved awareness of quality.

Canon is committed to continuing such initiatives as we strive to build a corporate culture that collectively and continually seeks out ways to enhance quality.

Continuing and Expanding Quality Education

Canon provides basic training highlighting the importance of quality on an ongoing basis. In 2014, in addition to new hires at Canon Inc., this training was expanded to include mid-career employees and employees of Canon Group companies. In addition, we incorporated contents that emphasize the importance of quality into other training programs as well.

Concerning the guidebooks used as teaching materials, we created multilingual versions of the *Canon Quality Introductory Guide*, which contains our philosophy on quality, and developed an online version of the *Canon Quality Guidebook*, which is used to foster understanding of all our quality activities.

Continual Improvements to Quality Assurance Systems

In order to fully realize "Canon Quality," Canon has established a quality management system*, which combines the requirements of ISO 9001, an international quality management system standard, with features unique to Canon. Canon Inc.'s Quality Management Headquarters works in close cooperation with various products operations, and holds regular meetings with Group companies throughout the world in order to implement quality assurance systems tailored to each region and business in accordance with the legal and regulatory standards of each country and region.

In 2007, Canon Inc. introduced the Quality Innovation Strategy Committee under the umbrella of the Management Strategy Committee. The committee has been responsible for company-wide efforts focused on quality improvement from product planning to development and design, production, sales and service. In 2013, a new Quality Improvement Expert Committee was established to take part in vertically integrated activities to resolve challenges faced by individual products operations as well as horizontally integrated activities that address company-wide issues. In May 2014, the name of this organization was changed to the Quality Improvement Committee. Chaired by the Group Executive of the Quality Management Headquarters, the committee continues to initiate company-wide activities hosted by the Quality Management Headquarters.

Supported by the activities of this committee, Canon will continue to pursue "quality first."

* Canon's quality management system is recognized by The International Register of Certified Auditors as an alternative standard to ISO 9001.

Ensuring Customer Safety

Ensuring Product Safety

Establishing a Voluntary Action Plan Based on the Basic Policy on Product Safety

Canon believes that its mission as a manufacturer is to provide safe products that offer peace of mind and satisfaction, and to contribute to the creation of a more prosperous society.

In line with this, we formulated the Basic Policy on Product Safety in 2007. Based on this policy, Group companies in Japan* develop and execute a Voluntary Action Plan for Product Safety that accommodates their business field. Under the plan, the companies endeavor to be customer-oriented and focus on product safety.

The revision to the Consumer Product Safety Act in 2007 made notification of serious product accidents to Japan's Ministry of Economy, Trade and Industry (now the Consumer Affairs Agency) mandatory. Canon continues to maintain its system for responding immediately to serious product accidents following the revision to this law.

* Group companies with an established Voluntary Action Plan for Product Safety: Canon Inc.; Canon Marketing Japan; Canon System & Support; Canon Electronics; Canon Finetech; Canon Machinery; Canon ANELVA; Canon Tokki; Oita Canon; Canon Chemicals; Nagahama Canon; Fukushima Canon; Canon Precision; Oita Canon Materials; Hita Canon Materials; Nagasaki Canon.

Canon Inc. Activity Topics for 2014

- Management review by the president based on the Voluntary Action Plan for Product Safety (continued from 2008)
- Enactment of Chemical Safety Standard (general rules and detailed rules)
- Revision of Basic Quality Standards (8 items)
- Continued to raise awareness among customers about smoke emissions from counterfeit batteries and safe handling of electric cords and plugs
- Continued to implement product safety education and emphasized the importance of product safety during basic training on quality
- Continued with updated version of e-learning course for all employees to promote understanding of the Voluntary Action Plan for Product Safety

Product Safety Based on Product Safety Technical Standards

Canon regards the prevention of product safety issues and quality issues as the most fundamental and important mission for a manufacturer.

We have, therefore, established our own Product Safety Technical Standards that not only meet legally stipulated product safety standards, but also take into account customer perspectives on product use. For example, we employ plastics that are more flame resistant than the law requires and implement double-protection schemes for important safety-related components. Based on these technical standards, we strictly enforce safety management at the design, evaluation and manufacturing stages. Items not meeting these exacting standards are withheld from the market to ensure that all products meet our requirements for substantial safety.*

* **Substantial safety**
An approach to ensuring product safety by taking into account anticipated customer usage, going beyond what is prescribed in legal and regulatory frameworks.

Canon's Main Approaches to Safety Technology

- Attempt to assess injury, which hypothetically might occur in a variety of operations performed by customers, taking into perspective such factors as usability, human error, and human behavior
- Engage in joint development with manufacturers of essential safety-related components, such as non-combustible parts and non-fail protective components, and employ those meeting the requirements of Canon's Qualification System for parts and components
- Conduct safety confirmation testing based on abnormal voltage waveforms in commercial power supplies confirmed in regions around the world where products are sold
- Hypothesize abnormalities, such as component failure, and conduct stricter safety evaluation testing than is required by the laws of each country and region

Product Safety Education

We conduct quality and safety training based on our quality education system, encouraging employees to make thorough efforts to ensure product safety and prevent product accidents.

In 2014, a total of eight courses were held on such issues as product safety regulations, chemical safety regulations, product liability laws, and substantial safety technology. Product safety training for new employees covering topics from these courses was also conducted on four occasions, with a total of 243 employees taking part. E-learning activities from the previous year to promote thorough understanding of the Voluntary Action Plan for Product Safety were also continued as mandatory training for all employees of Canon Inc.

Going forward, we will continue to expand training from a wide range of perspectives, including training on safety regulations and safety technologies for industrial equipment products and training to promote awareness of accident prevention.

In addition to the above employee training, we also continuously provide safety information, such as items of safety concern involving repairs or parts exchange, to our sales, repair and service partner companies.

Responding to Product Safety and Quality Issues

Although Canon strives to prevent product safety and quality issues, in the event that a safety or quality problem does arise, we have in place a framework that ensures a prompt and appropriate response, including causal investigation, free repairs and information disclosure.

We keep our customers informed about product safety as well as quality issues and remedial procedures by placing product advisory statements in various newspapers and on our website.

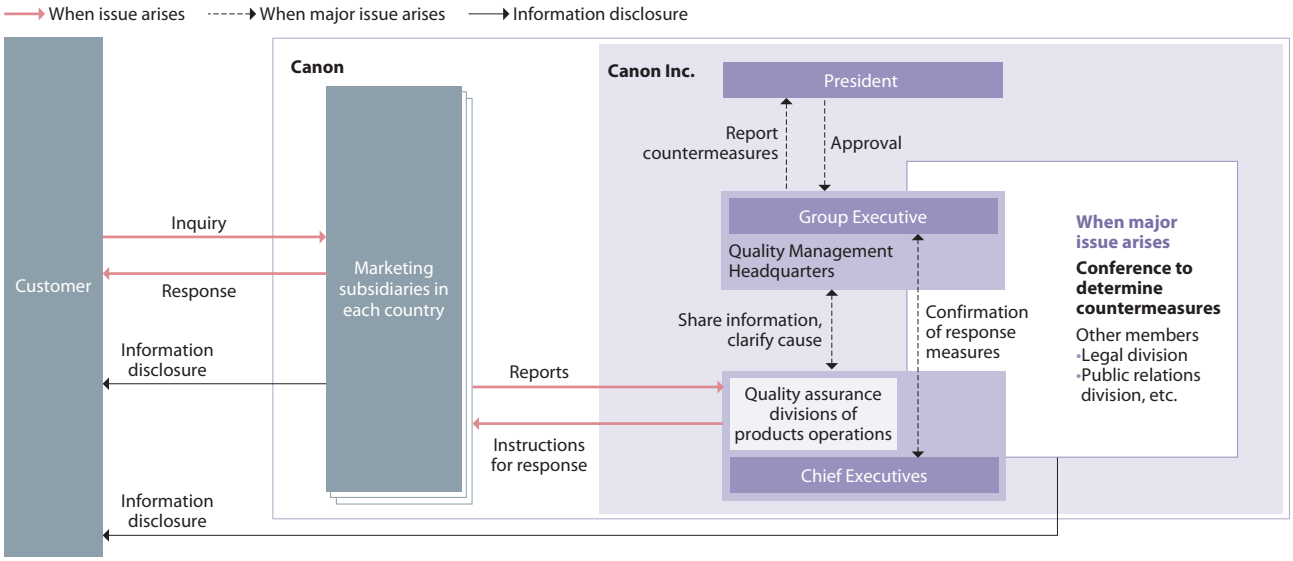
In 2014, no product advisory statements were placed on our website, but four quality-related notices were posted as support information, and free repairs or firmware relating to such support information were offered.

Flowchart of Countermeasures to Quality Issues

When quality issues arise, the marketing subsidiaries in each country, which serve as the contact point for the customer, file a report with the quality assurance division of the respective Canon Inc. products operations. The quality assurance division then analyzes the cause of the issue and looks into countermeasures. Moreover, in the event of a major issue, related products operations, as well as the Quality Management Headquarters, legal division and public relations division are consulted concerning response measures. When necessary a report is made to the president.

When notification is made to customers via a company notice or the website, we provide instructions to each marketing company in the regions where the product is sold, and as a general rule release the information worldwide at the same time.

Flowchart of Countermeasures to Product Safety and Quality Issues



Creating Sites to Provide Safe and Secure Products

Canon Inc. has installed test facilities at its development sites that comply with public standards and related regulatory statutes. Such facilities are used to make high-precision measurements that allow us to deliver products that customers can use safely and with confidence.

At each of these development sites, we have set up necessary facilities to measure and test electromagnetic radiation (EMI), noise, flame resistance ratings, volatile organic compounds (VOCs), genetic toxicity and electrical safety. Certain development sites also have testing laboratories certified in public standards such as ISO/IEC and UL*1, enabling publicly certified testing of electromagnetic radiation, VOCs, genetic toxicity and electrical safety.

In particular, the Tamagawa Testing Laboratory, established in 2009, is equipped with the industry's leading testing technology, including semi-anechoic chambers for EMI testing, shielded rooms, and hemi-anechoic chambers for acoustic noise. In addition to EMC testing*2, the laboratory has acquired public certifications such as ISO/IEC 17025 for noise testing and plastics flame resistance testing, which was not achieved at other sites. As a result, all testing necessary to apply for Blue Angel certification*3 can now be carried out in-house. In 2015, we will begin using a flammability verification laboratory for large products and a flammability test chamber for plastic materials.

*1 **UL**
Underwriters Laboratories Inc.; established in the USA in 1894 for the independent testing and certification of product safety.

*2 **EMC Electromagnetic Compatibility Testing**
This consists of testing for electromagnetic interference emitted by the product or its power sources that affects the operations of other equipment, as well as electromagnetic susceptibility testing, which tests the susceptibility of the product itself to malfunctioning caused by electromagnetic interference in the vicinity.

*3 **Blue Angel**
Blue Angel was launched in 1978 as the world's first eco-labeling system and is monitored by Germany's Federal Environmental Agency, the German Institute for Quality Assurance and Certification and the Environmental Label Jury, an independent decision-making body.

EMI measurement of products in a semi-anechoic chamber

TOPICS

Concentrating Quality Management at the Tamagawa Office

Canon completed construction of a new building at the Tamagawa Office, which it considers to be the central hub of its quality efforts. Plans call for quality-related supervisory functions, including evaluations, management, audits, and planning, to be consolidated at the Tamagawa Office by February 2016.

The building houses state-of-the-art facilities, including one of Japan's largest and most advanced semi-anechoic chambers for EMI testing, and a verification laboratory for testing the fire safety and ignition propensity of large products.

Our goal is to use this new building at the Tamagawa Office to realize the highest standard of quality and deliver safety and peace of mind to our customers.

The new building at the Tamagawa Office (completed in November 2014)

Flammability verification laboratory for large products

Safety Assessment Initiatives

Safety Assessments of Chemical Substances Released from Products

In order to ensure that our customers can use our products with complete confidence, Canon assesses the chemical emissions from its printers, multifunction devices, projectors and other products.

Our assessments include measurements necessary for acquisition of Germany's Blue Angel environmental label, such as benzene, styrene, ozone and dust, as well as of VOCs for which exposure limits have been set within Japan or internationally. We verify that emission levels meet in-house standards, which are as stringent as or more so than exposure limits set worldwide.

The in-house testing laboratory carrying out these assessments has been certified as a fair and impartial test facility for applications for the Blue Angel mark and has received ISO/IEC 17025 certification from the Japan Accreditation Board for Conformity Assessment, carrying out measurements in compliance with ISO/IEC 28360.

The scope of certification as an ISO-certified test laboratory was expanded in response to additions to the Blue Angel (RAL-UZ 171) criteria calling for the measurement of UFPs (UltraFine Particles).

Blue Angel is also considering adding standards for CMRs.* Canon responds in a timely manner to all strengthened standards.

* **CMR**
Carcinogenic, Mutagenic, Reproduction toxins. CMR standards would govern the level of CMRs emitted by a product.

Gas chromatograph mass spectrometer used to measure chemical substances emitted from products

Safety Assessments on Ink, Toner and Other Consumables

Canon assesses the safety and ensures the quality of its ink, toner and other consumables, enabling customers to use its printers and MFDs with confidence. In addition to complying with laws and regulations, we verify an array of safety issues from the earliest stages of development.

With regard to the materials for ink and toner, for example, we carry out assessments related to genotoxicity, which is thought to be closely linked to carcinogenicity. In addition to our conventional bacterial reverse mutation tests, we introduced in vitro mammalian cell micronucleus tests in 2011. Compared to in vitro mammalian chromosome aberration tests, the tests introduced in 2011 can easily use human cultured cells, which are expected to help enhance the ability to predict the occurrence of cancer in the body.

As of August 2014, Canon has been able to test in-house the distinctive water-insoluble materials used in many Canon products.

Canon's testing laboratories are highly reliable and have been certified by Japan's Ministry of Health, Labour and Welfare as in compliance with the Good Laboratory Practice (GLP)* standards in the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Law). Canon's laboratories also comply with GLP standards set by the Organization for Economic Cooperation and Development (OECD).

Furthermore, in 2013, Canon's testing laboratories became the first in Japan to have their in vitro mammalian cell micronucleus tests certified as in compliance with the GLP standards in the Chemical Substances Control Law.

* **Good Laboratory Practice (GLP)**
The standard for the management, testing and reporting of facilities and organizations that operate as testing agencies conducting chemical substance safety assessments. Testing according to GLP standards ensures reproducibility and data reliability. GLP standards set by the OECD were enacted in 1981, and since then member countries have developed domestic laws and regulations based on these standards. Facilities certified as compliant under Japan's GLP standards in the Chemical Substances Control Law must have their certification renewed every three years, which involves receiving a new conformity screening prior to the expiration of the certification's validity period.

In vitro mammalian cell micronucleus test

Qualification System for Electronic Parts to Ensure Safety and Reliability

Canon considers it essential to maintain and improve the quality and reliability of every component to provide customers with products of consistent quality and a high margin of safety. We operate a qualification system for the electronic parts, such as integrated circuits and other semiconductors, resistors and capacitors, used in our products.

When selecting parts under this system, we evaluate reliability and structural soundness in accordance with standards for each category of parts, ultimately using only electronic parts that meet these standards of quality.

In recent years, the market for electronic parts has undergone significant changes, including the consolidation of semiconductor manufacturers, plant relocations, and changes in suppliers. Despite this upheaval, Canon has been able to maintain consistent quality levels by utilizing qualification systems.

We will continue to take advantage of these systems and endeavor to enhance our reliability testing and analysis techniques to accommodate advancements in semiconductors and other electronic parts.

Reliability testing of electronic parts

Response to Software Vulnerability

In recent years, more and more of Canon's multifunction devices and cameras, among other products, are being connected to other products via a network. Canon regularly checks to make sure that its products can connect with other products without incident.

Meanwhile, the addition of network functionality has resulted in new security threats, including leaks of personal or confidential information. One of the major causes of this is software vulnerability, which may allow unauthorized access from outside sources.

In response to such risks, Canon conducts various vulnerability tests on software for network-compatible products during development, and strives to standardize approaches to and tests for vulnerability risk companywide.

Moreover, we recognize the importance of minimizing the impact on customers when a vulnerability is found after shipment, and therefore strive to release necessary information after ascertaining the situation in a timely manner. For this reason, we investigate market trends on vulnerability not only of our own products, but those of our competitors as well, and were quick to establish a system in-house to share such information across the entire Group. We have also created and implemented market-response rules for vulnerability issues.

In 2014, following the revelation of open source software (OSS) vulnerabilities, related departments worked together to develop a market response. Since the amount of information released on OSS and other software vulnerabilities is expected to increase going forward, related departments at Canon will tighten their collaboration in order to implement appropriate market responses.

We have expanded network and software vulnerability prevention efforts to Group companies, and are progressing with the establishment of an information-sharing network and the sharing of testing techniques.

For Customer Satisfaction and Peace of Mind

Pursuing Universal Design

Universal Design Approach

Canon strives to create people-friendly products by pursuing functionality, operability and convenience from the customer's perspective in actual usage situations. As part of this drive, we have adopted a universal design approach through which we endeavor to create products from a customer perspective from the design stage onward, facilitating use by all customers, regardless of age, gender, nationality, or physical ability.

At Canon, we approach product design and development from the perspective of making the customer "look like a natural." For example, we conduct user-centric testing of display characters, audible alerts and voice guidance in our product controls, and check the extent to which terminology, icons and other features match the perceptions of customers, so as to evaluate usability, accessibility, safety, comfort and other criteria. This is valuable in the development of more user-friendly products.

Going forward, we will strive to develop products with consideration given to an even broader range of customers, giving attention to innovations that improve the viewability of visual information, for example.

The Universal Design Project

Canon incorporates universal design as an aspect of its policy of "making user-friendly products."

We launched a company-wide Universal Design Project (UDP) in 2009 with the goal of further encouraging this effort. We followed up with the drafting of a universal design policy. Information on our policy was later shared throughout the company and with the public. A booklet addressing the physical characteristics of users as well as various issues that arise during product use was distributed throughout the development division, while customer-oriented pamphlets and websites were created to introduce the UDP initiatives underway at Canon.

We will continue to work to develop products that all of our customers can use with ease, as well as generate new product value with the aim of increasing the satisfaction of a broader range of users.

Analyzing the usability of products based on the physical conditions of users

TOPICS

HD Video Camcorder VIXIA mini User Manual Wins Award at Japan Manual Contest

Together with improved product usability, Canon has also been working to increase the quality of its user manuals.

The user manual for the VIXIA mini video camcorder won the Excellence Award at the 2014 Japan Manual Contest in the category of digital manual screen displays.

The contest has been held by the Japan Technical Communicators Associations since 1997, and is the most prestigious contest of its kind in Japan.

The manual received praise for the use of a PDF format that could be accessed on any device, offering improved searchability and usability. More specifically, in addition to having all pages linked to the table of contents, menu and index pages, links to pages with related information are also provided, ensuring that customers can easily find the information they are looking for.

All pages have navigation buttons that link to the table of contents and index, enabling intuitive access to information.

Product Accessibility

Canon is working to increase the accessibility of its products. Accessible products are those designed for easy use by all, including persons with disabilities or the elderly. For instance, the imageRUNNER Advance series of office multifunction devices features voice guidance and voice recognition for basic commands, allowing for easier use by the visually impaired.

Section 508 of the United States Rehabilitation Act requires that agencies of the federal government only purchase products that meet stipulated accessibility standards. The results of Section 508 accessibility evaluations of Canon products are collected into a "Voluntary Product Accessibility Template" (VPAT*), which is made available on the Canon U.S.A. website and has also been registered with the United States Federal Government General Services Administration's database.

Similar legislation is now being developed in Europe as well. Canon is committed to regularly gathering the latest information on accessibility and developing products that are compliant with the accessibility requirements of each country.

* **VPAT**
A document that evaluates how accessible a particular product is according to the Section 508 Standards.

Voice guidance kit (optional) enabling easier use of the imageRUNNER ADVANCE series by customers with a visual impairment

Pursuing Beauty and Comfort

To provide higher-quality images and videos, Canon has formulated methods for quantitatively evaluating and measuring the beauty and comfort that people feel. We are using these methods to develop practical tools to consistently achieve uniform, high-quality color reproduction from input to output.

Moreover, to make Canon products more comfortable to use, we have established evaluation and measurement methods to reduce the physical and mental burden on the consumer when using our products. As part of the assessment process, we carry out user tests under our in-house monitor program.

In addition, we have researched the auditory impact on users of sounds from product operations and ambient noise, with the aim of creating the most pleasing sounds. We are also developing quiet products that generate minimal operating noise.

Evaluating physical stress placed on the body during product use

User test under the in-house monitor program

Customer Support

Online Support Service

In order to facilitate troubleshooting, Canon provides worldwide customer-support services through its company website.

Customers can access support information, including FAQs, product specifications and user manuals, and can download the latest software and drivers from our website. Support information and software that are common worldwide, as well as local content that has been added by marketing affiliates, are published through our company websites in their respective languages.

Customer usage is continuously monitored and survey information analyzed, with feedback going to the departments that created the relevant content. We continuously update the content based on frequently searched keywords, making it easier for customers to find what they are looking for.

Enhancing After-Sales Service Worldwide

After-sales service is critical to enabling customers to enjoy long-term use of Canon products with confidence. We are therefore expanding our after-sales service network on a global scale in order to offer the same level of prompt, reliable support in every market worldwide.

• After-Sales Service in Europe

In November 2014, we initiated the Onsite Exchange Service through a partnership between Canon Europe and Canon Giessen GmbH in order to provide after-sales service for five types of business inkjet printer products that were launched in Europe's SOHO market. This service involves first determining over the telephone whether a product requires repair. If it does, a replacement product is sent to the customer and exchanged on the spot with the defective or damaged product, which is then brought back to us for repair. This service has enabled us to shorten customer downtime*.

* **Downtime**
The amount of time a customer cannot use a product due to defect or damage.

• After-Sales Service in the United States

We established the Marketing Engineering Technology Center at our toner-cartridge manufacturer Canon Virginia to serve the U.S. market. Along with concentrating repair facilities in one location, this allows us to provide high-quality repairs that are backed by our production technologies.

In 2014, we opened two new service bases. The new call center in Albuquerque, New Mexico, responds to inquiries about professional cameras and office solutions. In 2015, the coverage of this call center will be expanded to include large-format inkjet printers and copying machines.

The second base, named the Canon Experience Center, was set up in Costa Mesa, California. In addition to customer service counters, this facility includes such features as a showroom where customers can try out Canon products and an event theater, providing visitors with a full range of support services.

The Canon Experience Center opened in Costa Mesa, California

• After-Sales Service in China

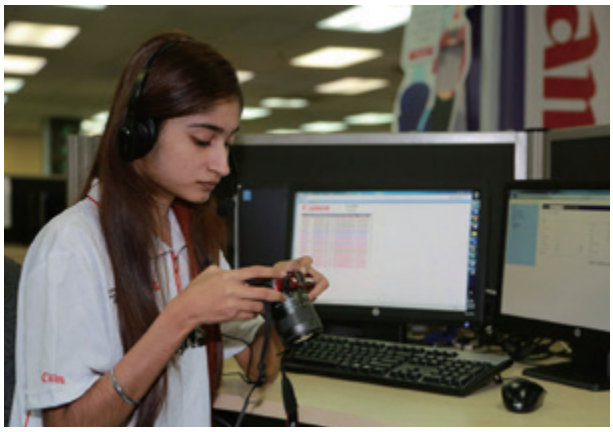
In recent years, in the fast-growing Chinese market, Canon has been building a prompt and reliable support network centered on Quick Response & Repair Centers (QRC), where customers can take Canon products to be serviced quickly, and on Canon certified service partners. In 2013, Canon launched a pick-up service that enables customers to have their Canon product needing repair picked up from their home. We also implemented an E-tracking system that makes it possible to check the status of repair work and make payments online.

Furthermore, Canon and its network of certified service partners also provide a host of other services for copying machines and production printers tailored to customer needs, including extended warranties and after-hours servicing. Currently, this network of certified service partners is being expanded throughout China to also include smaller regional cities.

• After-Sales Service in Asia

We are also strengthening our services in South and Southeast Asia, where the number of customer repairs, requests and inquiries is growing rapidly. Improvements include the introduction of on-site repairs, pick-up and delivery services, and an Express Service for quick repair after drop-off, as well as expansion of call centers to respond to customer calls and e-mails.

We had set up contact centers in Singapore and Malaysia to respond to customer inquiries, but in 2013 we merged their operations. The new integrated center enables immediate, one-stop responses to various customer inquiries through use of a shared service platform. It is also equipped with a technical help desk function to provide solutions for multifunction devices, enabling it to offer support for both hardware and software solutions. We plan on expanding the functions of the contact center so it can serve as a multilingual help desk covering all the countries in Asia.



Contact center in Asia

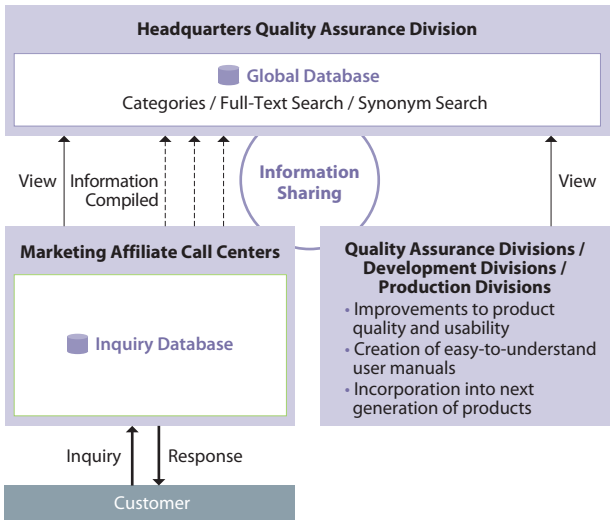
Improving Products by Reflecting Customer Opinions

Utilizing Feedback from Market Data Analysis in Product Improvements

In order to achieve the highest level of customer satisfaction, Canon incorporates user feedback in addition to conducting product evaluations from the customer's perspective at the development stage.

One method by which we do this is the collection of customer feedback and requests received by call centers at our worldwide marketing subsidiaries via our Call Analysis Tracking System. Divisions such as development, production or sales can view this information at any time, which helps them to improve quality, revise user manuals and develop better products.

Call Analysis Tracking System



Regional and Community Contributions

With operational sites throughout the world, Canon values the relationships of trust it builds with local communities. As a global corporation, we hope to contribute towards realizing solutions to the issues faced by the global community. To this end, we focus on a broad range of social contributions in six areas; namely, humanitarian aid and disaster relief, environmental conservation, social welfare, regional community activities, education and science, and arts, culture and sports.

Stakeholder Feedback

- I would like the Canon Group to be sensitive and creative when it comes to disaster victims and the socially vulnerable. I believe the degree of this sensitivity will serve as a way for Canon to meet the demands and expectations of society. (NPO in Japan)
- I hope Canon uses its image processing and imaging technologies to their fullest to contribute to human life. (Supplier in Japan)
- I commend Canon for its commitment to giving back profits to society and also working to grow and develop together with society. (Consumer in Japan)

Supporting the growth of girls soccer in Japan as a partner to the Future Nadeshiko Project

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans
The Canon Institute for Global Studies	• Carried out studies/research and disseminated information and policy proposals in the fields of macroeconomics; natural resources, energy and environment; and foreign affairs and national security	• Conduct research in various domains, share necessary information and policy proposals
The Canon Foundation	• Selected and awarded 15 research grant programs (Fiscal 2015)	• Continue research grant program
Humanitarian/ Disaster Relief	• Provided monetary donations for disaster relief around the world • Continued to provide support for recovery efforts to areas affected by the 2011 Great East Japan Earthquake	• Continue support for areas affected by disaster throughout the world
Environmental Conservation	• Promoted the Furusato Project for environmental restoration Expanded to the entire Canon Group in Japan, held activities 35 times in 13 areas, donated a total of 10 million yen to environmental NPOs to fund their activities	• Continue the project
Social Welfare	• Donated approximately 500,000 US dollars to NCMEC (NPO) (Canon U.S.A.)	• Contribute to the rescue of missing children through support for NCMEC
Regional Community Activities	• Held environmental education program for elementary school pupils in Vietnam and clean-up activities in surrounding communities (Canon Vietnam)...❶	• Continue to hold activities that raise awareness of environment protection
Support for Education and Science	• Organized Light Laboratory, an educational program for children, in a partnership with the Science Museum (Tokyo)...❷	• Provide children with learning opportunities that are fun and exciting
	• Increased number of instructors dispatched to the Utsunomiya University Center for Optical Research & Education, which Canon helped establish	• Continue with activities that support the Center for Optical Research & Education
Support for Arts, Culture and Sports	• Held Canon Junior Photographers contest for elementary school students in 34 locations across Japan	• Continue to hold the contest across Japan
	• Helped youth soccer camps for girls, mainly targeting elementary school students...❸	• Contribute to sports promotion and youth development
Impact Assessments on Regional Communities	• Departments in charge from each Group company and operational site focused on engaging the local community	• Actively contribute to the creation of a better society
Contributions to Regional Communities	• Participated in local events, set up Canon booths and shops, and allowed use of parking lots for event parking	• Continue providing support to regional communities

TOPICS 2014

❶ Environmental education for elementary school pupils in Vietnam

Canon held an educational program for more than 300 elementary school students in Vietnam, teaching them about pollution issues in Vietnam and other parts of the world along with environmental conservation through games and puzzles. In conjunction with this program, Canon also held clean-up activities in surrounding communities. (See page 117)

Children enjoying the program

❷ Interactive science classes for children

Canon sponsored the Light Laboratory, an interactive class about optics technologies held at the Science Museum in Tokyo. Classes started in August, and attracted a total of 3,541 participants up to the end of December 2014. (See page 117)

Observing an experiment in the Light Laboratory

❸ Supporting the future of Japanese women's soccer

Canon is a special corporate sponsor for the Japan Football Association's U-12 girls-eight soccer tournament and the U-13 girls soccer training camp. We also contribute to raising the visibility of girls soccer by hosting a support website. (See page 118)

Girls soccer training camp

Social Contribution Activities

Canon's Approach to Social Contribution

Canon has expanded the range of its social contribution activities to cover such areas as humanitarian aid and disaster relief, environmental conservation, social welfare, regional community activities, education and science, and arts, culture and sports.

In the past several years, many parts of the world have suffered natural disasters. In response, Canon actively pursues timely relief efforts, including donations and fundraising for those affected.

In such activities, Canon focuses on long-term recovery support as well, providing ongoing assistance to people and organizations in need. Our aim is to provide wide-ranging support by working in partnership with groups that have a broad outlook and wide knowledge.

Canon will continue to make the best possible use of the resources it has built up over many years, such as its personnel, capital, technologies and infrastructure, working as a good corporate citizen to tackle problems and contribute to an enriched society.

Humanitarian Aid and Disaster Relief

Monetary Donations for Disaster Relief Around the World

Canon provides aid through various means, including

Contributing to Society through Two Organizations

To commemorate Canon's 70th anniversary, in December 2008 we established the Canon Institute for Global Studies and the Canon Foundation, both of which are dedicated to contributing to society within Japan and worldwide.

The Canon Institute for Global Studies, Dedicated to Conquering the Problems Faced by Mankind

Amid the age of globalization, the Canon Institute for Global Studies approaches the Japanese economic issues associated with the global economy and plots out Japan's future positions in the world. It also aims to draw up strategic policy proposals based on analyses of present world conditions. The institute brings together researchers with diversified backgrounds in business, academia and government to exchange ideas and knowledge and to expand its global activities.

Focused on three main research areas of "macroeconomics," "natural resources, energy and the environment" and "foreign affairs and national security," the institute disseminates information and policy proposals based on scientifically valuable research.

The institute also promotes academic exchange with the United States, Europe and developing nations (especially China), and analyzes the trilateral relationship between Japan, the United States and China.

Contributing to Scientific Advancements in Learning and Culture through the Canon Foundation

The Canon Foundation aims to contribute to the ongoing prosperity and well-being of mankind through a wide range of support activities for both organizations and individuals engaged in research, projects and education in various academic fields, beginning with science and technology. Since 2009, the Canon Foundation has offered two research grant programs, known as the Creation of Industrial Infrastructure grant and Pursuit of Ideals grant, both of which are open to researchers working at universities, postgraduate research institutes, or other public research institutes located throughout Japan.

In 2014, we held the second Pursuit of Ideals symposium in July, and the third Creation of Industrial Infrastructure research results presentation in August, providing opportunities for subsidized researchers to report on achievements made to date. Twelve projects were selected for Creation of Industrial Infrastructure grants in 2015, while three were chosen for Pursuit of Ideals grants examining the theme of food, changed from the previous theme of oceanic research.

monetary donations and fundraising activities, to areas affected by natural disaster around the world. After investigating the need and viability of aid to a particular region, we dedicate ourselves to offering timely relief, and also conduct a follow-up assessment of our activities. For long-term aid, we are careful to implement appropriate programs at each phase of a project.

For those whose lives have been impacted by disaster, Canon's greatest wish is that they may return to normal life as quickly as possible. To aid this process, Canon made the following contributions in 2014.

Period	Purpose	Amount
August 2014	Relief assistance for torrential rains in Western Japan	5 million yen
August 2014	Relief assistance for earthquake in Yunnan, China	3.2 million renminbi (approx. 53 million yen)
December 2014	Malaysia floods	135,000 ringgit (approx. 4.6 million yen)

Supporting Recovery Efforts Following the Great East Japan Earthquake

Canon uses the power of photography to offer continuous support to areas that have been severely affected by the March 2011 Great East Japan Earthquake.

In 2014, we continued our involvement in the Smile for the Future Project, launched in 2012, holding photography classes for children and local residents from disaster-stricken areas on five occasions. These activities are helping to rebuild communities in disaster-stricken areas through the concept of enjoying photography and having fun with nature.

In June, October, and November, Canon Inc. and Fukushima Canon held an event called Community Support in Fukushima. At the event, designed to support community rebuilding, people still living in temporary housing were given the chance to participate in photography classes and photo shoots.

Children enjoy taking photos during the Smile for the Future Project

In November, we partnered with Starbucks Japan and the Matsushita Institute of Government and Management to organize the Michi no Café in Rikuzentakata City, Iwate Prefecture. The Michi no Café is an ongoing earthquake recovery assistance project that was started in 2011.

Environmental Conservation

Promoting the Furusato Project

Throughout Japan the Canon Group carries out the Furusato Project—Linking Our Dream to the Future, an environmental conservation and environmental education project with the aim of handing down a beautiful, verdant and biologically diverse *furusato* (hometown) to future generations.

Through this project, Canon stakeholders, including employees and their families, customers and business partners, forge links with NPOs and regional community members across Japan to carry out environmental conservation activities and environmental education programs. To help finance these activities, we promote initiatives that are closely linked with our business activities, such as donating funds according to the amount of used ink cartridges collected or the volume of paper sold.

In 2014, environmental conservation activities and environmental education programs were held 35 times in 13 regions across Japan. Specifically, these included activities included planting forests, preserving terraced rice fields, restoring deserted arable land, and cleaning up tidal flats. In total about 700 participants took part in the various events.

Employees and their children help in harvesting rice

Social Welfare

Support for the National Center for Missing and Exploited Children

Since 1997, Canon U.S.A. has supported the National Center for Missing and Exploited Children (NCMEC), an NPO engaged in the recovery of missing children in the United States. When a child goes missing, one of the most important tools for locating them is a recent photograph. Canon U.S.A. has donated more than 2,500 digital cameras, scanners, printers and other equipment to help law enforcement agencies quickly disseminate photographs and information regarding missing children.

In 2014, we made a donation of 508,213 US dollars. Canon also sponsored a charity golf tournament in January 2015 and donated 385,597 US dollars in proceeds to the NCMEC.

Presenting donation check in ceremony at Yankee Stadium
©The New York Yankees

Regional Community Activities

Environmental Education Program for Children in Vietnam

In November 2014, Canon Vietnam held the Environmental Education Propaganda and Cleaning Environment Program at an elementary school in Luc Nam District of Bac Giang Province together with the local Youth Union and People's Committee. The goal of this program is to foster a greater sense of awareness among children to protect the environment through small steps in their daily lives.

On the day of the program, the more than 300 pupils in attendance learned about the current situation of pollution in Vietnam and around the world, while games and puzzles were used to teach them how they could help with environmental conservation through small steps.

In conjunction with this program, 50 employee volunteers and 100 members of the local Youth Union helped clean up the surrounding area. Printers and garbage bins were also donated to the elementary school and Youth Union.

A similar program was organized and held in December 2014 in another province.

Education and Science

Light Laboratory Educational Program for Children at the Science Museum in Tokyo

Canon hosts the Light Laboratory educational program for children through a partnership with the Japan Science Foundation.

This program aims to spark children's interest in science and technology by providing a place where they can enjoy learning. The Light Laboratory explains the science behind the optics technologies found in Canon products in an easy to understand way through the history of cameras and various experiments.

Since August 2014, this program has been held daily at the Experiment Stadium corner of the Science Museum (located in Tokyo) operated by the foundation. As of December 31, 2014, a total of 3,541 children had experienced the wonders of the Light Laboratory.

Support for Industry/Academia Partnerships to Develop Optics Technologies

Optics technology is essential to a variety of major industries. Opportunities for the systematic study of optics in Japan, however, have been on the decline. To remedy this situation, Canon actively supported Utsunomiya University, which has a strong relationship with our Utsunomiya Office where the Optics R&D Center is located, to successfully establish the Center for Optical Research & Education at the university in 2007.

In 2014, Canon invited Professor Okihiro Sugihara from Tohoku University to join the center and increased the teaching staff by five, specifically, one visiting professor, two associate professors and two assistant professors. In January 2015, the center's director Professor Toyohiko Yatagai was selected as the first person from Asia to serve as Chairman of SPIE, one of the world's largest international societies for advancing an interdisciplinary approach to the science and application of optics. Special-appointment Professor Kazuo Kuroda was selected to become the first Chairman of The Optical Society of Japan, an organization established in January

2015. This means that both heads of the leading optical societies in Japan and the United States are from this institution.

Canon will continue to support the Optics R&D Center in developing optics technologies.

Art, Culture and Sports

Holding Canon Junior Photographer Classes Nationwide in Japan

Canon Junior Photographers is a photography class for elementary school students based on the theme of nature. The goal of this project is to raise children's awareness about the environment and foster a deep sensitivity. Since its inception in 2004, more than 13,000 elementary school students in Japan have taken part in Canon Junior Photographer classes.

Canon Junior Photographer classes were held in 34 locations in 2014. Participants first took part in a digital photography class led by professional photographers and Canon employees, after which they were able to take their own pictures while enjoying the beauty of nature. Following the photo shoots, participants were able to print out and present their photographs to the group as well as showcase their works in photo exhibitions held at participating schools.

Children participating in photo shoot

Supporting Girls Soccer in Japan

As part of our sports promotion efforts, we have supported the Canon Cup Junior Soccer, a competition for primary school boys and girls in Japan, since 2001. Recognizing the rising demand to develop the level of girls soccer in Japan through this program, in 2014 we decided to focus on supporting girls soccer mainly at the elementary school level.

Specifically, we have become a special corporate sponsor for the Canon Girls-eight, a U-12 girls soccer tournament involving eight-member teams, and Canon Girls Camp, a U-13 girls soccer training camp, both hosted by the Japan Football Association (JFA) through our partnership with the Future Nadeshiko Project.

In 2014, the first year of our sponsorship, we took a variety of photographs at the tournament and training camp venue, afterwards providing them to the JFA and also publishing them on our support website, Canon Girls Soccer Web. These efforts have helped to increase the visibility of girls soccer in Japan.

Looking ahead, we stand committed to making contributions using even more effective means while building a collaborative framework with the JFA and regional soccer associations.

Impact Assessments for Regional Communities

Canon, recognizing the impacts its business activities have on the communities surrounding its operational sites, understands the importance of making continuous and proactive contributions toward the creation of a better society.

To that end, the departments in charge at Group companies and operational sites strive to engage their local communities. And when opinions are received from community members, we respond accordingly, recording the information and utilizing it to better our business.

Contributions to Regional Communities

Canon's business activities contribute to the local economy around its operational sites in various ways, including employment opportunities and the payment of taxes.

In addition to this, Canon strives to give back to communities by participating in local events, or providing assistance for the setup and operation of booths and allowing its parking lots to be used by event organizers and visitors.

Looking to give back to local communities and develop the next generation, Canon hosts programs that utilize its products and technologies at local schools, sending employees to act as instructors.

Organizational Governance

Strengthening corporate governance and enforcing transparent, well-regulated management is the foundation of all business operations. Canon imposes a strict internal-auditing system and every year makes efforts to improve its auditing system and content. Additionally, in light of management risks, we also pursue measures to strengthen our information security and to improve our Business Continuity Plan (BCP), among others.

Stakeholder Feedback

- A robust governance system is essential for sound management. Establishing a governance system with transparency will gain the understanding and involvement of many stakeholders. (NGO in the Americas)
- I believe appointing outside directors is a good way of incorporating external perspectives in management. (Investor/analyst in the Americas)

The first executive meeting of the New Year

Results of Major Efforts in 2014 and Future Plans

Category	Results in 2014	Future Plans
Security	• Management Structure Held on-site inspections of information security at 28 companies in Japan and 22 companies overseas	• Continue implementation of on-site inspections, including locations outside Japan • Reinforce information security system
	• Preventing Information Leakage Held training on ways to protect official websites from illegal modifications and to guard against targeted e-mail attacks	• Strengthen measures for maintaining the three elements of information security
	• Protecting Personal Information • No cases of lost or leaked personal information • Carried out operation check of personal information management system at each department, Corporate Audit Center performed internal audits. No matters requiring improvement were found	• Enhance management structure and employee training
	• Information Security Training Held e-learning course, approximately 27,000 employees participated (Canon Inc.)...❶	• Improve training system and curriculum
	• Physical Security • Established system to examine handbags and vehicles entering business sites • Carried out self-checks of the physical security system at each operational site	• Strengthen response capabilities based on changes in security risks
Business Continuity Plan for Disaster Response	• Promoting Business Continuity Planning • Added to emergency food and supply rations in line with Metropolitan Tokyo Ordinance on Measures for Stranded Persons • Established system to carry out monthly training on satellite phone communication at all Group companies	• Strengthen first-response system for disasters • Maintain disaster stockpiles, evacuation areas, etc.
	• Reinforcing Disaster Prevention by Learning from the Great East Japan Earthquake Carried out training drills in accordance with the Canon Group Disaster Preparedness Guidelines...❷	• Continue implementing practical drills
Appropriate Information Disclosure and Returns to Shareholders	• Held corporate strategy conference and financial results conferences	• Continue holding conferences

TOPICS 2014

❶ Information security training for new threats

Canon holds ongoing group training sessions for new employees and provides e-learning opportunities in order to maintain and improve employee awareness and understanding of information security. In 2014, the training curriculum focused on constantly evolving information security threats, including information leakage through targeted email attacks. A total of approximately 27,000 employees from Canon Inc. participated in the training during the year.
(See page 125)

Information security training

❷ Practical training drills under the Canon Group Disaster Preparedness Guidelines

As part of Canon's efforts to further enhance its disaster preparedness in the wake of the Great East Japan Earthquake, Group companies in Japan are carrying out more realistic training exercises that include night-time evacuations and cleanroom evacuations. In 2014, we continued to raise employee awareness of disaster preparedness through repetition of realistic drills based on the Canon Group Disaster Preparedness Guidelines.
(See page 127)

Employees experience a smoke-filled room during a disaster-preparedness drill

Corporate Governance

Governance Structure

Basic Approach

Canon Inc. recognizes that constantly improving management transparency and reinforcing management oversight functions are essential to establishing a sound corporate governance structure and to continually enhancing corporate value.

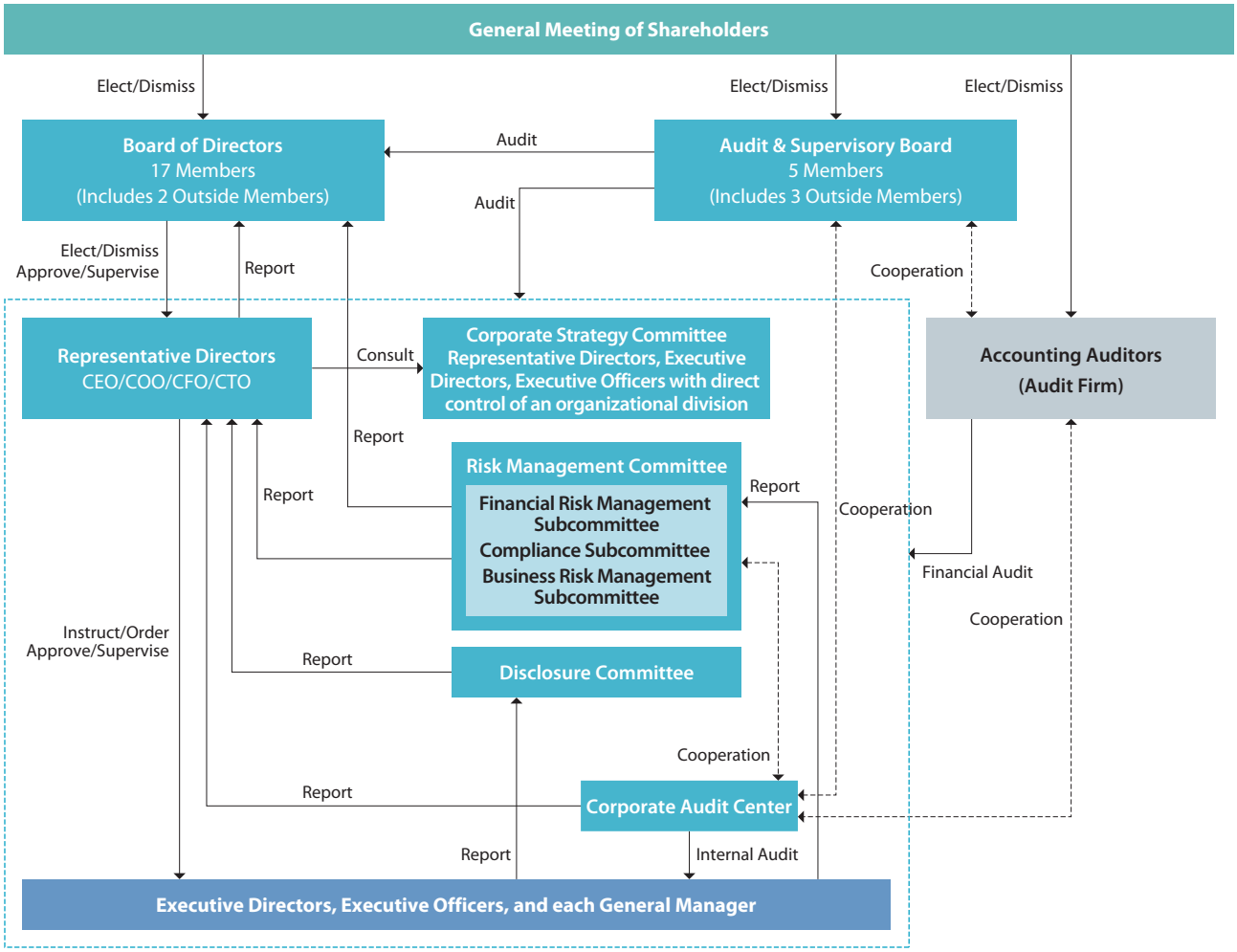
Representative Directors, Directors, and Board of Directors

At Canon, the Chief Executive Officer (CEO), who is a Representative Director, decides the Company's management strategies and policies while managing the overall execution of the operations of the Company. As of April 2015, the other Representative Director is the Chief Financial Officer (CFO), who controls financial matters.

Under the management of the CEO, each business segment takes responsibilities of its operational management on a consolidated basis in an integrated structure covering everything from product development to production and sales. In addition, the headquarters supports and controls finance and accounting, quality management, global environment, and global legal administration, undertaking administrative functions.

The Board of Directors, consisting of 17 Directors, makes decisions on items prescribed in the Companies Act, including policies for establishing an internal control system, and other important matters on execution of the operations of the Company. Furthermore, the Board receives reports on execution of the Company operations controlled by the CEO on a regular basis, and otherwise as necessary, and oversees such execution of the operations of the Company.

Governance Structure (As of April 1, 2015)



The Company believes that well-developed knowledge of conditions on the ground is the key to swift and effective decision-making and appropriate business monitoring. For this reason, most Directors are involved in execution of the operations of the Company as Group Executives or Chief Executives in charge of the Company's main operations. In addition to that, Canon also has two Outside Directors as independent directors who bring impartial perspectives to management that would differ from those of Canon career veterans.

To help directors focus more effectively on management and oversight, Canon has appointed Executive Officers who separately undertake execution of the operations of the Company. As of April 1, 2015, there are 22 Executive Officers.

Corporate Strategy Committee, Risk Management Committee, and Disclosure Committee

The Corporate Strategy Committee, consisting of Representative Directors, Executive Directors, and some Executive Officers, functions as an advisory body to the CEO, undertakes prior deliberations on important matters pertaining to Canon Group strategies among which items to be decided by the CEO. Outside directors and outside Audit & Supervisory Board members attend the Corporate Strategy Committee meetings and proffer their opinions.

Based on its policy on establishment of an internal control system, the Company set up the Risk Management Committee, which formulates policy and action proposals for improvement of the risk management system in the Canon Group under decisions of the Board of Directors. The Risk Management Committee consists of three entities: the Financial Risk Management Subcommittee, which improves systems on the credibility of financial reporting; the Compliance Subcommittee, which ensures thorough implementation of corporate ethics and improves legal compliance systems; the Business Risk Management Subcommittee, which improves systems prepared for overall business risks, including insufficient product quality and information leakage. The Risk Management Committee verifies the risk management system and reports the status to the CEO.

In addition, the Disclosure Committee undertakes deliberations on information disclosure, including content and timing, to ensure timely and accurate disclosure of important company information.

Audit & Supervisory Board

Canon is a "Company with an Audit & Supervisory Board." The Board consists of five members, three of which are independent Outside Audit & Supervisory Board members. In accordance with auditing policies and plans decided at Audit & Supervisory Board meetings, members of the Audit & Supervisory Board attend Board of Directors meetings, Corporate Strategy Committee meetings, and other relevant meetings, while receiving verbal reports from directors, reviewing important approval documents, and examining the business and financial asset statuses of the Company and its subsidiaries. In these ways, the Audit & Supervisory Board strictly checks directors' and others' execution of the company operations, including establishment and operation of the internal control system, thus is fulfilling a management oversight function. The Board also works in close alliance with the Internal Audit Division and the accounting auditors to improve the efficacy of monitoring.

Internal Audit Division

The Corporate Audit Center, which is internal audit division with a staff of more than 70 members, conducts audits and evaluations and provides guidance on all operations and sectors without exception, including those of Group companies, from various perspectives, such as business efficacy and efficiency, compliance, and information security. Audits results are reported to the CEO and Audit & Supervisory Board and complement audits conducted by members of that board.

Accounting Auditor

The Company has an auditing service contract with Ernst & Young ShinNihon LLC to conduct external audits of the company's financial statements in accordance with the Companies Act and the Financial Instruments and Exchange Act of Japan. An external audit of internal controls is also conducted in accordance with the Financial Instruments and Exchange Act of Japan and the Sarbanes-Oxley Act of the United States. To check the validity of the audits, the Company's Audit & Supervisory Board members receive detailed explanations from the accounting auditors about the quality management system regarding audits.

With the aim of monitoring the independence of the accounting auditors, the Company introduced a prior approval system by the Audit & Supervisory Board for contents of auditing and other service contracts and relevant fees. Under this system, rigorous pre-approvals are conducted for each individual contract in accordance with company regulations.

Executive Remuneration

Remuneration for directors at Canon Inc. comprises basic compensation, which is based on fulfillment of duties, and an executive bonus, which is tied to company performance each year (outside directors are not eligible for the executive bonus). Additionally, directors may be presented with stock options as a medium- to long-term incentive. Remuneration for Audit & Supervisory Board members, however, consists only of basic compensation and is not tied to company performance.

The maximum limits of basic compensation for directors and Audit & Supervisory Board members are set by vote at the general meeting of shareholders. Remuneration for individual directors and Audit & Supervisory Board members is decided by a meeting of the Board of Directors or by a meeting of the Audit & Supervisory Board members, respectively.

Executive bonuses are calculated according to company performance, with the total amount presented to the general meeting of shareholders for approval. Once the total amount is determined, bonuses for individual directors are decided by the Board of Directors based on rank and individual achievement.

Stock options are issued without compensation in order to enhance motivation and morale to improve Canon's performance. Proposals are tendered to the general meeting of shareholders and, if approved, stock options are issued.

Total Compensation Paid in 2014 by Executive Division, Category of Compensation, and Number of Executives

	Directors (excluding outside directors)	Outside directors	Audit & Supervisory Board members (exc. outside Audit & Supervisory Board members)	Outside Audit & Supervisory Board members
No. of officers*	23	2	3	4
Basic compensation (Millions of yen)	939	36	48	56
Executive bonuses (Millions of yen)	199	–	–	–
Total (Millions of yen)	1,138	36	48	56

* No. of officers include those retiring midterm.

Security

Information Security

Recognizing that information security is a vital management task, Canon has established an appropriate management system for the entire Group and carries out training to raise employee awareness and to prevent external threats and leaks of confidential internal information.

Management Structure

Canon has established the Information Security Committee as a decision-making body for information security measures. This committee is made up of experts from information security departments and is responsible for the information security management of the entire Group.

We have also drawn up the Canon Group Information Security Rules in order to maintain the same level of and approach to information security across the entire company. These rules apply to all Group companies worldwide. Each Group company creates regulations and guidelines on information security based on these rules that are in tune with its needs, and then carries out training and promotional activities.

Based on these rules, regional marketing headquarters conduct regular inspections to confirm how information security is being implemented at each Group company, using the data to review and improve information security controls.

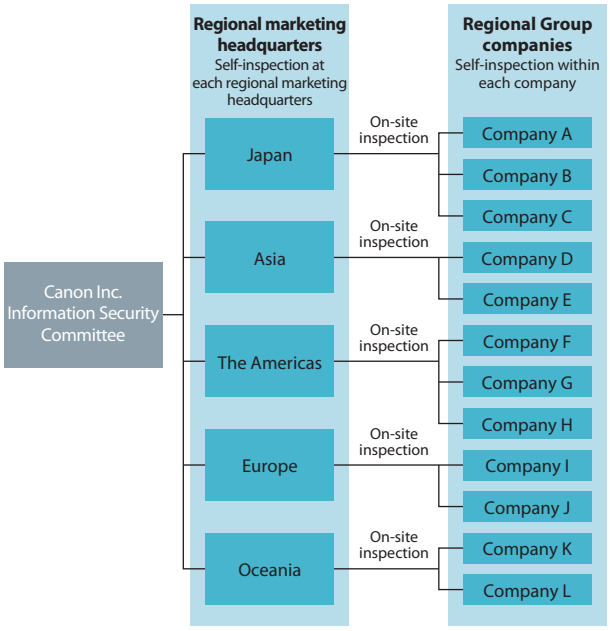
If an information security incident occurs, the matter must be reported to the Information Security Committee via the respective regional marketing headquarters. In turn, the committee will issue instructions based on the details of the incident.

In 2014, Canon Inc.'s Information & Communication Systems Headquarters carried out on-site inspections of 28 Group companies in Japan and 22 Group companies overseas.

These inspections found that each company's system was sound and in good working order.

Canon will maintain an expedient and smooth communication channel with its Group companies and make every effort to ensure that its mechanisms can identify and remedy issues based on regular on-site inspections. Moreover, we are also working to further reinforce our information security system by establishing a structure to discover information-security incidents at an early stage, a framework for responding appropriately and promptly to these incidents, and measures to eliminate security leaks and risks connected to these incidents.

Conceptual Diagram of Management Structure



Preventing Information Leakage

Canon implements measures that safeguard the three elements of information security, namely, confidentiality*1, integrity*2, and availability*3 of corporate information.

Valuable information is stored using a specialized system with reinforced security. By controlling access and recording usage, we guard against external attacks and prevent internal information leaks.

In addition, Canon has established an environment in which employees can safely access their company's information assets while away on a business trip, and has also placed restrictions on email attachments and taking company computers or recording media offsite.

In 2014, we continued with these efforts while also instituting measures to protect our official websites from illegal modifications, and guarding against targeted email attacks to respond to newly emerging threats. Canon is committed to continually bolstering its measures to safeguard the three elements of information security.

*1 **Confidentiality**
Only authorized personnel can access the information.

*2 **Integrity**
Ensures the data and processing methods are accurate and cannot be modified without authorization.

*3 **Availability**
Data is accessible to authorized personnel when needed.

Protecting Personal Information

Canon recognizes that personal information is an important asset, and protecting this asset is one of its social responsibilities. In 2002, Canon Inc. established the Personal Information Protection Policy and the Personal Information Protection Rules, with the Corporate Audit Center performing internal audits.

In 2012, the personal information management system was rebuilt and the new system launched. The new system organizes the previously complicated management flow into more logical methods and also revises employee education and awareness efforts according to the level of importance of the information being handled.

As in the previous year, there were no incidents of loss or leakage of personal information in 2014. Additionally, an operation check of the new personal information management system was carried out for all departments, and an internal audit was conducted by the Corporate Audit Center. No issues requiring improvement were found for either.

Canon will continue to bolster its management system while also stepping up training to ensure that all employees that handle personal information consistently abide by company rules.

Information Security Training

In order to maintain and improve information security, Canon is focusing on raising awareness among those accessing information systems, namely, employees.

New employees are thoroughly trained on Canon's information security measures and rules through group training held for both regular and mid-career hires. In addition, training is provided annually for all employees, including temporary employees, using our e-learning system.

In 2014, roughly 27,000 employees—the equivalent of Canon Inc.'s total workforce—received information security training. The training curriculum focused on reaffirming the importance of security measures in everyday operations. This included how to respond to a targeted email attack and what to look out for when sending email. Also, important rules were reviewed with regard to bringing information devices onsite or offsite.

Canon is committed to improving the contents of its training programs in order to raise employee understanding and awareness of information security matters.

2014 Information Security Training (Canon Inc.)

Targets	Participants	Training content
New employees (regular hiring, mid-career)	All	• Group training • E-learning (basics, review)
Existing employees and dispatched employees	All	• E-learning
Employees dispatched overseas or returning from abroad	All	• Group training

Trade Secrets and Technology Outflow Prevention Management

As a global company involved in wide-ranging development, production and sales activities, Canon recognizes the importance of taking appropriate measures to protect and manage trade secrets and technological information. The company is making various efforts in this area.

• Trade Secrets Management

Canon Inc. and its Group companies around the world have established a management system for trade secrets in accordance with its Trade Secret Management Guidelines released in 2004. The purpose of this system is to prevent the leakage of trade secrets such as new product plans, production plans, product costs, and drawings.

Specifically, this entails the implementation of a system for registering confidential documents that enables departments that hold trade secrets to regularly inspect and monitor how these documents are being managed. Employees also receive e-learning training on a regular basis.

• Technology Outflow Prevention Management

Canon, recognizing that technology is a critical asset, takes steps to prevent inappropriate technology outflows. Specifically, Canon Inc. and its manufacturing companies in China and Asia have established a management structure to rigorously control technology outflows in accordance with its Guidelines for Management to Prevent Technology Outflow released in 2004. Canon also holds confidential information-management training for employees dispatched outside Japan as a means of reminding these employees about the handling of technical information. As a measure against the outflow of technical information by retired employees, Canon has all retirees sign and submit a written pledge that they will not disclose confidential information they came to know through their work at Canon.

Physical Security

Basic Physical Security Measures

Aiming to strengthen physical security, Canon has been working to establish physical security systems at each of its operational sites since 2000 based on the following three policies:

1. Establish and put into practice at operational sites an overall design from the viewpoint of disaster prevention, crime prevention, and safety and health to optimize entry and exit routes for all persons.
2. Fully implement strict internal and external security measures to comprehensively prevent company assets (physical objects, information, etc.) from being removed, suspicious objects from being brought in, and suspicious individuals from entering.
3. Limit entry to certain areas to people who have been authorized by area managers, and integrate management of room entry and exit logs.

Physical Security Promotion System

In 2002, Canon established the Canon Group Physical Security Guidelines, which outlines the policies and rules regarding room entry and exit management and other kinds of physical security. We have since then been actively promoting security measures according to these guidelines. In 2013, the guidelines were completely revised to reflect the changing nature of security risks. Each Canon site is now responsible for drafting a security policy document that complies with these new standards and also takes into account the unique security risks of each region.

In addition to the Integrated Entry and Exit Management System, a control system that comprehensively manages surveillance cameras and various sensors has been implemented as part of Canon's efforts to strengthen physical security across the entire Group.

In 2014, we established a set of guidelines and an implementation system for checking handbags and inspecting vehicles to protect against criminal risks both inside and outside the company. Each operational site also conducted a self-check on their security system in line with the Canon Group Physical Security Guidelines.

Due to the serious risk to society posed by toxic materials, we have implemented a particularly thorough audit system, covering all Canon Group sites since 2007. Improvements and revisions to physical security measures are implemented based on the results of these audits. In 2014, audits were carried out for all sites with toxic storage, with no problems found.

Additionally, to raise employee awareness, education on physical security has been included in the program for new employees and in rank-based training sessions. We continued this training for new-employee and mid-career hires, as well as information security training for general employees in 2014. Canon will continue to educate its employees going forward.

Monitoring entry and exit via security cameras

Post-Disaster Business Continuity Plan

Promoting Business Continuity Planning

Canon actively promotes post-disaster business continuity planning. Following the directives of the Canon Group Medium-Term Plan for Disaster Prevention Structure Enhancement, instituted in 2006, we are proceeding with phased improvements, such as upgrading the earthquake resistance of older buildings, establishing disaster prevention agreements with local communities, and implementing systems to collect and disseminate information.

Due to the critical importance of our Shimomaruko headquarters in Tokyo, Japan, as the home base for all Group operations, we have rebuilt all on-site buildings, established a crisis control center, installed backup generators, stockpiled fuel, equipment, and supplies, and established a multiplex communication system. Moreover, we set up the Disaster Recovery Center*1 in Toride, Ibaraki Prefecture, to back up information systems to ensure that the mainframe system will operate securely in the event of a disaster.

We have also updated all Group company facilities, setting up emergency communications equipment and support structures, and inculcated a sense of readiness in our employees through practical disaster-preparedness training.

Also, in regard to our business continuity plan (BCP)*2, the Facilities Management Headquarters has jurisdiction in creating a plan for the initial post-crisis response, while each of the products operations is responsible for creating their own follow-up BCPs.

As a result of these efforts, we achieved 100% of the goals of the Medium-Term Plan by the end of 2009. We set about strengthening the disaster-prevention system at each site and in each division from 2010 onward. Our activities included emergency communications drills using mobile phone messaging, and creating evacuation plans at shift-work sites.

In 2014, we added to our emergency food and supply rations in line with the Tokyo Metropolitan Ordinance on Measures for Stranded Persons. We also established a system to carry out monthly training on satellite phone communication at all Group companies to prepare for disasters.

*1 **Disaster Recovery Center**
A facility prepared for data backup in the event of a system breakdown due to a disaster.

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

Reinforcing Disaster Prevention by Learning from the Great East Japan Earthquake

Since the Great East Japan Earthquake of March 2011, Canon has promoted a variety of initiatives following a theme of "reinforcing disaster-prevention systems by learning from the Great East Japan Earthquake." In addition to working to improve disaster response through the provision of Earthquake Measure Guidelines in September 2011, we have sought to improve disaster-prevention awareness through practical drills, including nighttime-evacuation drills and cleanroom evacuation drills.

In 2012, Canon Inc. and Group companies in Japan continued with these practically focused drills at each of our operational sites. Through such exercises as triage drills*1 and nighttime drills, we aimed to raise awareness in each individual employee. We also introduced a simultaneous unlocking system*2 for buildings and facilities.

Based on these initiatives, we compiled the Canon Group Disaster Preparedness Guidelines in 2013. The guidelines contain detailed instructions on actions to be taken by employees put in charge of measures for each type of natural disaster, including earthquakes, typhoons and floods, and also serve as a practice guide.

Disaster-preparedness managers from all Canon sites in Japan meet during the Canon Group Disaster Preparedness Conference to share information and educate one another on the details of these guidelines.

In addition to ensuring the safety of our employees through implementation of practical drills, we also hope to improve the first-response system of our company fire brigade, and to continue with proper outfitting of disaster stockpiles and evacuation areas, aiming for a balanced disaster-prevention system that accounts for individuals, the organization and facilities.

*1 **Triage drill**
Training to determine the priority of rescue, treatment and transport, according to severity and immediacy of injuries, in the event of a tragedy resulting in mass injuries.

*2 **Simultaneous unlocking system**
A system for automatic unlocking of electronic doors in the case of emergency, allowing for quick evacuation.

Emergency food supplies at the Shimomaruko headquarters

Appropriate Information Disclosure and Returning Profits to Shareholders

Dialogue with Shareholders and Investors

Prompt and Appropriate Information Disclosure

As of December 31, 2014, Canon Inc. was listed on the Tokyo, New York, Nagoya, Fukuoka and Sapporo stock exchanges, with approximately 1,334 million issued shares and some 250,000 shareholders.

With an eye to disclosing information on its management strategy, business strategy and performance to shareholders, investors and securities analysts in an accurate, fair and timely manner, Canon Inc. holds regular briefings and other IR events, and posts the latest information and various types of disclosure materials, including audio and video information, on its website.

To ensure fair and prompt information disclosure, Canon created Disclosure Guidelines for capital markets, which detail appropriate disclosure standards, procedures and methods.

The company formed a Disclosure Committee to ensure strict compliance with the disclosure rules laid down by stock exchanges, thereby implementing a framework for comprehensive and accurate disclosure.

Through these efforts, Canon endeavors to gain the trust of the capital markets and enable proper assessment of its corporate value and stock price.

We also provide feedback to products operations and the accounting division on a quarterly basis to relay opinions and concerns from institutional investors and securities analysts about the company's quarterly financial results and forecasts. Furthermore, we distribute a monthly IR bulletin to executive officers of Canon Inc. and the presidents of major Group companies presenting opinions expressed by shareholders and investors, helping us improve management and business operations throughout the Group.

Main IR Activities

Main Events	• Corporate strategy conference hosted by a representative director for institutional investors and analysts (annually, about 100 participants) • Financial results conferences for institutional investors and analysts (quarterly, about 120 participants) • Financial results conference calls for institutional investors outside Japan (quarterly) • Business conferences for institutional investors and analysts (occasionally) • Small meetings of investors hosted by securities companies (ad hoc) • Visits to institutional investors outside Japan to discuss corporate strategy (North America, Europe) • Company briefings for individual investors (occasionally)
Daily Activities	• Responding to institutional investor and analyst inquiries in separate meetings (about 250 a year) • Responding to institutional investor and analyst phone inquiries • Responding to surveys inquiring about Canon's socially responsible investment (SRI)

Dialogue with Individual Investors

Canon Inc. has adopted various measures to encourage a broader range of people to invest in its shares.

Aiming to increase the number of long-term individual shareholders, we have added an individual investor portal site to our website with information on Canon's operations, finances, technologies, environmental initiatives, and more.

The number of individual shareholders as of December 31, 2014, was approximately 247,000, up approximately 1,000 from the previous year.

Dialogue with Investors outside Japan

The percentage of Canon Inc. shares owned by non-Japanese investors was 30.5% as of December 31, 2014.

Canon Inc. maintains close communication with institutional investors around the world. For institutional investors outside Japan, we host meetings focused on corporate strategy and hold conference calls to explain financial results. We also established IR bases in Europe and the United States. Additionally, the IR information posted on Canon's English-language website contains the same level of detail as that posted on our Japanese-language website, ensuring that our information disclosure system functions at the same level in both languages. We also make timely visits to institutional investors in Europe and North America to discuss our corporate strategy.

Return to Shareholders

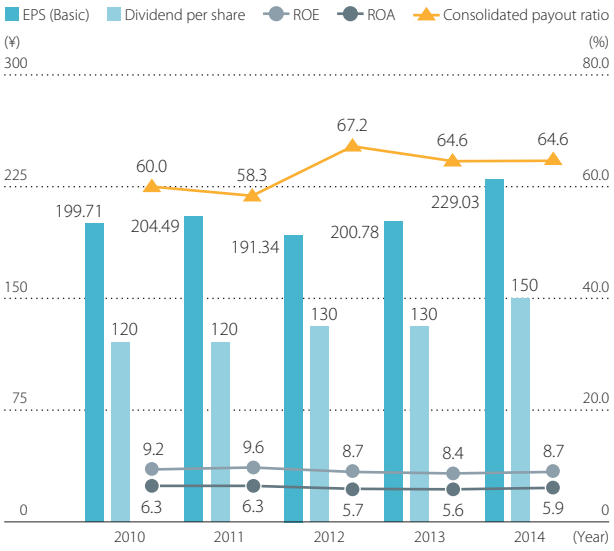
Dividend Policy

Canon Inc.'s basic policy is to provide stable returns and actively return profits to shareholders, mainly in the form of dividends.

Despite adverse conditions, such as the prolonged global economic downturn, in the period ending December 31, 2014, we improved operational efficiency through comprehensive cash flow management, allowing us to generate an adequate level of cash on hand.

Taking the above into account, we set our full-year dividend at 150 yen per share, which marks a 20-yen increase over the previous year.

EPS and Dividends



Acquisition of Own Shares

Canon Inc. has been acquiring its own shares to raise capital efficiency and allow for a flexible capital strategy for mergers and acquisitions. In 2014, Canon Inc. acquired approximately 45 million of its own shares, for a total of approximately 150 billion yen.

Our policy is to continue to implement measures as circumstances demand, taking into account investment and capital plans.

External Corporate Assessments

Credit Rating

Canon Inc. is rated by two credit-rating agencies based in the United States and one in Japan (see below). Credit ratings are one of many indicators subject to close external scrutiny. Recognized for its solid financial standing and consistent ability to generate cash flow, Canon is rated among the highest of any Japanese corporation—even higher than Japanese government bonds.

Ratings by Key Agencies (As of December 31, 2014)

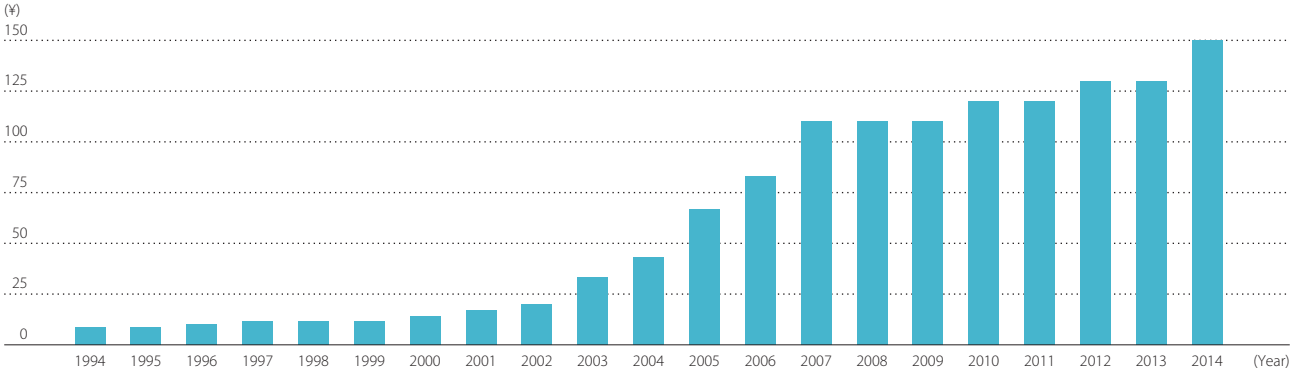
Credit Rating Agencies	Long Term	Short Term
Standard & Poor's	AA	A-1+
Moody's	Aa1	–
Rating and Investment Information, Inc.	AA+	–

Canon's Inclusion in SRI Indexes

Canon Inc. has received high marks from socially responsible investment (SRI) evaluation agencies for responding to their questionnaires and surveys and for disclosing CSR information through various reports. As a result, the company is included in SRI indexes.

In the future, we will continue efforts to respond to the needs of society and strive to disclose CSR information in a more easily understandable manner.

Dividend per Share Trend



Note: Figures have been adjusted to reflect a three-for-two stock split made on July 1, 2006.

1. Strategy and Analysis

Index		Data
1.1	Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	pp. 3–4
1.2	Description of key impacts, risks, and opportunities.	pp. 3–4, pp. 23–24, pp. 67–68, pp. 75–76, pp. 89–90, pp. 101–102, pp. 113–114, pp. 119–120

2. Organizational Profile

Index		Data
2.1	Name of the organization.	p. 1
2.2	Primary brands, products, and/or services.	p. 6
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	pp. 5–6, Canon Fact Book
2.4	Location of organization's headquarters.	p. 1
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Canon Fact Book
2.6	Nature of ownership and legal form.	p. 1
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	pp. 5–6
2.8	Scale of the reporting organization, including:	pp. 5–6, Canon Fact Book
	Number of employees;	
	Number of operations;	
	Net sales (for private sector organizations) or net revenues (for public sector organizations);	
	Total capitalization broken down in terms of debt and equity (for private sector organizations); and	
	Quantity of products or services provided.	
	In addition to the above, reporting organizations are encouraged to provide additional information, as appropriate, such as:	pp. 5–6, Canon Fact Book
	Total assets;	
	Beneficial ownership (including identity and percentage of ownership of largest shareholders); and	
	Breakdowns by country/region of the following: • Sales/revenues by countries/regions that make up 5 percent or more of total revenues; • Costs by countries/regions that make up 5 percent or more of total revenues; and • Employees.	
2.9	Significant changes during the reporting period regarding size, structure, or ownership including:	Not applicable
	The location of, or changes in operations, including facility openings, closings, and expansions; and	
	Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	
2.10	Awards received in the reporting period.	pp. 49–50, p. 63, p. 109

3. Report Parameters

Index		Data
REPORT PROFILE		
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	p. 1
3.2	Date of most recent previous report (if any).	p. 1
3.3	Reporting cycle (annual, biennial, etc.)	p. 1
3.4	Contact point for questions regarding the report or its contents.	p. 1
REPORT SCOPE AND BOUNDARY		
3.5	Process for defining report content, including:	p. 2, pp. 8–10
	Determining materiality;	
	Prioritizing topics within the report; and	
	Identifying stakeholders the organization expects to use the report.	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	p. 1, pp. 65–66
3.7	State any specific limitations on the scope or boundary of the report.	p. 1, pp. 65–66
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Not applicable
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	pp. 31–32
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	p. 1
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable
GRI CONTENT INDEX		
3.12	Table identifying the location of the Standard Disclosures in the report.	This page
ASSURANCE		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	pp. 137–138

4. Governance, Commitments, and Engagement

Index		Data
GOVERNANCE		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	pp. 121–122
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	pp. 121–122
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	pp. 121–123
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	p. 121
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	p. 123
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	pp. 121–122
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	pp. 121–122, Canon Annual Report, An Overview of Corporate Governance at Canon Inc.

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	p. 7, pp. 25–26, p. 62, p. 77, p. 91, p. 94, p. 97, p. 103
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	p. 8, p. 27, p. 91, p. 121
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	pp. 121–122
Commitments to External Initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	p. 29, pp. 91–93, p. 122, pp. 124–126
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	p. 1, p. 29, p. 35, p. 39, pp. 48–49, pp. 52–54, p. 57, p. 107, p. 110
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization:	p. 39, p. 99, pp. 117–118
	Has positions in governance bodies;	
	Participates in projects or committees;	
	Provides substantive funding beyond routine membership dues; or	
	Views membership as strategic.	
STAKEHOLDER ENGAGEMENT		
4.14	List of stakeholder groups engaged by the organization.	p. 2, p. 8, p. 134
4.15	Basis for identification and selection of stakeholders with whom to engage.	p. 2, p. 8, pp. 135–136
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	p. 8, pp. 135–136
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	p. 8, pp. 11–20, pp. 134–136

5. Management Approach and Performance Indicators

Economic

Index	Data
Management Approach	
Disclosure on Management Approach	pp. 2–6, FORM 20-F, Canon Annual Report
Goals and Performance	
Policy	
Additional Contextual Information	
Economic Performance Indicators	
ASPECT: ECONOMIC PERFORMANCE	
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	pp. 5–6, p. 79, p. 129, Canon Fact Book
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.	p. 26, pp. 40–41
EC3. Coverage of the organization's defined benefit plan obligations.	FORM 20-F
EC4. Significant financial assistance received from government.	
ASPECT: MARKET PRESENCE	
EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	pp. 94–96
EC7. Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	p. 74, p. 84
ASPECT: INDIRECT ECONOMIC IMPACTS	
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	pp. 11–14, pp. 17–20, pp. 114–118
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	

Environmental

Index	Data
Management Approach	
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Policy	p. 5, p. 7, pp. 25–26, pp. 33–34
Organizational Responsibility	p. 27
Training and Awareness	p. 28
Monitoring and Follow-Up	p. 28, pp. 35–36, pp. 38–39
Additional Contextual Information	p. 26, FORM 20-F
Environmental Performance Indicators	
ASPECT: MATERIALS	
EN1. Materials used by weight or volume.	p. 32
EN2. Percentage of materials used that are recycled input materials.	p. 32, pp. 57–58
ASPECT: ENERGY	
EN3. Direct energy consumption by primary energy source.	p. 32, p. 41
EN4. Indirect energy consumption by primary source.	
EN5. Energy saved due to conservation and efficiency improvements.	p. 30, pp. 40–41
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	p. 30, pp. 51–55
EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	p. 30, pp. 47–50
ASPECT: WATER	
EN8. Total water withdrawal by source.	p. 32, p. 43
EN9. Water sources significantly affected by withdrawal of water.	p. 43
EN10. Percentage and total volume of water recycled and reused.	p. 43
ASPECT: BIODIVERSITY	
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	pp. 62–63
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	
EN13. Habitats protected or restored.	
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	
ASPECT: EMISSIONS, EFFLUENTS, AND WASTE	
EN16. Total direct and indirect greenhouse gas emissions by weight.	pp. 31–32, pp. 40–41

EN17.	Other relevant indirect greenhouse gas emissions by weight.	pp. 31–32, pp. 47–49
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	pp. 31–32, pp. 40–41, pp. 47–50, pp. 51–52
EN19.	Emissions of ozone-depleting substances by weight.	p. 32, pp. 44–46
EN20.	NO, SO, and other significant air emissions by type and weight.	
EN21.	Total water discharge by quality and destination.	p. 32, p. 43
EN22.	Total weight of waste by type and disposal method.	p. 32, p. 42
EN23.	Total number and volume of significant spills.	p. 46
EN24.	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	p. 56
EN25.	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	p. 43
ASPECT: PRODUCTS AND SERVICES		
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	pp. 51–55
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	p. 32, pp. 56–61
ASPECT: COMPLIANCE		
EN28.	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	p. 29
ASPECT: TRANSPORT		
EN29.	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	pp. 31–32, pp. 47–50
ASPECT: OVERALL		
EN30.	Total environmental protection expenditures and investments by type.	p. 30

Labor Practices and Decent Work

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Monitoring and Follow-Up	pp. 71–73
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Labor Practices and Decent Work Performance Indicators	
ASPECT: EMPLOYMENT	
LA1. Total workforce by employment type, employment contract, and region, broken down by gender.	p. 71, pp. 77–78
LA2. Total number and rate of new employee hires and employee turnover by age group, gender, and region.	p. 6, p. 71, pp. 77–78
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	
LA15. Return to work and retention rates after parental leave, by gender.	p. 81
ASPECT: LABOR/MANAGEMENT RELATIONS	
LA4. Percentage of employees covered by collective bargaining agreements.	p. 78
LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	p. 78
ASPECT: OCCUPATIONAL HEALTH AND SAFETY	
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	pp. 86–87
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	pp. 87–88
LA9. Health and safety topics covered in formal agreements with trade unions.	
ASPECT: TRAINING AND EDUCATION	
LA10. Average hours of training per year per employee by gender, and by employee category.	p. 82
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pp. 82–85
LA12. Percentage of employees receiving regular performance and career development reviews, by gender.	
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY	
LA13. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	p. 71, p. 73
EQUAL REMUNERATION FOR WOMEN AND MEN	
LA14. Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	

Human Rights

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Disclosure on Management Approach	pp. 2–5, p. 7, pp. 67–68
Goals and Performance	p. 5, p. 7, pp. 67–68
Policy	p. 69, p. 91
Organizational Responsibility	p. 69
Training and Awareness	pp. 69–70
Monitoring and Follow-Up	pp. 69–70
Additional Contextual Information	pp. 71–74, pp. 94–96
Human Rights Performance Indicators	
ASPECT: INVESTMENT AND PROCUREMENT PRACTICES	
HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	
HR2. Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	pp. 94–96
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	pp. 69–70
ASPECT: NON-DISCRIMINATION	
HR4. Total number of incidents of discrimination and actions taken.	

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5.	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	p. 70
ASPECT: CHILD LABOR		
HR6.	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	p. 70
ASPECT: FORCED AND COMPULSORY LABOR		
HR7.	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	p. 70
ASPECT: SECURITY PRACTICES		
HR8.	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	
ASPECT: INDIGENOUS RIGHTS		
HR9.	Total number of incidents of violations involving rights of indigenous people and actions taken.	
ASSESSMENT		
HR10.	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	
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HR11.	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	

Society

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Policy	p. 91, p. 115
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Training and Awareness	pp. 92–93
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SO9. Operations with significant potential or actual negative impacts on local communities.	p. 118
SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	p. 118
ASPECT: CORRUPTION	
SO2. Percentage and total number of business units analyzed for risks related to corruption.	
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	pp. 91–92
SO4. Actions taken in response to incidents of corruption.	
ASPECT: PUBLIC POLICY	
SO5. Public policy positions and participation in public policy development and lobbying.	p. 99
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	
ASPECT: ANTI-COMPETITIVE BEHAVIOR	
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	
ASPECT: COMPLIANCE	
SO8. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	

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PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	p. 6, pp. 103–112
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	p. 105
ASPECT: PRODUCT AND SERVICE LABELING	
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	p. 6, pp. 52–54
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	pp. 111–112
ASPECT: MARKETING COMMUNICATIONS	
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	
ASPECT: CUSTOMER PRIVACY	
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	
ASPECT: COMPLIANCE	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	

Reference:

FORM 20-F
http://www.canon.com/ir/library/form20f.html

Canon Fact Book
http://www.canon.com/corporate/pdf.html

An Overview of Corporate Governance at Canon Inc.
http://www.canon.com/ir/strategies/governance.html

Canon Annual Report
http://www.canon.com/ir/annual/index.html

Third-Party-Opinion

Dr. Justus von Geibler

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

As a global company with activities in different countries and global supply chains, Canon has a wide variety of internal and external stakeholders with diverse interests and expectations. At the same time a global company like Canon must focus its CSR activities on a limited number of significant impacts, which substantively influence stakeholders' assessments. The selection of themes and their appropriate presentation is thus not an easy task for Canon.

Based on my involvement in discussing of the theme selection and reviewing the short version of the report draft, my overall judgement of the report is positive. Also this year Canon has managed to meet my expectations with respect to overall quality and relevance of the report as a whole. When taking a more detailed look at Canon's approach to selecting and presenting the key themes, I would like to address three issues: 1. The reference to global standards; 2. the stakeholder inclusiveness; and 3. the clarity of material aspects for the reader.

I highly appreciate that Canon continues to consider globally relevant standards, especially the Global Reporting Initiative and ISO 26000. Both standards provide sophisticated guidance for CSR activities and the selection of topics. I welcome that Canon is following the standards-setting discussions and that Canon has begun to explore its potential compliance with the new version of the GRI guidelines (G4) in the next report.

I like that Canon has continued to engage with key stakeholders to identify relevant themes. In a survey of about 100 stakeholders, Canon has even asked for stakeholders' rationale for suggesting specific topics. In my view, the stakeholder inclusiveness can be further improved. For example, the scope of the survey could be expanded to cover more stakeholders, including employees at all levels of the company. In the future, an online questionnaire open to all internal and external stakeholders and more interactive stakeholder dialogues could be used to better specify relevant themes.

Canon's recent efforts to focus its reporting on the most significant issues and impacts are, in my opinion, on the way and have not yet evolved into this report. Material aspects are presented both as part of the "CSR Activity Highlights" and as topics in the ISO 26000 part of the report. The ISO 26000 part covers a wider variety of important topics, including new information on the management of water resources or initiatives steering the shift towards environmentally-friendly ship transport. In both of these sections, Canon presents stakeholder views to illustrate the relevance of the key topics, which is to be commended. I suggest more could be done to further clarify for the reader what the most important material aspects are, e.g. by means of a materiality matrix or other visual aid. In areas where Canon has set a target, it would be helpful to provide better indication of the degree of achievement, so as to help stakeholders better understand performance. I am sure that the ongoing material aspects selection activities in line with the GRI guidelines (G4) will provide a basis for improving clarity on the Canon's impacts in the future.

Canon has a long track record of sustainability reporting. I strongly believe that Canon and its CSR Division are well positioned to foster good relations with its stakeholders based on improved sustainability reports. I recommend all interested stakeholders - both internal and external - to get involved in the dialogue with Canon on issues of your concern.

About the third-party review process

Over the many years that Canon has been providing sustainability reports to its stakeholders, the company has worked to develop its approach to reporting and its relationship with stakeholders. Since 2003, Canon has invited various external experts to review and comment on its sustainability report. This process aims to provide meaningful, credible external feedback, and aspires to meet international good practice standards.

Justus von Geibler has provided comment to Canon's reporting every year since 2005. Via a telephone dialogue session and written comments, Dr. von Geibler provided input at several points during Canon's report preparation process. The dialogue provides the basis for a degree of stakeholder engagement with Canon – on reporting, on the company's performance, and on Canon's relationships with stakeholders.

Basis for the commentator's opinions

For the seventh year running, Canon has welcomed external comment using a portion of the Global Reporting Initiative Sustainability Reporting Guidelines as the basis for the commentator's opinions, namely four Reporting Principles relating to Defining Report Content*:

- **Materiality.** Does the Canon report reflect the company's significant economic, environmental and social issues?
- **Stakeholder Inclusiveness.** Does the report explain how Canon has responded to the reasonable expectations and interests of their stakeholders?
- **Sustainability Context.** Does the report present Canon's performance in the wider context of sustainability issues and impacts?
- **Completeness.** Is the report's coverage sufficient to reflect the company's sustainability impacts and enable readers to assess Canon's performance?

Using these principles as a guideline, Dr. von Geibler was asked to assess the extent to which the Canon report meets his expectations in terms of:

- The appropriateness of the content selected for the Canon Sustainability Report 2015
- The quality of the treatment of individual topics in the report
- The overall quality, balance and relevance of the report as a whole

Judy Kuszewski has provided advice and support to Canon with regard to the third-party opinion section, by defining terms of reference for the third-party opinions, facilitating relationships with the commentators and assisting Canon in presenting the results in its sustainability report. Readers should be advised that neither Judy Kuszewski nor the external commentator functions as an assurance provider, but as well-informed, independent sustainability professionals with a keen interest in engaging with Canon and supporting the transparency and accountability of its reporting.

* Detailed information on the four principles can be found at https://www.globalreporting.org/resourcelibrary/G3.1-Guidelines-Incl-Technical-Protocol.pdf

What Canon and the commentator discussed

Through the telephone conference process, Dr. von Geibler and Canon staff discussed reporting expectations, key areas of interest and impressions of the draft Canon report.

The main topics of discussion included:

- Canon's process for determining report content, including the process of creating, reviewing and analyzing the stakeholder questionnaire regarding the company's most important sustainability impacts and issues; and narrowing down a wide variety of relevant themes important for such a global company, to enable readers to comprehend quickly what Canon considers most important.
- The inclusion of CSR procurement activities in the report and focus on supply chain management, to include hot topics such as workplace conditions.
- The importance of revisiting topics from previous reports, regardless of any progress made since, to show how management continually reviews and reevaluates its approach in light of goals, targets and previous priorities.
- Canon's efforts to develop indicators and measurement methodologies for sustainability impacts, both quantitative and qualitative.
- Considerations related to Canon's use of the GRI Sustainability Reporting Guidelines and eventual transition to the most recent version (G4), to be enacted over the coming year.

The following are major comments of Canon participants regarding Dr. von Geibler's advice during the discussion:

- Canon maintains its efforts to involve various stakeholders, including our employees, to determine materiality of CSR activities.
- Canon has recognized the value of consistency of the data provided in current and past reports, and will continue to provide material data for future years regardless of any progress.
- Canon will clarify the relationship of Canon's core business and the selected Highlights for readers.
- Canon will consider making a chart or table to help readers understand the objectives, goals and progress of all our CSR-related topics at a glance.

Dr. von Geibler's full statement can be seen at "Third-Party Opinions."

About the facilitator

Judy Kuszewski is a specialist consultant in the field of corporate responsibility, and is a director of IWJK Limited. Her career spans over 20 years, including senior roles with Ceres, the Global Reporting Initiative, and the consultancy SustainAbility. She has provided advice and support on sustainability accountability, reporting and stakeholder dialogue to a wide range of companies around the world. For more information, please visit www.kuszewski.net.

The Canon Group CSR (Sustainability) Report

Canon Inc. began publishing environmental reports from 1999, following the Ecology booklet, a preliminary report toward the Environment Report published in 1994. In 2003, the scope of content was expanded to include economic and social issues, and an annual Sustainability Report replaced the previous Environmental Reports.

Currently, other regional Group companies also publish environmental or CSR (sustainability) reports. For example, Canon Europe, our regional sales headquarters located in the U.K., publishes a report that covers Europe, the Middle East and Africa. A number of Canon Europe companies also publish localized versions of this report with added original content. These reports are published in around 20 countries and 16 languages. Such reports can be viewed on the websites of each individual company.

We will continue to expand the scope of reporting as we report on Canon's global measures towards the achievement of a sustainable society.

Canon Marketing Japan CSR Report
http://cweb.canon.jp/csr/csr-report/index.html

Canon Europe Sustainability Report
http://www.canon-europe.com/about_us/sustainability/sustainability_reports/

Canon China CSR Report
http://www.canon.com.cn/corp/download/aboutcanon.html

Canon Oceania Sustainability Report
https://www.canon.com.au/en-AU/About-Canon/Sustainability-Environment/Sustainability-Report

Lloyd's Register LRQA

Assurance Statement

Terms of engagement
This Assurance Statement has been prepared for CANON INC.

Lloyd's Register Quality Assurance Ltd. (LRQA) was commissioned by CANON INC. (30-2 Shimomaruko 3-Chome, Ota-ku, Tokyo 146-8501, Japan) to assure CANON Group's greenhouse gas (GHG) inventory for the calendar year 2014, that is, 01 January to 31 December 2014 (hereafter referred to as "the Report").

The Report relates to direct GHG emissions (Scope 1[1]), energy indirect GHG emissions (Scope 2[1]) and other indirect GHG emissions (Scope 3 – Categories[2] 1, 4 and 11).

Our terms of engagement excluded the GHG emissions data and information associated with CANON Group's small-sized member companies and sites in Japan and overseas, for example, sales support companies and distribution sites.

Management responsibility
CANON INC.'s management was responsible for preparing the Report and for maintaining effective internal controls over the data and information disclosed. LRQA's responsibility was to carry out an assurance engagement on the Report in accordance with our contract with CANON INC.

Ultimately, the Report has been approved by, and remains the responsibility of CANON INC.

LRQA's approach
Our verification has been conducted in accordance with ISO 14064–3:2006 *Specification with guidance for validation and verification of greenhouse gas assertions* to provide limited assurance that GHG data as presented in the Report have been prepared for conformance with ISO14064–1:2006 *Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.*

To form our conclusions the assurance engagement was undertaken as a sampling exercise and covered the following activities:

- Conducted site visits to CANON INC.'s head office in Tokyo, Ueno Canon Materials Inc. in Mie Prefecture, and CANON INC. Ayase works in Kanagawa Prefecture, Japan;
- Interviewed key personnel responsible for the management of GHG emissions data and information and for the preparation of the Report at the above sites;
- Reviewed processes for the management of GHG emissions data and information included in the Report;
- Verified GHG emissions data and information at an aggregated level made available at the head office and back to the original sources at the above sites visited.

[1] Scope 1 and 2 emissions are as defined in The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard.
[2] The categories of Scope 3 emissions are as defined in the Greenhouse Gas Protocol – Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Table 5.3.

Lloyd's Register
LRQA

Level of assurance & materiality
The opinion expressed in this Assurance Statement has been formed on the basis of a limited level of assurance and at the professional judgment of the Verifier.

LRQA's opinion
Based on LRQA's approach nothing has come to our attention that would cause us to believe that the total direct GHG emissions and energy indirect GHG emissions and other indirect GHG emissions as presented in the Report summarized in Table 1 below are not materially correct and the Report has not been prepared for conformance with ISO 14064-1:2006.

LRQA's recommendations
CANON INC. should:

- Continuous integration of the QA/QC system for data management with internal self-verification controls at both at the corporate and member company levels.

Signed

Dated: 22 April 2015

Takahiro Iio, Lead Verifier
On behalf of Lloyd's Register Quality Assurance Limited
Japan Business Centre, Queen's Tower A10th Floor, 2-3-1 Minatomirai
Nishi-ku, Yokohama 220-6010, Japan

LRQA Reference No: YKA4005113

Table 1. Summary of CANON Group's GHG Inventory 2014

Scope	Tonnes CO_2e
Direct GHG emissions (Scope 1)	176,878
Energy indirect GHG emissions (Scope 2)	1,071,082
Other indirect GHG emissions (Scope 3)	5,039,325
Total GHG Emissions	**6,287,285**

CANON INC.

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