

Canon
Sustainability
Report
2011



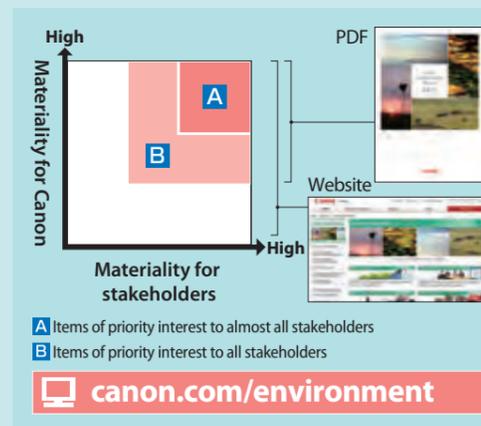
Canon

Editorial Policy

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

Canon publishes the *Canon Sustainability Report* annually to fulfill the Company's responsibilities to its stakeholders by providing an explanation of its efforts toward the realization of a sustainable society, and to promote two-way communication with stakeholders as a means of further raising the level of its activities.

This year we have decided to discontinue publication of the print version of the brochure, and instead will only issue it in a PDF format and through our website. In response to readers' requests to be informed of Canon's priorities in its business activities, this report presents material of high importance from two perspectives: materiality for Canon and materiality for stakeholders. Our website includes systematic and comprehensive data on our CSR activities, including the contents of the PDF version.



Reporting Scope

In principle, this report covers Canon's economic, social and environmental activities within the scope of consolidated accounting for 2010 (January 1 to December 31, 2010). 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 and initiatives prior to 2009 and beyond 2011 is referenced in this report. Information that is specific to a region or organization is indicated. In this publication, "Canon" refers to the Canon Group, while "Canon Inc." indicates the non-consolidated parent company.

Disclaimer

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

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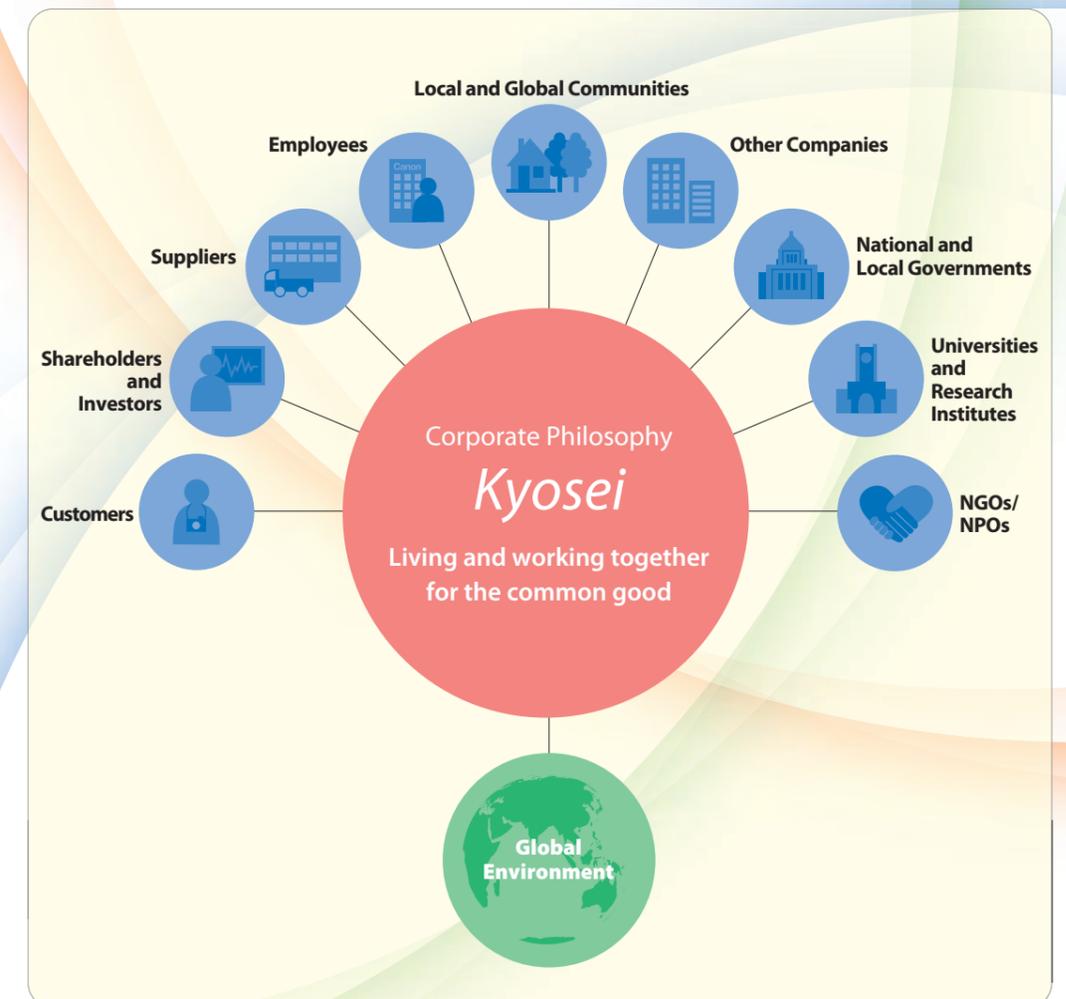
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Corporate Philosophy: *Kyosei*

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

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

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



Company Overview (As of May 15, 2011)

Name: Canon Inc.	Chairman and CEO: Fujio Mitarai	Group Companies: 294 consolidated subsidiaries, 14 companies accounted for under the equity method (As of December 31, 2010)
Established: August 10, 1937	President and COO: Tsuneji Uchida	
Headquarters: 30-2, Shimomaruko 3-chome, Ohta-ku, Tokyo, Japan	Capital: ¥174,762 million (As of December 31, 2010)	

Message from Top Management

Canon strives to achieve steady growth and realize a sustainable society as we continually transform ourselves in accordance with the changing times.

Launching Phase IV of the Excellent Global Corporation Plan

2011 marks the start of Phase IV of our Excellent Global Corporation Plan. In an age when the global economic map and industrial structures are being reconfigured due to dramatic growth in emerging countries, Canon is moving ahead, constantly transforming itself in response to the changing times.

During Phase III of our Excellent Global Corporation Plan, which spanned the five-year period through 2010, we revised our management policy as a result of the global recession, shifting from the growth path we had been on to a focus on improving management stability and quality. Nonetheless, we positioned 2010 as the first year in a new era of growth, and in addition to incorporating Océ N.V. of the Netherlands and OPTOPOL Technology S.A. of Poland into the Canon Group, we sought to further strengthen current main businesses and new businesses while also boosting productivity. As a result of these efforts, we were able to maintain our sound financial condition while realizing sales and profit growth, posting results befitting the final year of Phase III.

Our slogan for Phase IV of the Excellent Global Corporation Plan is "Aiming for the Summit: Speed & Sound Growth," which heralds our goal of taking our place among the world's top 100 companies in terms of major management indicators as we take on new challenges. While it goes without saying that we aim to achieve the overwhelming No. 1 position in all of our current core businesses, we are also broadening our business base by diversifying into peripheral and related fields. At the same time, we will develop the medical and industrial equipment domains into new business pillars.

We are also broadly transforming our R&D, production, and sales processes, which represent the basic functions of a manufacturer, to put us more in tune with the changing times. We continue to move forward with our Three Regional Headquarters management system,

with innovation centers in Japan, the United States and Europe, which will enable us to carry out product development capitalizing on the R&D strengths of each region. Additionally, we are establishing a globally optimized production system, by which we take a comprehensive view of the world in selecting the optimal distribution of our production sites. We are also strengthening our global sales force, focusing on the emerging countries that are the centers of growth within the global economy and, establishing a foundation as an environmentally advanced corporation.

Consistently Fulfilling Our Social Responsibilities

Based upon our corporate philosophy of *kyosei*, Canon endeavors to be a truly excellent global company, respected and admired the world over. Canon continues to expand its fields of business activity and our efforts to fulfill our social responsibilities will steadily increase.

While we continue to strengthen our compliance and internal control structures, we are also enhancing our key strategies and targets for enhancing environmental consciousness and quality.

When it comes to the consideration for the environment, Canon seeks to promote both richer lifestyles and the environment based on Phase IV of the Excellent Global Corporation Plan and the company's Action for Green environmental vision, which was introduced in 2009. While we seek to offer products with improved functionality and ease of use, as an environmentally advanced corporation Canon is also focused on developing products with superior environmental performance over the entire product lifecycle, spanning production, use and recycling, and together with our customers and business partners we are steadily working to cut CO₂ emissions, use resources effectively, and eliminate hazardous substances.

We are acutely aware that quality, which determines the foundation of a brand's trust, is

the lifeblood of any manufacturer, which is why we seek to impart a commitment to "quality first" among employees.

Furthermore, in April 2011, we established the Corporate Social Responsibility Office at our corporate headquarters, providing a major push for the company's CSR activities, which had previously been handled at the divisional level. Pursuing these unique Canon initiatives, we will continue moving forward to further transform ourselves in response to the social demands.

Response to the Great East Japan Earthquake

The Great East Japan Earthquake, which struck on March 11, 2011, inflicted enormous damage in Japan, where Canon's operations are based. We extend our heartfelt condolences to all those affected by this disaster and our thoughts go out to those suffering in its aftermath. We hope that the region will soon be able to recover from this tragedy.

To support relief efforts following the earthquake, Canon was among the first to make a financial donation and also supplied the Japanese Red Cross Society with portable digital radiography systems, which have proven effective in contributing to medical activities in disaster areas.

As for the Canon Group in Japan, not only did the disaster cause damage to buildings and production equipment, it also had a

considerable impact on our supply chain. But we realize that, during a crisis, achieving a rapid recovery so that we can provide our customers with a stable supply of products is our social responsibility, which is why we concentrated all of our resources on minimizing the impact of this catastrophe on society.

A Focus on Human Resources Development that Passes Down our Corporate Culture and Contributes to Sustainable Social Development

At Canon, we embrace the enterprising spirit that symbolizes our corporate culture, as well as the San-ji (Three Selves) Spirit—self-motivation, self-management and self-awareness—which has been a guiding principle since the company's founding. These, along with a foundation of respect for humanity, have guided Canon throughout our history of self-transformation and growth.

By passing down these ideals and nurturing human resources with global sensibilities, we will make steady progress as a truly excellent global company, achieving further growth over the next 100, or even 200, years while continuing to contribute to the sustainable development of society.

We look forward to your continued understanding and support.



Fujio Mitarai
Chairman and CEO
Canon Inc.

Tsuneji Uchida
President and COO
Canon Inc.

We are pushing on with diversification and globalization efforts to meet the demands of all our stakeholders.

Diversification

Since its beginnings as a camera manufacturer, Canon has leveraged core imaging technologies to expand into other business areas such as business machines and semiconductor equipment. We at Canon are doing our utmost to realize technological innovations that will enrich the lives of customers and contribute to achieving a sustainable society. In addition to expanding the imageRUNNER ADVANCE series of office network MFDs in 2010, we invested in developing highly competitive products with improved functionality and operability in every product sector. We are also strengthening our efforts to diversify our business in medical and other fields.

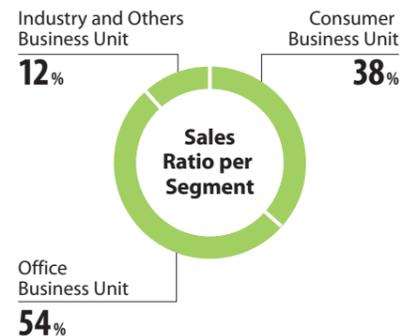
Kyosei

Globalization

Canon has since its founding aspired to develop its business globally by establishing sales, production and R&D sites worldwide, starting with a branch office in New York in 1955. In line with our corporate philosophy of *kyosei*, our more than 190,000 employees respect the laws, customs and cultures of each of the 180 countries and regions where the Canon brand is a registered trademark. In 2010, we realized further globalization through such efforts as promoting sales in Asian markets, which are showing marked growth, and welcoming Océ N.V. (the Netherlands) into the Canon Group.

Businesses and Products

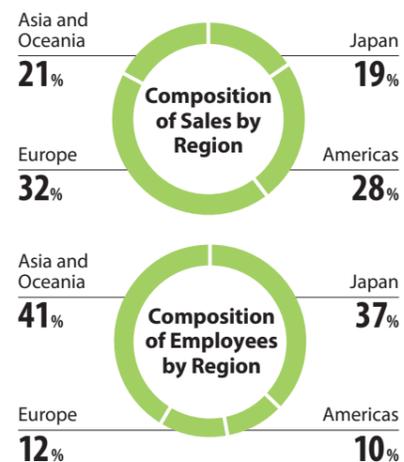
Relations with Stakeholders in Diverse Fields



* Sales ratios do not total 100% due to sales between segments of 4%.

Markets and Bases

Relations with Stakeholders throughout the World



Consumer Business Unit

- Digital single lens reflex (SLR) cameras
- Digital compact cameras
- Digital camcorders
- Compact photo printers
- Lenses for SLR cameras
- Image scanners
- Inkjet printers
- Multifunction inkjet printers
- Commercial photo printers
- Broadcast equipment
- Multimedia projectors
- Network cameras



Digital single lens reflex (SLR) cameras

Office Business Unit

- Office network multifunction devices (MFDs)
- Digital production printers
- Laser printers
- Laser multifunction devices
- Toner, photosensitive drums, toner cartridges
- Solution software
- Large-format inkjet printers



Multifunction inkjet printers

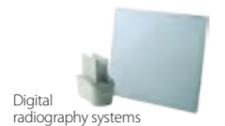
Office network multifunction devices (MFDs)

Industry and Others Business Unit

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



LCD lithography systems



Digital radiography systems

Americas



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

Europe, Africa & the Middle East



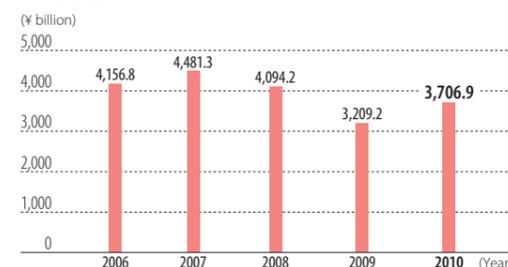
With Canon Europe Ltd. at the center of our operations in Europe, we are aggressively developing markets in Russia, the Middle East and Africa. We are also establishing R&D and manufacturing bases, and conducting business rooted in local communities.

Asia and Oceania

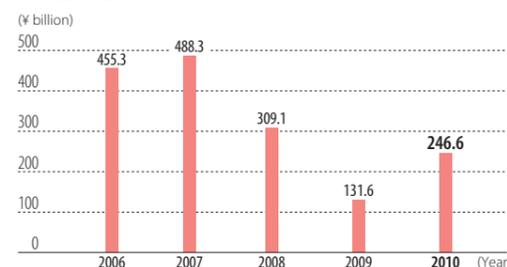


Japan plays a central role in cultivating new businesses, while working through Canon Marketing Japan Inc. to strengthen relations with customers. We are developing our production, development and sales activities in other Asian countries and regions, with the focus on Canon (China) Co., Ltd. In Oceania,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

Net Sales



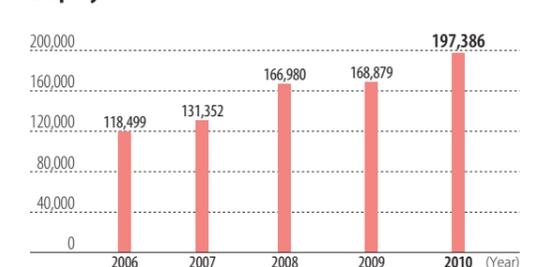
Net Income



Total Assets & Shareholders' Equity



Employees



Note: Data is based on consolidated calculations.

We are progressing with our Excellent Global Corporation Plan to achieve sustainable growth for our business as well as for society.

In 1996, Canon launched its medium- to long-term management plan, the Excellent Global Corporation Plan. Based on our corporate philosophy of *kyosei*, the plan spurs us to continue our technological contributions to society with the aim of becoming a corporation that is admired and respected the world over.

In 2011, Canon embarked on Phase IV of the Excellent Global Corporation Plan. Under the slogan "Aiming for the Summit: Speed & Sound Growth," Canon is again taking on the challenge

of achieving sound growth through timely transformations tailored to staying ahead of the changing times. Our management goals for Phase IV include net sales of ¥5 trillion or more, an operating profit ratio of 20% or more, a net income ratio of 10% or more, and a shareholders' equity ratio of 75% or more. We will focus all of our energy toward attaining these goals, with the aim of positioning ourselves among the world's top 100 companies in terms of all major management indicators.



Global Rankings in 2010

Fortune
FORTUNE Global 500*

Revenues: **216th** in the world (2009: 190th)
Profits: **202nd** in the world (2009: 131st)

July 26, 2010 issue. Evaluation of five performance measures for fiscal 2009, including revenues, profits, and assets



Financial Times
FT Global 500

93rd in the world (2009: 104th)
(7th in the Technology Hardware & Equipment Sector)

May 29/30, 2010 issue. Market capitalization ranking on March 31, 2010 (the number of outstanding shares multiplied by share price)



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

Phase IV Key Strategies

Achieving the overwhelming No. 1 position in all core businesses and expanding related and peripheral businesses

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



Digital SLR camera

Developing new business through globalized diversification and establishing the Three Regional Headquarters management system

Proceed with globalized diversification of business by cultivating such areas as medical and industrial equipment into new business pillars, and by establishing innovation centers not only in Japan but in the United States and Europe.



OPTOPOL Technology S.A. (Poland)

Establishing a world-leading globally optimized production system

Optimize production site placement by comprehensively assessing such factors as logistics, procurement, labor, and risk, as well as proceeding with in-house manufacturing and production automation.



Canon Virginia, Inc.

Comprehensively reinforcing global sales capabilities

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



Quick Service Station (China)

Building the foundations of an environmentally advanced corporation

While maintaining our efforts to development technologies for saving energy and resources, strive to create products with reduced environmental impact throughout their lifecycles, and balance corporate growth with environmental conservation.



Toner cartridge recycling

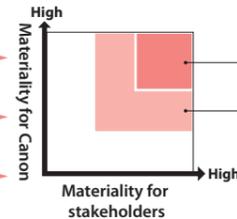
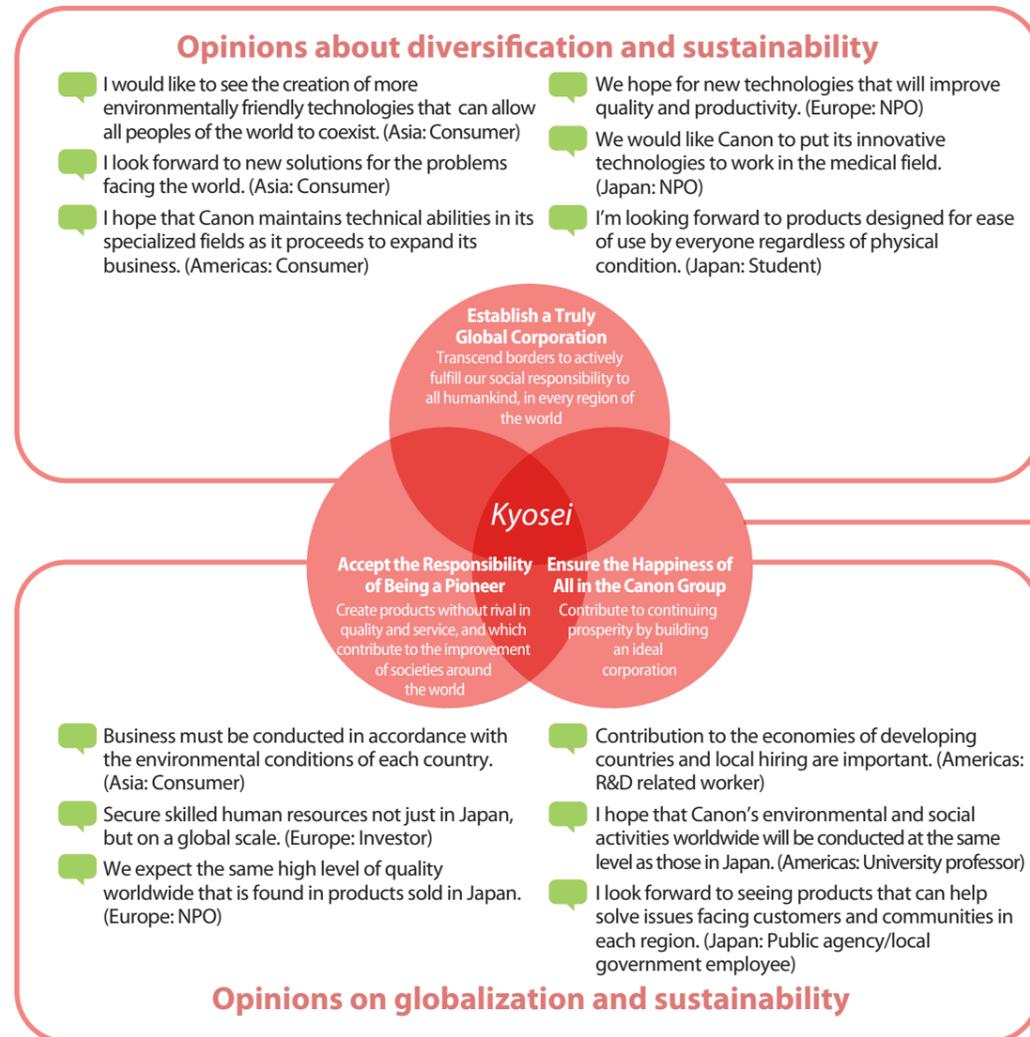
Imparting a corporate culture, and cultivating human resources befitting a truly excellent global company

Demonstrate an "enterprising spirit" based upon the San-ji (Three Selves) Spirit, cultivating and handing down a corporate culture in which all employees always face up to the challenges of transformation, while nurturing global human resources.



Global leader training

We listen to our stakeholders in establishing our materiality themes and pursuing our activities.



Materiality Themes Revised Based on Results of Stakeholder Survey

Canon conducts stakeholder surveys every year so as to establish materiality themes for our *Sustainability Report* that reflect the concerns and expectations of stakeholders. It also allows us to identify and report the concerns of particular groups of stakeholders, such as customers, shareholders, investors, suppliers, and employees.

As 2010 marked the end of Phase III of the Excellent Global Corporation Plan, we decided to revise the materiality themes. We broadened the scope of the survey this year to include respondents affiliated with universities, research institutions, government agencies and local government organizations. The survey focused on soliciting stakeholder opinions concerning

the relevance and recommended order of precedence of our seven materiality themes. We found that more than 80% of respondents agree with the themes under consideration by Canon. Of these, we selected the top six. In addition, we have reported on the items of greatest concern to stakeholders in the section of this report entitled "Canon and Stakeholders" (P29-33).

We would like to point out that the materiality theme of "Strengthening Corporate Governance and Compliance" pursued through last year, is recognized as a foundation of our corporate activities, and we will continue to strengthen the internal structures that support it.

Materiality Themes | Reporting on items that our survey shows are of importance to almost all stakeholders

- Enlivening Communications through Imaging** P11
- Creating Imaging Technologies that Will Contribute to Future Society** P15
- Reducing Environmental Burden throughout the Entire Product Lifecycle** P19
- Hiring, Developing, and Promoting Diverse Human Resources** P23
- Social and Cultural Support as a Good Corporate Citizen** P25
- Instilling Canon Quality Globally** P27

Canon and Stakeholders | Reporting on items of priority to particular stakeholders



Enlivening Communications through Imaging

Canon aims to enable people to realistically reproduce their thoughts and dreams at will through images and information, spanning time and space to facilitate creative fulfillment by providing complete imaging solutions through its lineup of input and output devices for video and still image capture. In an age when photographic and video image communications are assuming greater importance with the popularization of the Internet and high definition television broadcasting, Canon contributes to the ongoing evolution of communications in daily life, business, and industry by offering innovative digital imaging technologies.



Capturing a video with a digital SLR camera equipped with EOS Movie.

Creating a New Imaging Culture

EOS Movie's exceptional image quality and mobility bring innovation to the world of video production.



EOS 5D Mark II

As image media and video content diversify due to the spread of digital broadcasting, Internet video distribution, and high definition video, demand for new means of video expression is growing. Contributing to the evolution of video expression is EOS Movie, the movie-shooting function of Canon's EOS digital SLR cameras.

Since EOS 5D Mark II, the first EOS equipped with EOS Movie, was launched in November 2008, this technology has gained the attention of video creators around the world, and it is already being used in such productions as music promotion videos, TV dramas and documentaries. In fact, not only is it being used in short films, it is even used in Hollywood feature films.

One reason video professionals are taking such an interest in EOS Movie is its exceptional image quality. In comparison to ordinary video cameras, the EOS 5D Mark II features a much larger 35 mm full-size CMOS sensor. This enables the creation of impressive movies making use of beautiful *bokeh* (blurring) effects that were previously impossible to achieve.

EOS Movie offers superior sensitivity which allows the shooting of beautiful video, even indoors under low-light conditions, which reduces the time and work involved in of lighting placement and adjustment. In addition to



Making a movie in the United States with EOS Movie

standard, wide-angle and telephoto lenses, EOS Movie can make use of Canon's extensive line of interchangeable lenses for digital SLRs — from fisheye to macro, and more— to produce all sorts of creative video effects. Filmmakers choose EOS Movie for the superior mobility provided by the SLR's compact size and light weight.

EOS Movie makes full-scale video expression possible using an accessible digital SLR camera, and we hope that it will broaden the horizons of moviemaking and serve to encourage the appearance of many new creators. Canon will continue to enhance the operability, functionality, and capabilities of EOS Movie, seeking for example to offer a greater line of interchangeable lenses, so that we can continue to contribute to the further development of imaging culture.



Using different EF lenses enables a variety of image expressions



Create beautiful bokeh images with 35 mm full-size sensors

Enlivening Communications through Imaging

For Smooth Business Communications

The imageRUNNER ADVANCE series of office network MFDs facilitates the efficient management and sharing of business information, contributing to more active office communications.

The contemporary business scene requires an office network environment capable of efficiently and effectively handling diverse document data formats.

Canon has developed the imageRUNNER ADVANCE series of network MFDs to meet such needs by providing improved productivity through high-speed, high-quality printing and scanning. Furthermore, the imageRUNNER ADVANCE also features enhanced ease of use, allowing continuous multiple operations, such as document storage, copying, and emailing, with the press of a single button. Also, the MFD provides reliable security by preventing unauthorized access by coupling individual authentication with user registration and usage authorization registration. Eliminating the barrier between paper and digital data, the imageRUNNER ADVANCE makes the complicated procedure of networking paper-based data much simpler.



imageRUNNER ADVANCE C5051

Canon will continue to expand the imageRUNNER ADVANCE lineup to match the usage needs of its various customers. Our goal is to make it possible for everyone to maximize the efficiency and added value of their document work, and to support more efficient and active business communications.



Customized menu that can be set by individual users

imageRUNNER ADVANCE, core office equipment for enlivening business communications



DreamLabo 5000 is capable of printing the contents of a 20-page A4-size photo album in just 72 seconds.

Making Digital Era Photography More Rewarding

Canon has evolved the inkjet technology it has developed over many years, and now offers a commercial photo printer capable of high-quality images and high-definition text.



DreamLabo 5000 (when outfitted with optional paper deck)

As the popularity of digital cameras has grown in recent years, the variety of printing options, such as store-based photo printing as well as Internet print services offering photo albums, postcards, and calendars, has grown with it. The on-demand printing market has also become an active sector of the printing industry, with increasing demand for high-quality printing of such items as top-grade catalogs featuring high-resolution photographs.

To meet such advanced commercial photo printing and on-demand printing needs, Canon has decided to enter the commercial photo printing market with the launch of the DreamLabo 5000. The DreamLabo 5000 features inkjet technologies refined over many years, including a newly developed proprietary wide print head

incorporating Canon's FINE technology that enables microscopic ink droplets to be ejected at a prescribed volume and with accurate placement, as well as a seven-color dye-based ink system for smooth gradation expression with vivid coloration. This realizes color representation that comprehensively surpasses that of conventional silver halide photographs and detailed text. It also provides the high level of productivity required in commercial photo printing due to its ability to print the contents of a 20-page A4-size photo album in just 72 seconds, as well as enabling paper and ink tank replacement during printing.

Canon will continue to offer a variety of data input and output products and services, thus helping customers to a rewarding photography experience.

Creating Imaging Technologies that Will Contribute to Future Society

Canon's creative technology development has allowed it to continue to offer pioneering imaging products since its founding. We create innovative imaging technologies, using all of the technical expertise at our command, including optical and precision technologies as well as leading-edge device design and development technologies, and image processing technologies. Aiming to help people live richer, healthier lives, Canon will strive to create completely new businesses and products.



Research and development on AO-SLO (adaptive optics scanning laser ophthalmoscope) at Kyoto University Hospital CK Project Lab

Leading-Edge Imaging Technology for Progress in Medicine

Canon is contributing to early detection and treatment of disease by pursuing an industry–university partnership research project with Kyoto University for developing next-generation diagnostic equipment.

Early detection and treatment are important to preventing the progress of a disease and to curing it. Accurate testing for early diagnosis has become even more important in recent years, with lifestyle diseases becoming more diverse and the causes of disease more complex.

Canon is building upon the innovative sensor and image processing technologies we have accumulated up to now to make progress in the research and development of diagnostic equipment for the imaging of areas affected by disease, so as to make early detection possible.

Through the CK (Canon–Kyoto University Cooperative Research) Project, launched in 2006, Canon engineers work with Kyoto University researchers to pool knowledge in technology development and clinical research in the latest fields of medical imaging diagnostics.

The CK Project focuses on joint research in fields such as optical coherence tomography (OCT), optical ultrasound imaging, and medical imaging diagnostics support. In 2010, optical ultrasound

mammography, as well as OCT, progressed to the clinical research stage.

Kyoto University received a grant from the Ministry of Economy, Trade, and Industry with the goal of promoting early application of these sorts of next-generation medical devices. The funding was used to establish the Advanced Medical Device Development and Clinical Research Center at Kyoto University Hospital in May 2011. Canon also donated ¥500 million for support of the center in December 2010. The CK Project will also be located within the center. We expect that establishing an environment in which clinicians, university and industry researchers can work together will lead to stronger ties between industry and academia, as well as between medicine and engineering.



Conceptual rendering of Kyoto University Advanced Medical Device Development and Clinical Research Center

Important Research Fields of the CK Project

Optical Ultrasound Mammography for Early Detection of Breast Cancer

The incidence of breast cancer is increasing worldwide. X-ray mammography is the main method currently in use for detection, but the heavy impact it has on the body is an issue that discourages screening.

The CK Project has been developing optical ultrasound mammography, which makes it possible to use photoacoustic effects for internal visualization of the human body, and also to diagnose benignancy/malignancy. If this method of detection can be made practical, it will make possible early detection of cancerous growths that currently are difficult to discover. Also, optical ultrasound is easier on the body than X-ray mammography, eliminating fears about radiation exposure, so it is expected to contribute to improving rates of screening for breast cancer.

Optical Coherence Tomography (OCT) for Early Detection of Lifestyle-Related Diseases

Demand is increasing for high-resolution equipment for examining the fundus of the eye to discover signs of the early stages of lifestyle diseases and their complications, such as retinal abnormalities due to diabetes.

The CK Project is developing OCT equipment that uses optical interferential action to acquire images of the fundus of the eye, and is working on significant improvement of imaging speed and resolution. The CK Project has already developed a world-class prototype model, and has begun using it to collect clinical data. Development of faster imaging technology and image diagnosis software will continue as we work toward commercialization of OCT equipment.

Pursuing New Possibilities in Image Technology

Canon is breaking new ground in the world of image expression with development of the world's most advanced ultra-high resolution, ultra-sensitive CMOS sensor.

Digitalization is expanding the world of image expression. As the need for greater image quality and resolution increases every day in every area of society, at the private consumer level as well as in business and industry, Canon continues to pursue improvement of its CMOS image sensor.

2010 marked the successful development of an APS-H-size (approximately 29.2 mm x 20.2 mm) CMOS sensor that delivers an image resolution of approximately 120 megapixels (13,280 x 9,184 pixels), the world's highest level*1 of resolution for its size. This made possible the high-speed readout of sensor signals, enabling a maximum output speed of approximately 9.5 frames per second and the continuous shooting of ultra-high-resolution images.

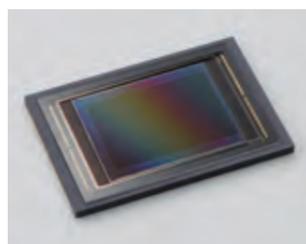
Canon also succeeded in developing the world's largest*2 CMOS sensor (chip size 202 x 205 mm) at approximately 40 times the size of a 35 mm full-size sensor. Making each pixel larger allows much more light to be gathered, facilitating the shooting of 60 frame-per-second video with a mere 0.3 lux of illumination. Potential applications for the new high-sensitivity CMOS sensor include

night vision applications for the video recording of celestial objects and nocturnal animals.

In addition, Canon produced a prototype CMOS sensor and LCD monitor for 4K (4,096 x 2,160 resolution) video four times greater than that of existing Full HD (1,920 x 1,080). In actual application this makes possible high-resolution imaging of freeze-frames and expanded displays of sections of video. A 4K camera and display would have medical and industrial applications, as well as in the individual consumer market.

Canon will pursue new digital imaging possibilities by continuing to develop leading-edge image sensors as well as image processing and display technologies.

*1 As of August 20, 2010. Based on a Canon study.
*2 As of August 27, 2010. Based on a Canon study.



120-megapixel CMOS sensor

Development testing of the world's largest CMOS sensor (chip size 202 x 205 mm)



Demonstrating MR technology at the Canon Group's comprehensive showcase exhibition, "Canon Expo 2010."

New Visual Experiences Create Innovation in Manufacturing

Canon seeks to contribute to a variety of fields, including manufacturing, by developing and applying Mixed Reality (MR) technology that seamlessly merges the real and virtual worlds.

The rapid evolution of digital and imaging technology is resulting in the emergence of technologies that were previously unimaginable. One of these is the Mixed Reality (MR) technology under development by Canon. This technology accurately fuses computer graphic (CG) images into the real world, giving the impression that virtual objects actually exist, and the sense that they can actually be touched and moved, making virtual reality feel even more real. MR technology is expected to be used in application in a wide variety of fields, including industry, museum and gallery displays, medicine, education, and entertainment.

Canon's wealth of imaging technologies is driving MR technology development. This includes our proprietary geometric registration technology, which combines the image processing technology and position orientation sensors we have developed over many years. We have also developed a proprietary head mounted display (HMD) which enables the viewing of layered 3D images in actual space, allowing the observation of virtual objects from a variety of locations and making it possible to get a sense of

the 3D shape and scale of them.

One area in which the special attributes of MR technology hold great promise is in design and manufacturing solutions in the industrial sector, such as for automobiles, ships, and production plants. MR technology can be used to project 3D-CAD (3D design tool) design data in real space as a virtual full-size product model, allowing the identification of design problems and the checking of exterior design, operability and other items prior to actual prototype production. This can reduce the number of prototypes, which cuts costs and environmental impact as well as reducing the time needed for development.

Canon will continue to seek new application possibilities for MR technologies in products and solutions that are useful to society.



Comparison of the virtual world as viewed through an HMD (right) vs. the real world view (left)

Reducing Environmental Burden throughout the Entire Product Lifecycle

The Canon Group Environmental Charter, which is the foundation of our environmentally conscious management, demands that we seek to maximize resource efficiency by achieving greater value with fewer resources, so that life on Earth can continue to thrive.

The Canon Environmental Vision calls for achieving highly functional products with minimal environmental burden. To this end, we have drawn up an action plan encompassing the entire product lifecycle, and are closely monitoring progress made.



Expanding Our Environmental Frontrunner Product Lineup

We are developing our lineup of Environmental Frontrunner Products, which maximize function while minimizing environmental impact.

As outlined in our "Action for Green" environmental vision, we seek to use technological innovation and improved management efficiency to achieve sustainable corporate growth while also contributing to the development of a society that equally supports enriched lifestyles and the global environment. This means that while striving to create products which are more convenient, easier to use, and offer greater functionality, we simultaneously must also strive to reduce environmental impact in each of the three lifecycle stages; namely, Produce, Use and Recycle.



To that end Canon has been promoting its Environmental Frontrunner Project for development of environmentally conscious products, in which all products operations and Group companies, as well as partner companies, participate. Representative of our Environmental Frontrunner Products is the imageRUNNER ADVANCE series of office network MFDs, which we introduced in 2009.

Development of this series was driven by an environmentally conscious design method to set and control CO₂ emission reduction targets for each stage of the product lifecycle. We increased

The Canon Environmental Vision Concept
We take account of environmental impacts the entire product lifecycle.



the products in this lineup in 2010, adding compact and monochrome models.

We also launched a number of products, including the "imagePRESS" digital production printer series and "Satera" (Japan only) laser printer series, which incorporate a variety of environmentally conscious features, such as the use of bio-based plastics and lead-free components, in addition to having improved energy efficiency.

Canon will continue to expand the number of Environmental Frontrunner Products, not only of items such as MFDs and printers, but also in other product areas, as a means of contributing to finding a balance between enriched lifestyles and the global environment.

2010 Environmental Frontrunner Products

imageRUNNER ADVANCE



imagePRESS



Satera (Japan only)



The imagePRESS C7010VP/C6010 digital production printer was developed as an Environmental Frontrunner Product

Reducing Environmental Burden throughout the Entire Product Lifecycle

Action Plan and Results of Activities for 2010

Action Plan		2010 Results
Raw Materials	Reducing CO₂ from raw materials/procured goods	<ul style="list-style-type: none"> Reduce waste in resource investment and energy in cooperation with suppliers Reduce environmental burden through the use of simulations during development
	Promoting environmentally conscious design	<ul style="list-style-type: none"> Promote ultra-compact, lightweight, easy-to-use designs Use low-environmental-impact materials and promote designs with product lifecycles in mind Reduce waste in accessories, packaging materials, etc.
	Handling of hazardous substances in procured goods and legal compliance	<ul style="list-style-type: none"> Expand green procurement; enhance environmental data management systems Instill confidence by strengthening compliance systems
	Reducing CO₂ at operational sites	<ul style="list-style-type: none"> Reinforce energy-saving production technologies; promote installation of energy-saving production facilities Raise efficiency by thoroughly managing energy use Use energy sources with less environmental burden
Production	Resource efficiency at operational sites	<ul style="list-style-type: none"> Further reduce resource and energy waste through the introduction of Material Flow Cost Accounting (MFCA) Enhance technologies for the reuse of resources
	Management of hazardous substances and legal compliance	<ul style="list-style-type: none"> Strengthen management systems for regulated chemical substances Employ preemptive development and use substitute substances
	Reducing CO₂ during distribution	<ul style="list-style-type: none"> Shift to modes of transportation with less environmental impact (modal shift) Reduce waste in transport distances, loading methods, and distribution processes
	Improving packaging processes	<ul style="list-style-type: none"> Simplify packaging through improved technologies and product strength Increase packaging efficiency through the use of returnable packaging Optimize localized kitting
Usage	Reducing CO₂ during use	<ul style="list-style-type: none"> Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc. Minimize energy loss during use through energy-saving technologies Introduce ECO-use support technology (ECO mode, ECO switch)
	Usage proposals to customers (GREEN NAVI)	<ul style="list-style-type: none"> Propose equipment settings and usages that balance convenience and environmental performance Reinforce customer-product interfaces, and consequently reduce environmental impact
	Improving product value during use	<ul style="list-style-type: none"> Promote disclosure of product environmental information Promote both energy efficiency and improved imaging value
Recycling	Strengthening recycling systems	<ul style="list-style-type: none"> Expand "Collection and Recycle" systems for used products throughout the Canon Group Improve effectiveness through optimal mix of remanufacturing (REM), parts reuse, and recycling Promote extraction and circulation of high-value-added parts and materials
	Improve recycling processes	<ul style="list-style-type: none"> Enhance recycling process technologies

Major Achievements during 2010

World's Thinnest 10x Optical Zoom Lens Camera*

The PowerShot SD4500 IS DIGITAL ELPH (IXUS 1000 HS) digital compact camera has new light-folding retractable-prism lens barrel makes possible high-image-quality performance and the achievement of the world's thinnest 10x optical zoom lens camera with a body depth measuring only 22.3 mm.



PowerShot SD4500 IS DIGITAL ELPH (IXUS 1000 HS)

Technological Success in Molding Large Bio-Based Plastic Parts

Canon, in partnership with Toray Industries, has developed technology to mold large parts from the same flame-retardant plastic that is used in the imageRUNNER ADVANCE series. We have succeeded in accomplished mass production of the industry's largest external part made from bio-based plastic, which at 640mm x 440mm is about 11 times larger than the largest part achieved previously. Our imagePRESS C7010VP/C6010 digital production printer incorporates these parts.



World-leading bio-based plastic exterior parts

Promoting Energy Saving by Manufacturing Equipment In-House

By manufacturing annealing process* equipment used in molding plastic parts in-house, we have cut CO₂ emissions by 1,500 tons/year. The new equipment uses hot water for heat application in the annealing process instead of infrared heater panels, and the line transport system has been changed from a gondola-type to a conveyor. In addition to significant energy savings, we have also reduced running costs by ¥53 million/year.

* Annealing process: The process of preventing deformities that occur when molding plastic, and stabilizing dimensions by heating and slowly cooling the articles.

Improved Operability Reduces Waste

The PIXMA MG6100-series multifunction inkjet printer uses an Intelligent Touch System to navigate the user through a series of operations by lighting only the relevant keys. This makes operation easier at every step, and reduces paper output and electricity waste during customer operation. Also, strengthening the body of the PIXMA MG6100 series and reducing the size of items packed with it has enabled a 19% reduction in the amount of foam polystyrene cushioning required.



PIXMA MG6100 series

Increased Number of Ink Cartridge Collection Points

We started new ink cartridge collection and recycling operations in 5 countries/regions overseas, bringing the total as of May 2011 to 14 countries and regions. We also continued with our "Ink Cartridge Satogaeri" (Homecoming) Project in cooperation with other printer manufacturers in Japan. Common collection boxes for the six companies were installed in more than 3,600 post offices throughout Japan, as well as at approximately 1,000 locations at 80 local governments. This project began donating to the United Nations Environment Programme (UNEP) in 2010, providing around ¥4.3 million during the course of the year.



Cartridge collection box at a municipal government office

* "Satogaeri" can be translated as "homecoming" in English.

2011 Action Plan

Action Plan		
Raw Materials	Reducing CO₂ from raw materials/procured goods	<ul style="list-style-type: none"> Reduce waste in resource investment and energy in cooperation with suppliers Reduce environmental burden through the use of simulations during development
	Promoting environmentally conscious design	<ul style="list-style-type: none"> Promote ultra-compact, lightweight, easy-to-use designs Use low-environmental-impact materials and promote designs with product lifecycles in mind Reduce waste in accessories, packaging materials, etc.
	Handling of hazardous substances in procured goods and legal compliance	<ul style="list-style-type: none"> Expand green procurement; enhance environmental data management systems Instill confidence by strengthening compliance systems
	Reducing CO₂ at operational sites	<ul style="list-style-type: none"> Reinforce energy-saving production technologies; Promote installation of energy-saving equipment *1 Raise efficiency by thoroughly managing energy use Use energy sources with less environmental burden
Production	Resource efficiency at operational sites	<ul style="list-style-type: none"> Further reduce resource and energy waste through the introduction of Material Flow Cost Accounting (MFCA) Improve the rate of transition to resource recycling and recycling technologies *1
	Management of hazardous substances and legal compliance	<ul style="list-style-type: none"> Strengthen management systems for regulated chemical substances Employ preemptive development and use substitute substances
	Reducing CO₂ during distribution	<ul style="list-style-type: none"> Shift to modes of transportation with less environmental impact (modal shift) Reduce waste in transport distances, loading methods, and distribution processes
Logistics	Improving packaging processes	<ul style="list-style-type: none"> Simplify packaging through improved technologies and product strength Eliminate waste from the packaging process and make it efficient *1
	Reducing CO₂ during use	<ul style="list-style-type: none"> Promote both energy efficiency and convenience through minimized energy consumption in standby mode, ultra-fast startup, etc. Minimize energy loss during use through energy-saving technologies
Usage	Usage proposals to customers (GREEN NAVI)	<ul style="list-style-type: none"> Propose equipment settings and usages that balance convenience and environmental performance Strengthen the customer/product interface through Eco-Use support technologies, etc. *1
	Improving product value during use	<ul style="list-style-type: none"> Promote disclosure of product environmental information Promote both energy efficiency and improved imaging value
	Strengthening recycling systems	<ul style="list-style-type: none"> Expand "Collection and Recycle" systems for used products throughout the Canon Group Improve efficiency by promoting remanufacturing (REM), component reuse, and recycling *1
Recycling	Improve recycling processes	<ul style="list-style-type: none"> Create advanced materials recycling technologies *2 Improve the efficiency of disposal processes *2

Changes to Action Plan in 2011

*1 Plan name changed to reflect expansion of content and to strengthen the activities.

*2 Changed to "Create advanced materials recycling technologies" and "Improve the efficiency of disposal processes" so as to strengthen improvements in the process of transitioning to recycling.

Hiring, Developing, and Promoting Diverse Human Resources

Canon employs over 190,000 employees around the world. We continually strive for sustainable growth as a member of the international community, so we design our training programs to cultivate world-class talent. This means instilling in our employees the respect for humanity and enterprising spirit that are part of our corporate DNA, as well as the San-ji (Three Selves) Spirit—self-motivation, self-management and self-awareness—Canon's guiding principle which has been passed down since our founding. We also seek to promote personnel with a variety of skills and personal abilities, and to create workplace environments that enable each and every employee to work to his or her full potential.



Trainer development at Canon Hi-Tech Thailand

Contributing to Society by Moving Forward with Job Creation

We contribute to job creation and economic development by actively seeking to hire locally when a new plant commences operation.

Canon is adding new production sites or expanding existing ones throughout the world to increase its production capacity to meet the growing demand for its products. Whenever we do so, we focus on the communities around that plant in our hiring in order to do what we can to contribute to lives and economies in the region.

For example, Nagasaki Canon Inc.'s establishment of a digital camera manufacturing plant in the town of Hasami in Nagasaki's Higashi Sonogigun in March 2010 resulted in the hiring of approximately 500 regular employees (approximately 900 as of the end of March 2011), most of whom are from Nagasaki, with regular rounds of hiring scheduled for the future. Also, Hita Canon Materials Inc., our manufacturer of toner and toner cartridges for

laser printers, will begin construction of a new plant in May 2011, with operations scheduled to begin in May 2012. The company will be actively seeking personnel, with the goal of creating a workforce of approximately 350 by 2015.

Outside of Japan, Canon Hi-Tech (Thailand) Ltd. is currently constructing a second plant to strengthen production of inkjet printers.

Scheduled to begin operations in October 2011, the new plant will employ around 5,000 workers.



Nagasaki Canon focuses on local human resources

Instilling the Spirit of Canon Manufacturing in Our Global Workforce

Canon seeks to develop a sustainable global manufacturing structure in harmony with the international community by training highly skilled manufacturing personnel at our production sites.

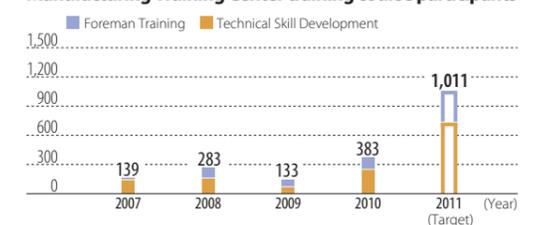
Canon focuses on cultivating engineer and technician trainers at each of our production sites. Taking the lead in this effort is our Manufacturing Training Center. We continued to shore up our global manufacturing training structure in 2009, and training got off to a full start in 2010.

We conducted trainer development programs for technical/skill training, management training, and the development of instructors for onsite training in Southeast Asia and China in 2010, focusing mainly on plant managers and technicians at manufacturing companies. A total of 383 employees attended these courses. We plan to expand this program to include more than 1,000 employees in 2011, with the main focus of our training strategy being the development of key technicians and foremen at each manufacturing site, as well as the expansion and improvement of

the training provided by onsite instructors.

We also conduct the Technical Skills Test program at production sites, with the goal of improving technical skill development. The Manufacturing Training Center has supported the establishment of this program at Canon Opto (Malaysia) Sdn. Bhd. and Canon Hi-Tech (Thailand). The Center will continue providing support at more production sites to enable them to conduct the Skills Test program.

Manufacturing Training Center training course participants



Social and Cultural Support as a Good Corporate Citizen

Aiming to be a company admired and respected the world over, Canon continually works in accordance with its corporate philosophy of *kyosei* to contribute to society through its core technology and product businesses while also developing social and cultural support activities in response to a variety of social needs and issues. We actively seek to fulfill our responsibilities as a “good corporate citizen” in all of the countries and regions where we operate.



Canon—Green Library for Kids: Through this program more than 40,000 books for children have been donated

Seeking Harmony Between Mankind and Nature

Canon supports the WWF’s Polar Bear Tracker project as a WWF Conservation Partner, and contributes to studying the impact of global warming.

The North Pole, realm of the polar bear, is one of the places where the impact of global warming is most notable. The polar bear is a hunter that travels the sea by drifting on ice floes. Global warming has caused the pack ice to shrink in the summer, threatening the health of polar bear populations. In response, the WWF (World Wide Fund for Nature) and WWF Conservation Partner Canon Europe in 2007 launched the Polar Bear Tracker project, which tracks the movements of polar bears by satellite.

For this project, polar bears are fitted with transmitter collars, enabling their movements to be tracked. This data, which has been published on a public website, has proven useful to various studies, including those focused on

ice distribution as well as changes in the polar bear’s habitat range. The July 2010 study report noted that “cubs ride on the mother’s back while crossing the sea,” a behavior that may increase the cubs’ chances of surviving longer swims between increasingly remote patches of sea ice.

As part of the Polar Bear Tracker project, the WWF and Canon Europe have established a polar bear-themed environmental education website for children. A “Name a Real Polar Bear” campaign was conducted in 2010 in an effort to increase children’s awareness and understanding of global environmental conservation.



Polar bear mother and cub at sea © Angela Plumb

Contributing to Regional Environmental Conservation

Canon is a partner with the Vietnamese government in Canon—For A Green Vietnam, a comprehensive environmental project aimed at increasing environmental awareness in local communities.

Excessive logging has reduced forest coverage in Vietnam, causing deforestation to become an important environmental conservation issue. In response to this, Canon joined forces with Vietnam’s Ministry of Natural Resources and Environment in 2010 to launch Canon—For a Green Vietnam, a comprehensive environmental project for increasing environmental conservation consciousness in local communities.

Consisting of five programs, the project encompasses forestry resource conservation through large-scale tree planting, as well as efforts to support and improve Vietnam’s education environment.

Of these programs, the “Canon—Green Library for Kids” is receiving particular recognition in local communities. The program is aimed at providing children with opportunities to think about

environmental conservation through a donation of more than 40,000 books.

Canon will continue to draw upon its corporate philosophy of *kyosei* in contributing to communities in every region of the world where it does business.

The Five Programs Comprising Canon—For a Green Vietnam

Canon—Environmental Bag Exchange	The collection of used books in exchange for environmental bags, so as to reduce the use of plastic bags
Canon—Forest Plantation Project	A 20-hectare tree-planting project for conserving forestry resources
Canon—The 7th “Improving water consumption and protection” contest	Contestants offer ideas for solving water-conservation issues
“Canon—Green Prism” photo contest	A nature- and environment-themed photography contest
Canon—Green Library for Kids	Used books exchanged for environmental bags and collections of photos from the Green Prism photo contest are donated to elementary and middle schools

Instilling Canon Quality Globally

Canon is a registered trademark in more than 180 countries and regions. We put our all into maximizing the quality and trustworthiness of our products to meet the expectations of customers worldwide who select the Canon brand.

Our quality message is "Canon Quality: safety + smartness + satisfaction." We conduct thorough quality improvement in every process, from product planning and development through production, sales, and service.



Quality checking at a production site

Aiming for Continuous Quality Improvement

We seek to enhance quality in every process, from product planning through to customer service.

Canon's policy is "a total commitment to 'Quality First'." This means that we seek to improve quality in each process, including planning, development and design, mass-production trial, production, sales and service.

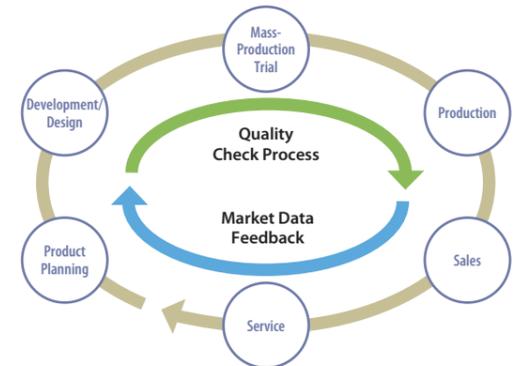
We ensure the creation of high quality products by applying our own strict standards for checking quality in each process, from development and design through to sales. As a rule, quality standards must be met before proceeding to the next stage. The process transition rules were improved in 2010 with the goal of continuous quality enhancement.

In addition, Canon has established unique Product Safety Technical Standards for assessing product safety from the perspective of the customer in each of the processes involved in the development and design as well as mass-production trial stages. These standards provide for strict safety controls that exceed legally mandated safety standards, including the safety

of chemical substances and quality assessment of electronic parts.

We also monitor information about post-sale product quality, as well as requests from customers concerning our products. This information is then offered as feedback to the product planning, development and design departments, who use it to enhance product quality.

Flow of Continuous Quality Improvement



Enhancing Our Quality Efforts

By sharing examples of original quality improvement efforts made at our Group companies and plants worldwide, we seek to improve quality throughout the Group.

Each Canon Group company and plant undertakes its own unique approach to enhancing efforts to improve quality. For example, beginning in 2010, Canon Vietnam Co., Ltd. began conducting level-specific training for employees, including "Basic Training for General Workers," "Multi-training for Development of Multi-Process Capable Workers," and "Management and Technical Skills Training for Leaders." A training video is one of the educational tools developed for the basic training of general workers. By repeatedly teaching matters which are not written in the operation standards, such as common sense issues and paying attention to detail, as part of the assembly process "work code,"

we have been able to create an environment in which inferior quality is not acceptable. Improved quality is also realized through the use of IT to hasten "bringing abnormalities to light" when problems occur.

Such examples of success are shared throughout the Group, and Canon annually hosts "Quality Fair – Quality Awards" to showcase such activities with the aim of raising quality consciousness and increasing employee motivation.



Presenting Canon Vietnam's example of success at the Quality Fair



With Our Customers



PIXMA MG6100-series multifunction inkjet printer incorporating universal design

Canon's Online Photo Services—A Rich Resource for Our Customers

CANON IMAGE GATEWAY is an exclusive online photography resource and service that we offer in 19 countries, including Japan, the United States, the United Kingdom and Germany, so our customers can get the most out of their photography experiences. It provides access to a variety of services, such as Online Photo Albums, which allow users to share photos with their friends on the Web, and the Print Project for creating greeting cards and calendars that include user photos.

We also started the PHOTOPRESSO online photo service in Japan. This service offers users the “publishing experience,” from creation through release, printing and distribution of photo books. We plan to offer this service outside Japan as well.



CANON IMAGE GATEWAY site screen (the United Kingdom)

Companywide Universal Design Project

Universal design is the attempt to create designs that can be used by all, irrespective of age, gender, nationality, or physical ability. Canon is adopting the concept of universal design, which is consistent with our policy of “making user-friendly products.”

We launched our Companywide Universal Design Project in 2009 with the goal of further encouraging such efforts and presenting Canon's universal design approach to customers. We drew up a universal design policy, and proposed ideas for its incorporation in our product designs to each of our product development divisions.

We continued our efforts in 2010 by distributing a pamphlet outlining a variety of users' physical characteristics and usage issues to our development divisions, so as to increase universal design awareness. We also distributed pamphlets describing Canon's universal design efforts to customers at product exhibitions.

We will continue to work to develop products that all of our customers can use with ease, as well as to generate new product value with the aim of increasing the satisfaction of a broader range of users.

imageRUNNER ADVANCE series office network MFDs



Large, bright LCD touch panel allows users to customize the display menu and can be adjusted to the desired angle



Voice-recognition control supports basic operations

PIXMA series inkjet printers



Operational panel GUI (Graphical User Interface) with improved visibility



LED blinks when ink is running out



With Our Shareholders and Investors



Management policy briefing for institutional investors

Renewed Investor Relations Website, Enhancing Content for Individual Investors

In addition to holding IR events and responding to investor inquiries, we recognize the need to provide appropriate information disclosure through active use of our website to enable shareholders and investors to better understand such issues as our management policy and strategy.

We conducted a comprehensive renewal of our investor relations website in 2010, taking the perspective of our shareholders and investors in seeking to make the information on the site more reliable and easier to understand.

The renewal concentrated on organizing information and improving navigation to make it easier for investors to access the information they care about, such as management policy and investor briefings. We also enhanced the content for a better understanding of our company and also to respond to the questions of individual investors.



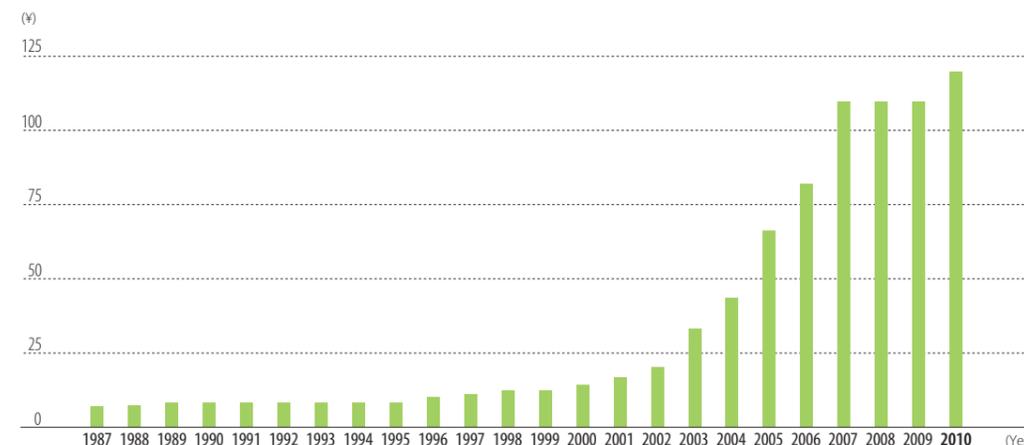
Investor relations website

Dividend Raised to Reflect Improved Financial Condition

Canon Inc.'s basic policy is to provide stable returns and actively return profits to shareholders, mainly in the form of a dividend.

In fiscal 2010, against a backdrop of economic recovery, we achieved our target of significant profit expansion. We also succeeded in expanding cash on hand through thorough cash flow management. Taking the above into account, we raised our dividend by ¥10 to ¥120 per share for the full year.

Annual Per-Share Dividend Trend



For shareholders of record at the close of business on June 30, 2006, Canon made a 3-for-2 stock split of common shares. Annual per-share dividend amounts are calculated and presented on a post stock split basis.



We create strong cooperative relationships with suppliers through meaningful dialogue

Asking Suppliers to Fulfill Their Social Responsibilities

Canon strives to ensure that suppliers understand our procurement standards 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 Requests for Suppliers on our website in November 2009. This is a list of items concerning our suppliers' responsibilities in regard to the environment, human rights, labor, compliance, and other matters.

We also held briefings for suppliers around the world in 2010 to explain what these requests entail.

Disclosure Regarding Conflict Minerals

The term conflict minerals refers to minerals such as tantalum, tin, gold and tungsten originating in the Democratic Republic of the Congo and adjoining countries in Africa that are alleged to be closely linked to conflict involving human rights violations in the eastern Democratic Republic of the Congo.

In the United States, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, a statute targeting financial reform, was enacted, and a provision relating to the disclosure of conflict minerals was included

Request for Suppliers

1. Comply with all applicable laws and regulations. (human rights, labor, safety and health, and so on)
2. Contribute to the growth of society as a "good corporate citizen".
3. Promote fair, honest and highly transparent business, along with the implementation of corporate ethics by prohibiting the activity against corporate social responsibility such as abuse of dominant position and eliminating antisocial forces.
4. Construct the production system considering environmental conservation by observing Canon Green Procurement Standards and promoting the activity to reduce CO₂ emissions, and so on.
5. Secure the 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 high level in quality, cost, delivery and technical aspects.

We will continue to strengthen our relationships with suppliers to conduct business across the entire supply chain in a way that meets the expectations and gains the trust of society.

in the Act, requiring publicly listed companies in the United States to report and make public in the near future the use of so-called "conflict minerals" in their products.

Canon has begun investigations into whether or not the raw materials the company purchases for use in its products include conflict minerals. Additionally, the company will strive to act in accordance with the Dodd-Frank Act and related disclosure rules to be established by the U.S. Securities and Exchange Commission.



Intercultural training seminar underway at Canon Europe

Intercultural Training Seminars at Operational Sites in Europe

Canon maintains manufacturing sites and business offices throughout the world, and we therefore work hard to create workplace environments and a corporate culture in which diversity is respected, so that our employees, who are of a variety of nationalities as well as ethnic, linguistic and cultural backgrounds, can respect the individuality of their colleagues.

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

These workshops were held 14 times in 2010 at four sites in the United Kingdom, the Netherlands, Germany, and Austria, with a total of around 280 participants. This represents a broad increase over the previous year in regard to the number of sites and participants, and awareness about cultural exchanges has improved. We plan to continue holding these workshops.



Participants learning about the cultures of other regions

Seminars for Managers in China and Vietnam

Since 1980, Canon has invited management-level employees from Group companies around the world to the Tokyo Seminar. In addition to deepening their understanding of Canon, the seminar aims to enhance participants' awareness of their roles as Canon Group members and raise their level of management from a Group perspective.

Against a backdrop of rapid expansion of business in China, we launched a China version of the Canon Tokyo Seminar in 2009, bringing to Japan assistant directors and senior managers from Group companies in China. Although regular Tokyo Seminars are held in English, this event was conducted in Chinese. We held these seminars again in 2010, this time hosting 20 participants. The topics of study included Canon's corporate ethics and business strategy, as well as intercultural relations.

We also held a Vietnam version of the Tokyo Seminar in 2010 to train managers from Canon Vietnam Co., Ltd., one of our main production sites. Twelve employees participated in the event.

We plan to continue conducting such seminars in future.



Tokyo Seminar: China Version



With Other Stakeholders



Three high-definition facsimiles from the Tsuzuri Project on display at the Shanghai Expo

Contributing to Local Communities

We Partner with the Red Cross to Support and Assist Their Programs for Young People

Canon Europe has provided support to the Red Cross in Europe for many years through such activities as charity event sponsorship. Since confirming a partnership contract with the Red Cross in 2006, Canon Europe has broadened its support by actively cooperating with their support and education projects for young people.

In 2010, Canon supported programs such as the HIV/AIDS Campaign (Spanish Red Cross) and the Positive Images education program for young people victimized by poverty or immigrant prejudice (British Red Cross).



Spanish Red Cross HIV/AIDS Campaign

Cooperative Efforts with NGOs and NPOs

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

Canon has since 2007 partnered with the Kyoto Culture Association (NPO) on the "Tsuzuri Project" as a social contribution activity, seeking to preserve original cultural heritage while making use of high-resolution facsimiles of cultural artifacts. This project fuses Canon's latest digital technologies with traditional craftsmanship from Kyoto by creating high-resolution facsimiles

nearly identical in appearance to the original artifacts. Canon displayed three high-resolution facsimiles at the Japan Pavilion Expo 2010 Shanghai China, including *The Wind and Thunder Gods* (National Treasure) folding screen.

Cooperative Efforts with Universities and Research Institutes

Working with Universities and Research Institutes: DNA Diagnostic System Development

Canon has been developing a DNA diagnostic system in the United States that can contribute to the diagnosis of inherited diseases, as well as the analysis of drug side effects and efficacy.

Feasibility and usability study is performed with academia from 2010, and a prototype was installed at the University of Utah in the United States in November. Increasing the locations in 2012 for performance evaluation and expanding joint development of applications, we aim for commercialization in 2013.

Cooperative Efforts with National and Local Governments

Offering Postcard and Stamp Sheet Printing Services at the Shanghai Expo in Cooperation with China Post

Canon provided support for the customized postcard and stamp sheet printing services for Expo visitors offered by China Post at Expo 2010 Shanghai China. Visitors were able to create original postcards or stamp sheets displaying a photograph they had taken by themselves. The souvenir cards were printed out using Canon digital production printers.



Canon digital production printer in use at China Post Shanghai

Canon's Response to the Great East Japan Earthquake

On March 11, 2011, a magnitude 9.0 earthquake struck eastern Japan, causing massive damage across the region. Canon provided support for the victims of the disaster through a variety of efforts while working to fully restore operations at all of our offices and Group companies.

Support for Restoration and Recovery in the Affected Areas

On March 12, Canon donated a total of ¥300 million to the Japanese Red Cross Society and other humanitarian aid organizations to support relief efforts for the earthquake victims. Fukushima Canon Inc. also made a donation of ¥100 million to Fukushima Prefecture to support those affected by the disaster and help the region during the rebuilding process. In addition, Canon Group employees in Japan, the United States, Europe, Asia and Oceania conducted charity drives to support relief efforts.

Canon Inc. also provided support to the Japanese Red Cross Society through the donation of five portable digital radiography systems, which have contributed to medical efforts in disaster areas.

Canon Marketing Japan Inc. provided web conferencing systems free of charge to businesses located in regions covered by Japan's Disaster Relief Act, as well as free copies of the company's PC energy-saving software to businesses in response to the serious power-supply shortages caused by the disaster.



Portable digital radiography system

"Furusato Project—Linking Our Dreams to the Future," a social contribution program launched in 2010, is also making donations to NPOs involved in recovery and restoration efforts in areas affected by the disaster.

We at Canon will continue to provide support to the stricken regions.

Support for Customers Affected by the Disaster

Canon Marketing Japan will repair at half price any reparable business machine, camera or personal product damaged by the disaster in the regions covered by the Disaster Relief Act, if received by September 21, 2011.

In addition, all Canon service centers resumed regular operations less than two weeks after the earthquake struck.

Canon's Damage and Recovery Status

Following the disaster, Canon immediately began gathering information regarding damage at each of our operation sites and Group companies to determine recovery prospects. We found that three operation sites and five Group companies, including Canon Inc. Utsunomiya Office and Fukushima Canon, incurred power outages, damage to buildings and stoppages in production equipment.

In response, the Earthquake Disaster Recovery Task Force (Task Force Chief: Chairman & CEO Fujio Mitarai; Task Force Assistant Chief: President & COO Tsuneji Uchida; Executive Director: Executive Vice President & CFO Toshizo Tanaka) was established, based on Canon's Business Continuity Plan framework, to facilitate recovery activities through a collective effort across the Canon Group. As a result, by the end of April, we were able to resume operations spanning development, production and sales at all Group companies and operation sites.

Overview of Content Available on Our Website

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

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

Basic Strategy, Medium- to Long-Term Management Plan

- *About Canon* ... canon.com/about
- *Investor Relations* ... canon.com/ir

Materiality Theme 1: Enlivening Communications through Imaging

- *Canon Technology* ... canon.com/technology

Materiality Theme 2: Creating Imaging Technologies that Will Contribute to Future Society

- *Canon Technology* ... canon.com/technology

Materiality Theme 3: Reducing Environmental Burden throughout the Entire Product Lifecycle

- *Environmental Activities* ... canon.com/environment
- *Sustainability Report* ... [Canon and the Environment](#)

Materiality Theme 4: Hiring, Developing, and Promoting Diverse Human Resources

- *Sustainability Report* ... [With Our Employees](#)

Materiality Theme 5: Social and Cultural Support as a Good Corporate Citizen

- *Social and Cultural Support Activities* ... canon.com/scsa
- *Sustainability Report* ... [With Other Stakeholders](#)

Materiality Theme 6: Instilling Canon Quality Globally

- *Sustainability Report* ... [With Our Customers](#)

Third-Party Opinions

- *Sustainability Report* ... [Third-Party Opinions](#)

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

Sustainability Report 2011 Website Information

* Items contained in the PDF version are excluded.

Management Systems	Corporate Governance	Structure	•Governance Structure
		Management Committees	•Activities of Management Committees
	Compliance	Policy and Structure	•A Shared Compliance Awareness •Compliance Promotion System •Canon's Compliance Hotline and Monitoring
		Education and Awareness	•Employee Compliance Awareness •Compliance Training
		Security Trade Control	•Thorough Compliance with Export Control Regulations
	Security	Information Security	•Information-Security Management Structure •Prevention of Information Leaks •Protecting Personal Information •Employee Awareness Training •Trade Secret and Technology Outflow Prevention Management
		Physical Security	•Plans for Strengthening Physical Security •Physical Security Promotion System •Integrated Entry and Exit Management System
		Business Continuity Planning	•Promoting Business Continuity Planning
	Intellectual Property Activities	Fundamental Approach	•Canon's Philosophy on Intellectual Property
		Management Structure	•Intellectual Property Management Structure
Brand Management		•Brand Management	
Patent Applications		•Patent Applications	
Canon and the Environment	Environmentally Conscious Management	Environmental Assurance Activities	•Environmental Assurance Activities in 2010 •Action Plan
		Management System	•Environmentally Conscious Management System •Acquiring ISO 14001 Consolidated Certification for the Canon Group •Global Environmental Promotion System •Environmental Audit
		Environmental Accounting / Material Flow Cost Accounting	•Environmental Accounting •Promoting Material Flow Cost Accounting
	Environmentally Conscious Raw Materials (Produce)	Biodiversity Initiatives	•Basic Approach •Regional Initiatives
		Management of Chemical Substances in Products	•Eliminating Designated Chemical Substances from Products •Managing Chemical Substances in Products and Promoting Green Procurement •Managing Product Environmental Information
		Reducing CO ₂ from Raw Materials and Procured Goods	•Cooperating with Suppliers to Alleviate the Environmental Burden •Lightening the Environmental Burden through the Use of Simulations during Development
	Environmental Activities at Operational Sites (Produce)	Promoting Design for the Environment	•Development of Low-Environmental- Burden Materials •Introduction of a Design for the Environment Method that Considers Product Lifecycles •Resource-Efficient Product Design
		Reducing CO ₂ at Operational Sites	•Greenhouse Gas Reduction and Energy Conservation
		Resource Efficiency at Operational Sites	•Reducing Waste •Reducing Use of Water Resources
	Environmentally Conscious Logistics (Produce)	Management of Hazardous Substances and Legal Compliance	•Reducing Emissions of Controlled Chemical Substances •Remediation of Soil and Groundwater by the Canon Group
		Reducing CO ₂ during Distribution	•CO ₂ Emission Reduction in Transportation •Efforts to Improve Transport Efficiency •Promoting Modal Shifts
		Improving Packaging Processes	•Resource Efficiency when Transporting Materials •Resource Efficiency in Packaging
	Environmentally Conscious Products (Use)	Reducing CO ₂ during Use	•Energy Conservation during Use •Product Design with Consideration for Energy Conservation
		Qualified Environmentally Conscious Products	•Regulatory Conformance
		Usage Proposals to Customers	•Distributing Information on Environmentally Conscious Products
	Collection and Recycling (Recycle)	Improving Product Value during Use	•Examples of Environmentally Conscious Products
		Recycling Systems	•Global Collection and Recycling System
		Product Collection and Recycling	•Recycling of Used Products
Environmental Communication	Collection and Recycling of Consumables	•Toner Cartridge Recycling •Ink Cartridge Recycling •Collection and Recycling of Small Secondary Batteries (Japan) •Recycling Containers and Packaging Materials (Japan)	
	Canon's Communication Activities Concept		
	Exhibiting at Environmental Exhibitions		
Operational Sites Covered in the Environmental Section	Canon's Publications Portfolio		
With Our Customers	Basic Policies	•Realizing Canon Quality	
	Ensuring Customer Safety	•Ensuring Product Safety •Safety Assessment Initiatives	
	Instilling Customer Trust	•Developing Products that are Easy to Use and Easy to Understand •Evaluation from a Human Perspective	
	Fostering Customer Satisfaction	•Customer Satisfaction •Improving Products by Reflecting Customer Opinions	
With Our Shareholders and Investors	Dialogue with Shareholders and Investors	•Prompt and Appropriate Information Disclosure •Promoting Dialogue with Individual Investors •Dialogue with Investors outside Japan	
	Return to Shareholders	•Acquisition of Own Shares	
	External Corporate Assessments	•Credit Rating •Canon's Inclusion in Sustainability Investment Indexes	
With Our Suppliers	Fundamental Procurement Policies	•Basic Policies •Reinforcing Compliance in Procurement	
	Partnership with Suppliers	•Development of Procurement Information Infrastructure •Cooperative Activities with Suppliers	
	Fair and Transparent Selection of Suppliers	•Promoting Open Procurement •Mechanism for Supplier Selection •Education of Supplier Evaluators	
With Our Employees	Basic Policies	•Employee Policies •Employment and Worker-Management Relations •Remuneration System	
	Respecting Human Rights and Creating Opportunities for Success	•Respecting Human Rights •Personnel Promotion and Deployment •Work-Life Balance	
	Supporting Personal Growth and Skill Development	•Training System •Recognition and Award Programs	
	Occupational Health and Safety	•Policy and Management System •Efforts to Prevent Occupational Accidents	
	Health Management	•Prevention of Lifestyle-Related Diseases •Promoting Mental Healthcare Initiatives	
With Other Stakeholders		•Contributing to Local Communities •Cooperative Efforts with Universities and Research Institutes •Cooperative Efforts with National and Local Governments	
Third-Party Opinions		•Cooperation with Other Manufacturers	
Third-Party Opinions		•The Third-Party Opinion Process	
GRI Guideline Implementation			

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



Director and Co-Founder, ASrIA
(Association for Sustainable and Responsible Investment in Asia)
URL: www.asria.org

David St. Maur Sheil

Once again I wish to congratulate Canon for their excellent progress in the development of their sustainability reporting. Canon has continued to refine its reporting format, which includes the Canon Sustainability Report PDF version combined with significant supplementary information on the Canon website. This format works well. The Sustainability Report PDF version is relatively brief, complete and readable and focuses on management statements, management philosophy, six key materiality themes and stakeholder engagement. Annual stakeholder surveys have been used effectively to inform the choice of materiality themes. It is also a positive step to only print the report in electronic format from this year. The supplementary website information provides additional detailed information on three key areas, namely, management systems, environmental management and stakeholder engagement. Canon needs to ensure there are clear links between the report in PDF format and the supplementary material, which contains valuable and detailed material disclosure.

Canon should be congratulated on entering the 4th stage of their "Excellent Global Corporation Plan," which provides a clear and evolving strategic roadmap for Canon. With a focus on

"Speed & Sound Growth," it would be valuable if Canon could provide more concise details in future on the major management indicators, both financial and non-financial, it will rely on to measure its progress in terms of sound growth. It might also be valuable to provide a summary description or chart in the Sustainability Report PDF version, to illustrate the management and governance structure of environmental, social and other non-financial issues within the organisation as detailed in the supplementary material. Furthermore, it is notable that the report provides a range of metrics on environmental impacts, however due to the strong focus on growth, and in light of growing global concerns over resource constraints, it would be valuable if Canon could provide further discussion of any risk assessments it has conducted related to issues such as water and energy security.

The section on materiality themes provides brief but interesting introductions to Canon's key products and services in the context of their social impact, as well as a range of data and insights on environmental impacts, labour relations and community engagement. In particular it was excellent to see more focus this year on labour and community relations outside the developed markets. It will be good to see this focus developed more fully in future reports. At a time when traditional labour markets are also rapidly transforming into consumer markets, it will also be interesting to see more discussion on this theme. Overall the information on stakeholders is valuable and reflects the critical importance of identifying and engaging in an active and systematic manner with key stakeholder groups.

Third-Party Opinion from Dr. Justus von Geibler, Wuppertal Institute



Project Co-ordinator,
Sustainable Production and
Consumption Department,
Wuppertal Institute
for Climate, Environment, Energy
URL: www.wupperinst.org
Dr. Justus von Geibler

The Great East Japan Earthquake on March 11, 2011 and the tragic events afterwards demonstrate the dependency of humans on nature. They highlight the importance of a careful consideration of potential social and environmental consequences of human action at local, regional and global level. They underline the value of sustainability as a vision and guiding concept helping us to focus our action towards a more harmonised way of living on Earth. In this context, Canon's work based on the overall philosophy of *kyosei* "Living and working together for the common good" including the sustainability reporting efforts, is of great importance.

This report includes some meaningful accomplishments compared to previous reports. In my view, the topics selected are more focused and more relevant. For example, Canon presents the new phase of their medium- to long-term management plan for 2011–2015. The revision of materiality themes is continuously guided by the results of stakeholder surveys and external feedback. The report presents information in a broad context of economic, social and environmental conditions, e.g. Canon's responses to the global recession or the Great East Japan Earthquake, in order to ensure a

thorough understanding of Canon's performance regarding these concerns.

In order to further improve the quality of sustainability reporting, both in general as well as concerning individual parts, I would like to see more interactive approaches in different areas. The stakeholder survey could evolve into greater exchange and dialogue across stakeholder groups for reporting theme selection. More intensive dialogues could create responses to difficult issues, such as the conflict minerals issue or the consideration of environmental effects of accelerated consumption in product development, and provide opportunities to link and contribute to global sustainability standards. The third-party review process might be complemented with an external verification of the report. In general, a stronger integration of globally accepted indicators and standards can be valuable to further advance the indicator- and target-based reporting, especially in the area of social performance.

Canon can build on great achievements from continuous efforts for sustainability and is well prepared to address the themes and objectives of the Excellent Global Corporation Plan and *kyosei* philosophy. Further, the newly established Corporate Social Responsibility Office of Canon Inc. is expected to accelerate this movement. I look forward to this progress in the future.

About the Third-Party Opinions

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

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

right for details.)

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

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

*2 Canon Sustainability Report 2011 has been issued in a PDF format and through our website (URL: canon.com/environment).

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

Main Suggestions	Main Reflections (New Content in the 2011 Report)	Pages posted in the PDF	Location in the Website
Please provide a description of the process by which you determine the content of the report, including the Stakeholder Survey and what "sustainability" means to Canon. Also, what is Canon's view of the current global situation?	The content is determined based on the stakeholder survey. This process is described again this year on P1, and also under the topic "In Pursuit of Sustainability." The "Message from Top Management" discusses our view of the current global situation.	P1, P3-4, P9-10	
Please include details of the Stakeholder Surveys.	Some information not in the PDF version, such as the survey coverage and number of respondents, is available in our website.		In Pursuit of Sustainability
Please indicate the solutions Canon can offer through new technologies for solving the issues confronting society. Also, please show how Canon cooperates with stakeholders in the R&D process.	We explain how Canon's technologies contribute to solving the issues confronting society under the heading "Materiality Theme 1. Enlivening Communications through Imaging" and "Materiality Theme 2. Creating Imaging Technologies that Will Contribute to Future Society." We refer to cooperation with stakeholders, such as the academic-industrial alliance with Kyoto University.	P11-18	• Materiality Theme 1 • Materiality Theme 2
Last year's report contained "Strengthening Corporate Governance and Compliance" as a Materiality Theme, but this year it does not.	Based upon the Stakeholder Survey, of the seven Materiality Themes that is of the least interest to stakeholders. However, while we did not include it as a Materiality Theme in this year's edition, we recognize it as a fundamentally important theme to management. Detailed information about corporate governance and compliance is provided in our website.		• Corporate Governance • Compliance
Please present your biodiversity efforts in regions around the world.	This topic is again presented in our website this year, with expanded coverage of new activities in many regions.		Canon and the Environment
We would like to see information about Canon's responses and policies concerning environmental regulatory trends worldwide, such as the REACH regulations.	These are available in our website, and we will continue to keep it updated.		Canon and the Environment
Please discuss sustainable management including the supply chain.	We recognize this as an important issue. We will refer to conflict minerals from this year's report.	p31	Relations with Our Suppliers



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About the Cover Photograph

Canon (China) Co., Ltd. cooperated with the China Wildlife Conservation Association in planning and implementing the "Green Volunteer Action" wildlife photography program in local nature reserves. Targeting university students, the program offers participants the chance to study photographic techniques through the guidance of professional wildlife photographers while at the same time learn about environmental conservation. The wildlife photographs are used as environmental education materials in the nature reserves.