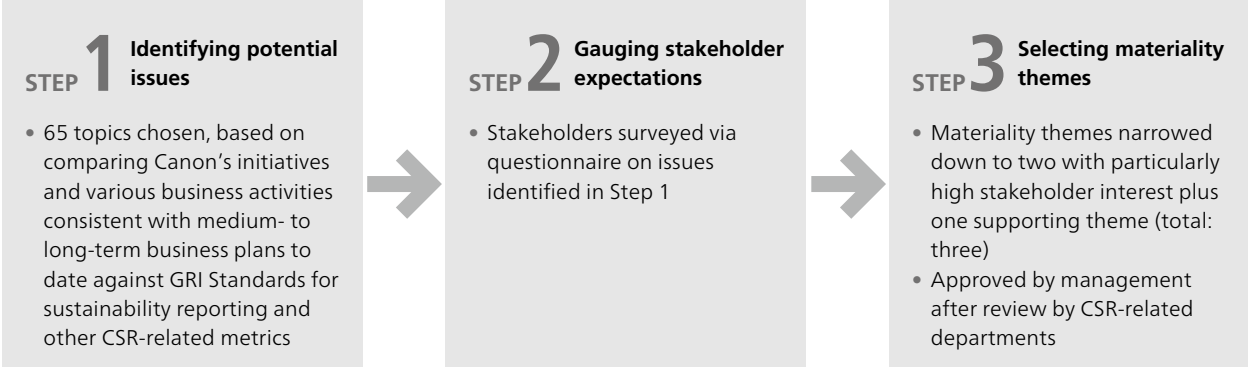


Materiality and SDGs

3 Materiality Themes

At Canon, we selected materiality themes using a three-step process. Consequently, "Creating New Value and Solving Social Issues" and "Protecting and Conserving the Environment" were identified as

themes of particularly high stakeholder interest. In addition, we selected "Responding to People and Society as a Good Corporate Citizen" as a supporting materiality theme.



Stakeholder Questionnaire Survey

Canon carries out stakeholder questionnaire surveys to better understand the social issues stakeholders are interested in as well as the expectations they have of the company. We use the survey results to evaluate the validity of the materiality themes and review as appropriate. We also use the surveys to analyze Canon’s impact on society and further improve CSR activities. To assist the future expansion of CSR activities, Canon also asks stakeholders for their views on the Sustainable Development Goals (SDGs).

■ Stakeholder Questionnaire Survey Outline
 Survey period: November to December 2020
 Target: Stakeholders including consumers, suppliers, investors/analysts, non-profits, civic groups, persons affiliated with universities/research institutions, national/local governments in Japan, the Americas, Europe, Asia, and other regions (total: 100 stakeholders)

3 Materiality Themes and Results of Stakeholder Survey

Identified materiality issue		Questionnaire items (extract)	Level of expectations*	Refer to page
Creating New Value and Solving Social Issues		<ul style="list-style-type: none"> Development of medical technology that contributes to human health and the prevention of disease Advancing security technology to contribute to the safety and security of society Development of products and technologies that lead to affluence and delight for people in the fields of photography and imaging 	★★★★★	P15-22
Protecting and Conserving the Environment		<ul style="list-style-type: none"> Promotion of energy conservation / Utilization of renewable energy Reuse and recycling of used products Reduction of waste/Prevention of water and soil pollution 	★★★★☆	P45-66
Responding to People and Society as a Good Corporate Citizen	Human Rights and Labor	<ul style="list-style-type: none"> Respect for basic human rights/ Prevention of discrimination and harassment Appropriate wage and working hour management 	★★★	P67-80
	Product Responsibility	<ul style="list-style-type: none"> Improving quality of repair/maintenance support, as well as the ability to effectively respond to customer inquiries Improving quality of products and services and strengthening quality control 	★★	P81-86
	Social Contribution	<ul style="list-style-type: none"> Utilizing business activities to contribute to social welfare Support for nurturing the students and children who will lead the next generation 	★	P87-90

* Level of expectation for each issue is decided based on total number of stakeholders selecting that issue as material in the stakeholder survey

Relationship with SDGs

Canon is contributing to the achievement of the SDGs through various business activities. The chart below plots each SDG according to stakeholder expectations as gauged via our survey, versus the degree of relevance for Canon's activities based on the three materiality themes on P29. Compared with the results of the previous year, stakeholders' expectations are increasing for themes related to the protection and conservation of the global environment such as Goal 12 (Ensure sustainable consumption and production

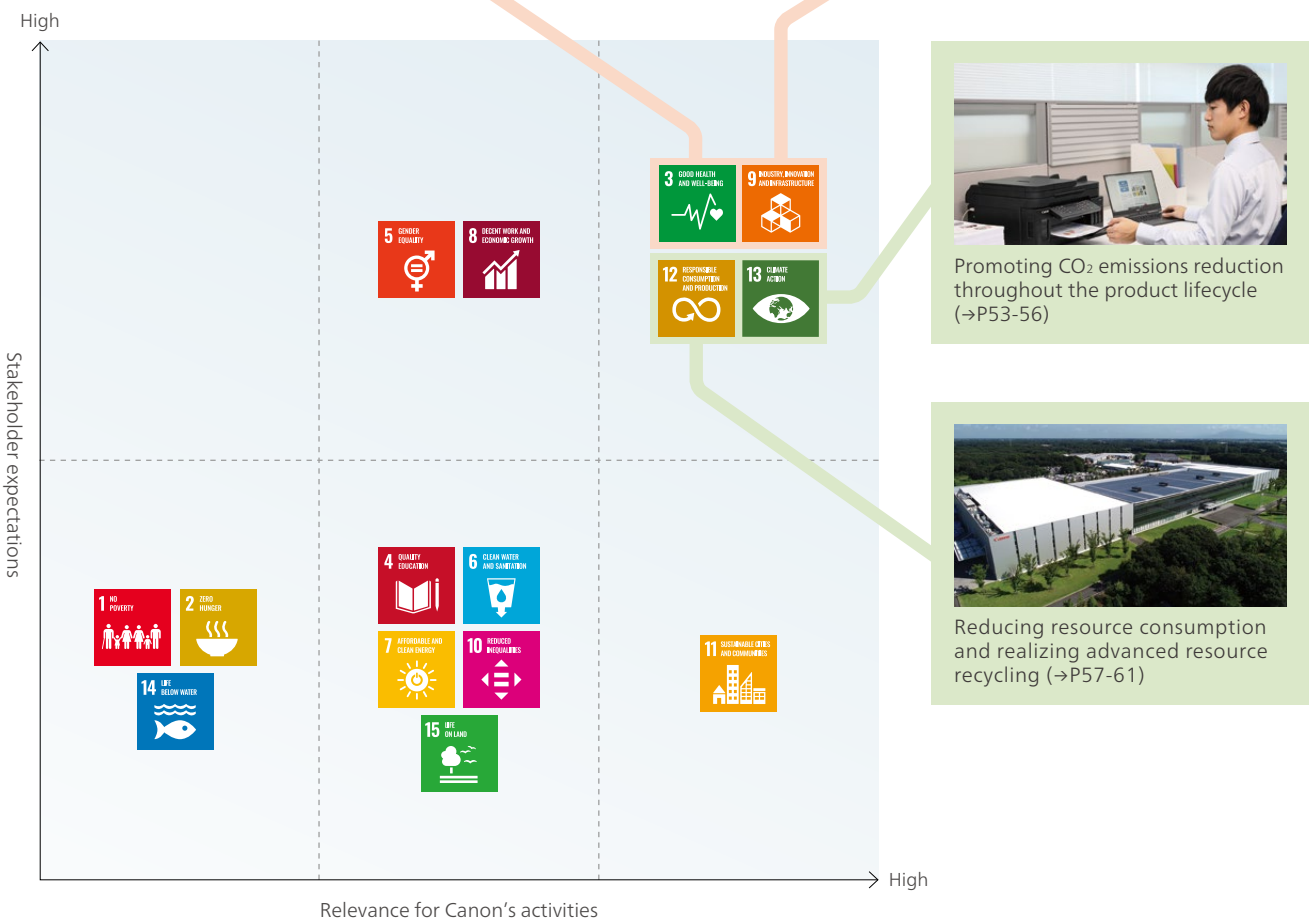
patterns) and Goal 13 (Take urgent action to combat climate change and its impacts), as well as Goal 5 (Achieve gender equality and empower all women and girls) and Goal 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). We will continue to contribute to the realization of SDGs by accurately identifying changes in society's expectations and advancing our efforts.



Delivering products and services of high utility value to healthcare professionals and related topics (→P19-20)



Delivering products and solutions to meet customer needs in the age of DX and related topics (→P15-16)



17 PARTNERSHIPS FOR THE GOALS Goal 17 (Revitalize the global partnership for sustainable development) is omitted from the above matrix because it relates to all business activities.

Materiality-based Approach

Creating New Value and Solving Social Issues

Material Issues

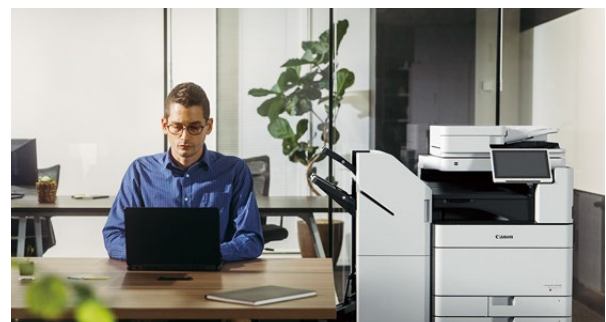
For Canon to realize its corporate philosophy of *kyosei* and to move forward with stakeholders, it is important to leverage the competitive advantage of its technologies in the development of products and services that meet the needs of the changing times.

Superior technology is part of the DNA of Canon. Since its foundation, Canon has always put a high value on utilizing unique technologies to create and deliver innovative products to the world. Starting with cameras, this history has involved applying a wealth of optical technologies to the development of multifunction devices and semiconductor lithography equipment. Canon's proprietary technologies have also been utilized to create laser printers, inkjet printers and varied other products to expand the business into new areas. Besides the development of new products, Canon's strengths include the application of superior production technologies and other manufacturing know-how to enable the in-house production of key components and manufacturing equipment using automated assembly processes. The resulting high reliability and performance of Canon products creates new added value while also helping to address various societal issues.

To respond to the increased pace of technological evolution in today's rapidly changing society, Canon is building on its strong in-house technical development capabilities by targeting mergers and acquisitions in fields that are compatible with existing businesses.

The addition of new areas of technical expertise to the Group has enabled the establishment of new businesses in the four areas of commercial printing, network cameras, medical and industrial equipment. Looking ahead, amid the digital transformation of society and other trends such as development of smart infrastructure, Canon will continue to seek to bring in new technologies from outside and to combine these with proprietary Group expertise, creating further innovations while also helping to realize a sustainable society.

The results of Canon's stakeholder questionnaire survey identify areas where stakeholders expect the most from Canon in terms of "Creating New Value and Solving Social Issues." In descending order, these are: development of medical technology that contributes to human health and disease prevention; advanced security technology to contribute to the safety and security of society; development of products/ technologies that lead to affluence and delight for people in the fields of photography and imaging; and development of products and services that anybody can use easily. Based on the specific concerns that stakeholders have highlighted, Canon is engaged in a range of business initiatives to support and promote the shift to a digital society that realizes safety, peace of mind, comfort and affluent lifestyles for all. At the same time, we are also working to contribute to advances in healthcare and the development of imaging technology for industrial applications.



Risks and Opportunities

Major societal change carries the risk of Canon's business strategy no longer being fully aligned with market needs, but also creates opportunities to create new value as times change. Canon aims to be a company that makes a continuous social contribution by leveraging the technologies that are its source of competitive advantage.

Canon will formulate strategies to address these material issues while working daily to implement various initiatives, taking into consideration the risks, opportunities, strengths and weaknesses in each of its four business segments (Printing, Imaging, Medical, Industrial). Please refer to the Business Strategy section (P15-22) for more details.

Approach

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Canon started a new five-year business plan (Phase VI of the Excellent Global Corporation Plan) in 2021. Under a policy of "accelerating our corporate portfolio transformation by improving productivity and creating new businesses," we will reorganize our businesses into broader, industry-specific categories, and combine each of their technologies to create what we call "chemical reactions" within the company to provide a variety of products and solutions. To this end, we will reorganize our entire operations into four

groups of "Printing," "Imaging," "Medical," and "Industrial," concentrating our diverse and dispersed resources to raise the productivity and quality of divisions related to new product development and manufacturing, and enable prompt decision-making by unifying responsibility and authority.

This will allow to higher synergies via the sharing of technologies and information without barriers which we will link to raising product competitiveness and creating entirely new growth drivers.

Relationship with SDGs

Working with customers and business partners through business activities that are focused on developing technology-led products and services, Canon is contributing to the achievement of the United Nations' Sustainable Development Goals (SDGs).



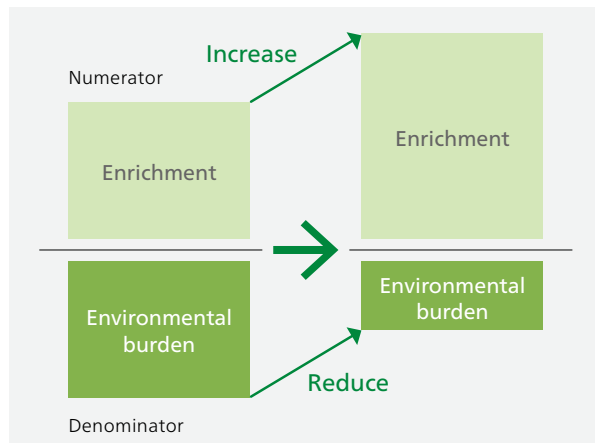
Protecting and Conserving the Environment

Material Issues

Environmental Value

In 2008, we formulated “Action for Green” as our environmental vision, positioning “environmental value” as the main concept in realizing a society that achieves a beneficial balance between lifestyle enrichment and the environment. To create this value, Canon seeks to supply products and services that enrich people’s lives while also reducing environmental impact, based on initiatives across the entire product lifecycle.

Canon’s vision of environmental value



Targeting the denominator, Canon is working to reduce environmental impact by focusing on four material areas: (1) contributing to a low-carbon society; (2) contributing to a circular economy; (3) eliminating hazardous substances and preventing

pollution; and (4) contributing to a society in harmony with nature.

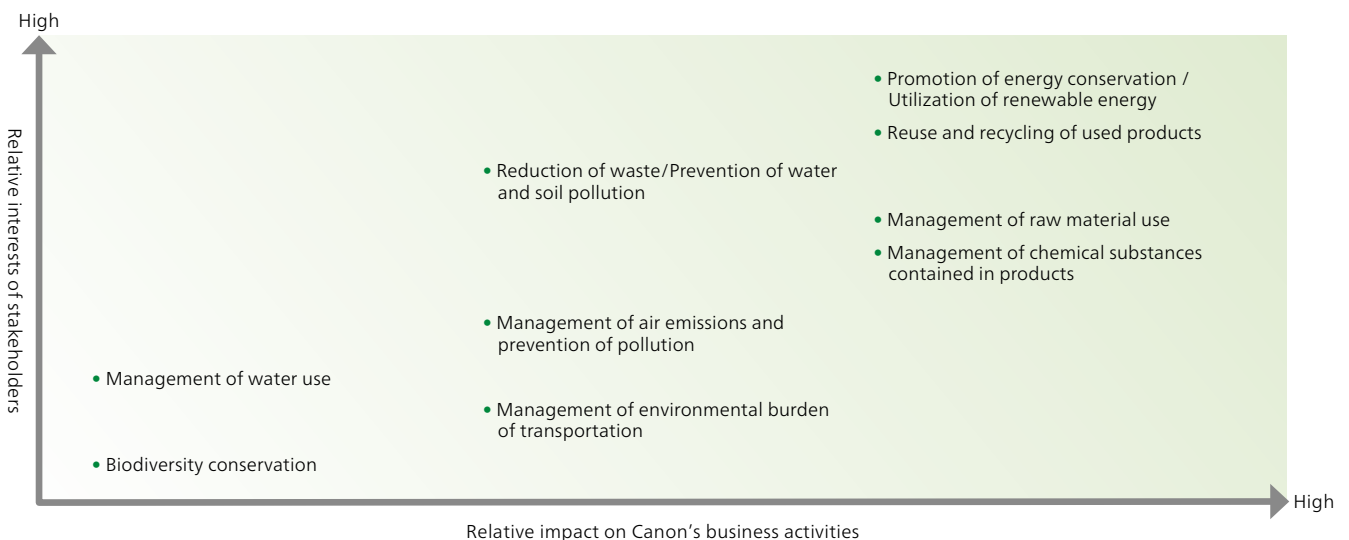
First, we analyze how our business activities relate to environmental issues and needs. We then assign them a level of priority based on the relative level of interest among stakeholders, ascertained with the help of surveys, and the relative impact on our business activities.

In the recent survey, the most important issue identified by Canon stakeholders was “promotion of energy conservation and utilization of renewable energy.” This response reflects recent upgrading of government policies aimed at realizing net-zero CO₂ emissions goals alongside corporate initiatives in response to greater social demand.

Another issue generating stakeholder interest was “reuse and recycling of used products,” reflecting increased awareness of the circular economy. These issues have a substantial impact on business activities at Canon sites and on the cost and competitiveness of our products, as shown by the increased level of stakeholder interest in “relative impact on Canon business activities.” All three issues are positioned in the high-priority domain of the materiality matrix.

In this way, by taking careful note of social issues and needs, the level of stakeholder interest, and a wide range of other changes in the world around us, Canon continues to drive forward and develop initiatives throughout the product lifecycle, thus progressing toward the realization of *kyosei*.

Materiality Matrix



Risks and Opportunities

Affluent consumer lifestyles contrast with the varied environmental problems that the planet now faces, including climate change, resource depletion, pollution, and loss of biodiversity. In response to the issue, debate within the global community is increasing on how to achieve net-zero CO₂ emissions and how to realize a circular economy. Bearing such global developments in mind and recognizing the business impact of environmental issues, many companies recognize the importance of helping address these issues in partnership with national and local governments, experts and other stakeholders.

Canon identifies business risks and opportunities by envisioning different ways in which society will

change based on information received from specialized institutions and government agencies.

In tackling climate change, we believe the critical approach to reduce risk while expanding opportunities involves mitigation by cumulative reduction of CO₂ emissions across product lifecycles coupled with adaptation to physical risks.

Moreover, to contribute to the global goal of achieving net-zero CO₂ emissions, we believe it is important for the Canon Group to not only reduce its own CO₂ emissions, but to also contribute directly and indirectly to reducing CO₂ emissions at the societal level in line with the shift to a new way of living.

Major Risks and Opportunities in Four Areas of Materiality, Impact on Business Activities

	Risks	Opportunities
Climate change	<p>Transition risks:</p> <ul style="list-style-type: none"> Stricter energy-efficiency regulation and associated compliance costs (products/sites) Increased business costs from economic measures to reduce emissions (e.g., carbon tax) <p>Physical risks:</p> <ul style="list-style-type: none"> Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods <p>Reputational risks:</p> <ul style="list-style-type: none"> Negative external evaluation due to insufficient information disclosure 	<ul style="list-style-type: none"> Expanded opportunities for sale of energy-efficient products with low lifecycle CO₂ emissions Contribution to CO₂ emissions reduction at societal level through sale of various innovative products and solutions (hardware/software) Reduced energy costs through increased efficiency in production and transportation Expanded opportunities for use of renewable energy through lower associated costs Enhanced corporate image due to proactive climate-related disclosures
Circular economy	<p>Transition risks:</p> <ul style="list-style-type: none"> Increased procurement costs of raw materials due to resource constraints Stricter resource-efficiency regulation and associated compliance costs (products/services) Increased costs for collection and recycling of used products in each region <p>Physical risks:</p> <ul style="list-style-type: none"> Impairment of stable water supply and impacted business operations due to extreme weather events <p>Reputational risks:</p> <ul style="list-style-type: none"> Damage to corporate image from slow transition to circular economy 	<ul style="list-style-type: none"> Business cost reduction through improved resource efficiency Enhanced competitiveness through 3R design and development of advanced recycling technology Increased demand for remanufactured products Enhanced corporate image through publicity of our advanced approach to resource recycling
Hazardous substances	<ul style="list-style-type: none"> Increased chemical substance management costs due to strengthened and expanded regulations Suspension of production or disruption to parts supply chain due to serious noncompliance by suppliers Damage to corporate image due to poor regulatory compliance 	<ul style="list-style-type: none"> Supplying safe products and maintaining competitiveness through more advanced chemical substance management Cost reduction through increased management efficiency, including within the supply chain Enhanced corporate image through contribution to international standardization
Biodiversity	<ul style="list-style-type: none"> Reduced supply and higher cost of printing paper due to dwindling forestry resources Restraints on business activities due to disruption of local ecosystems 	<ul style="list-style-type: none"> Application of our products and technologies to ecosystem conservation Enhanced corporate image through contribution to local communities

Approach

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Four Material Areas of Canon's Action for Green Environmental Vision and Key Initiatives

<p>Contributing to a Low-Carbon Society (→P53-56)</p> <ul style="list-style-type: none"> CO₂ emissions reduction via improvements in energy efficiency over entire product lifecycle Utilization of economic renewable energy sources Contributing to CO₂ emissions reduction by customers and at societal level 	<p>Contributing to a Circular Economy (→P57-61)</p> <ul style="list-style-type: none"> Promotion of compact, lightweight products Reuse, remanufacturing, and recycling of products and consumables Promotion of efficient onsite water usage and waste recycling
<p>Eliminating Hazardous Substances and Preventing Pollution (→P62-64)</p> <ul style="list-style-type: none"> Rigorous management of chemical substances based on green procurement standards Proactive establishment of frameworks relating to communication of information in supply chain Reduction of chemical usage within production processes and restriction of related emissions 	<p>Contributing to a Society in Harmony with Nature (→P65-66)</p> <ul style="list-style-type: none"> Ecological conservation activities, such as the Canon Bird Branch Project, based on our Biodiversity Policy Procurement of sustainable timber products based on our Basic Policy on the Procurement of Timber Products

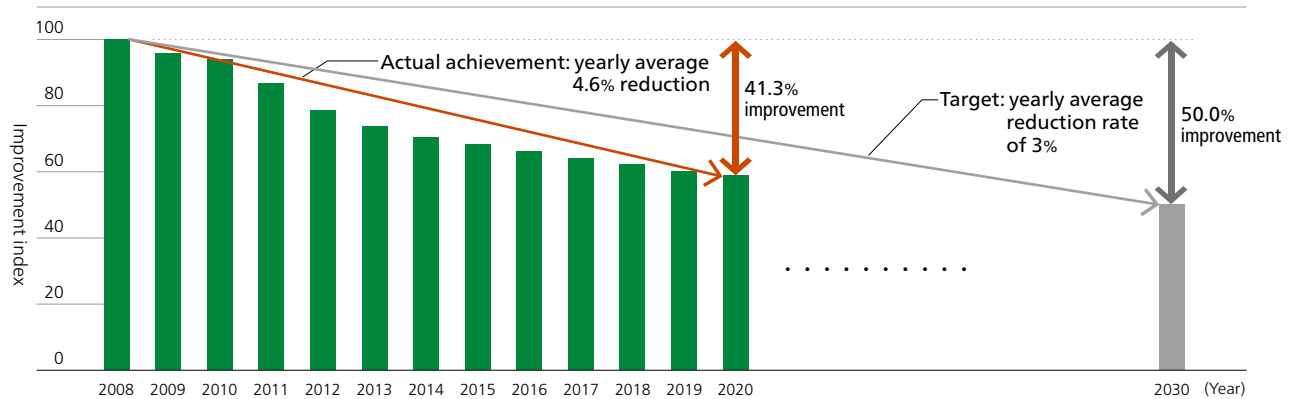
Materiality and SDGs

KPI

To gauge progress achieved across environmental activities to save energy, conserve resources, and promote recycling using an integrated indicator, Canon has set an overall target of average 3% per

year improvement in the index of lifecycle CO₂ emissions per product unit. We have consistently achieved this target every year since 2008. Looking to the future, we will continue contributing to society through steady improvement.

Lifecycle CO₂ Emissions Improvement Index per Product



* Indexed to 2008 = 100

Linking Business Management and the Environment

Canon believes it is vital that environmental activities such as measures for climate change are integrated into the management of its business. For instance, the time frames for achieving environmental targets are aligned with our business plans. In line with the Excellent Global Corporation Plan, which sets the company's management direction in five-year phases, Canon uses rolling three-year technology and product plans that are revised annually. This annual review includes consideration of the need to modify environmental targets.

Canon evaluates the results of environmental activities by each member of the Canon Group (including each business unit, manufacturing

subsidiary and sales company) using a consolidated performance evaluation system. The system uses financial results as well as indicators for non-financial aspects such as environmental and CSR activities, so the latter are managed as one aspect of the business.

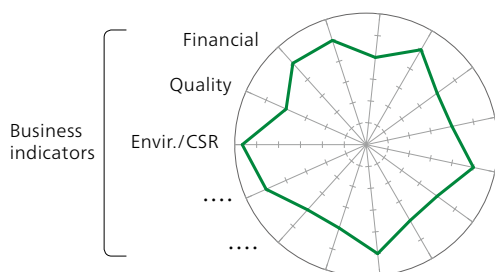
TCFD-Recommended Disclosures

In line with disclosure recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the following pages provide information on our activities related to climate change. This section also includes information from the 2020 CDP climate change questionnaire.

Governance	P35, P49-50	Strategy	P34-35, P45-47, P50
Risk Management	P34, P49-50, P104	Indices and Targets	P35, P46-47

A comprehensive management approach is important due to the inter-connectedness of environmental issues such as climate change, resource recycling and environmental pollution. Based on appropriate disclosure, we will continue to utilize various proprietary Canon technologies and undertake initiatives to enable us to contribute both directly and indirectly to achieving the global goal of net-zero CO₂ emissions by 2050.

Consolidated Performance Scoring (image)



Relationship with SDGs

Canon's environmental impact-reduction initiatives in the four material areas of "contributing to a low-carbon society," "contributing to a circular economy," "eliminating hazardous substances and preventing pollution" and

"contributing to a society in harmony with nature" contribute to achievement of the SDGs outlined below.



Responding to People and Society as a Good Corporate Citizen

Material Issues

Basic Approach

Continually passing on the spirit of “Respect for humanity” that has been a hallmark of Canon since our foundation in 1937, we adopted the corporate philosophy *kyosei* as the cornerstone of our business activities in 1988 in line with the global development of our business. *Kyosei* is the aspiration to create a society in which all people, regardless of race, religion or culture, live and work together for the common good.

The ongoing global COVID-19 pandemic has seriously affected everyone’s lives along with economic activity, strengthening the demands across society for safety and security both at work and at home. With the UN Sustainable Development Goals (SDGs), companies are expected to create the scientific and technological innovations to help realize a society in which everyone can play an active role.

Besides business activities, Canon’s response to this situation is to focus on implementing a range of multifaceted corporate citizenship initiatives to help people and society. A core aim in playing our role as a good corporate citizen is to ensure Canon’s continued growth and development as an enterprise. In addition, we hope to contribute to achieving the SDGs through this approach.

Materiality

Under “Responding to People and Society as a Good Corporate Citizen,” we have identified the three areas of “Human Rights and Labor,” “Product Responsibility” and “Social Contribution” as the material basis for Canon Group business activities. We believe it is important to contribute to the continued development of society in the way we respond through our business activities to the societal changes caused by the COVID-19 pandemic and various other factors, and in the way that we strive to meet the expectations and demands of stakeholders. Besides global guidelines such as the “Guiding Principles on Business and Human Rights” and “Universal Declaration of Human Rights” by the United Nations, we evaluate societal demands and expectations based on the views of CSR consultants and other independent experts, and on the results of our stakeholder surveys. We consider all these aspects in assessing the suitability of our activities and revising where appropriate. Our latest stakeholder survey pointed to high levels of interest in initiatives under each of the areas of “Human Rights and Labor,” “Product Responsibility” and “Social Contribution,” as outlined below.

Going forward, based on this information, Canon will continue to revise programs and consider fresh initiatives by gauging the extent to which the interests and expectations of stakeholders affect our corporate activities.

Results of Stakeholder Survey (Top 5 Items of Interest)

Human Rights and Labor	Product Responsibility	Social Contribution
<ul style="list-style-type: none"> Respect for basic human rights/ Prevention of discrimination and harassment (→P67-68) Appropriate wage and working hour management (→P69-72) Maintaining and improving employee occupational safety, physical health, and mental health (→P75-77) Promoting in-house diversity (→P73-74) Supporting employees to improve their skills and career development (→P78-80) 	<ul style="list-style-type: none"> Improving quality of repair/maintenance support, as well as the ability to effectively respond to customer inquiries (→P84) Improving quality of products and services and strengthening quality control (→P82-85) Improvements in products based on customer feedback (→P86) Better product/service-related information that is easier to source and understand (→P86) Regulatory compliance of products (→P82-83) 	<ul style="list-style-type: none"> Utilizing business activities to contribute to social welfare (→P87-90) Support for nurturing the students and children who will lead the next generation (→P87-90) Support for those affected by disasters and the socially disadvantaged (→P89) Support for culture, the arts and sports (→P89) Promotion of employees’ participation in social contribution activities outside of the company (→P88)
 <p>Inkjet printer production at Canon Hi-Tech Thailand</p>	 <p>Quality evaluation in environmental test lab</p>	 <p>Eye care project in India</p>

Risks and Opportunities

Outlined below for the three fields of Human Rights and Labor, Product Responsibility, and Social Contribution are the risks that could potentially compromise the

adequacy of our initiatives in each field and the opportunities created by undertaking them.

Major Risks and Opportunities in Each Field, Impact on Business Activities

	Risks	Opportunities
Human Rights and Labor	<ul style="list-style-type: none"> • Damage to public reputation • Litigation risk from workplace harassment • Difficulty in recruitment/retention of staff • Reduced productivity/motivation • Production and other impacts due to disasters/pandemics, etc. 	<ul style="list-style-type: none"> • Sustained business development • Improved diversity and employee productivity • Global business development • Creation of innovation • Transfer of expertise and skills, etc.
Product Responsibility	<ul style="list-style-type: none"> • Damage to brand value • Loss of customer trust, etc. 	<ul style="list-style-type: none"> • Increased trust from customers and public • Enhancement of brand power • Sustained competitiveness, etc.
Social Contribution	<ul style="list-style-type: none"> • Contraction of global market • Shortage of next-generation labor, etc. 	<ul style="list-style-type: none"> • Ongoing development of local communities • Acquisition of next-generation labor • Building trust with local community • Enhancement of brand image • Cultural support, sports sponsorship, etc.

Approach

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Human Rights and Labor

At Canon, we believe that measures to enable employees with varied backgrounds and value perspectives to utilize their abilities while also boosting productivity are important aspects of ensuring Canon’s continued development and growth as an enterprise. Across the Canon Group, we are working to create workplaces based on mutual respect that exhibit diversity in terms of nationality, race and cultural background, and where everyone feels secure and is empowered to reach their full potential. We also have programs in place to support the health of employees.

The global community has high expectations of companies upholding human rights, as seen in international standards such as the UN’s “Guiding Principles on Business and Human Rights” and “International Labor Standards” as set by the International Labor Organization (ILO), and as evidenced in the SDGs. The fact that the top item of interest in this section of the stakeholder survey was “Respect for basic human rights, prevention of discrimination and harassment” shows that this aspect of our activities remains in the spotlight. As a major corporation engaged in business globally, Canon not only seeks to improve compliance with national/ regional laws and regulations, but is also working to reinforce initiatives that underpin respect for the rights of employees, based on the regulations of Group companies.

Moreover, under Phase VI of the Excellent Global Corporation Plan that began in 2021, we are focused on supporting the development of a workforce with diverse capabilities and perspectives that is aligned with our business portfolio. Besides upgrading Canon’s internal education and training systems, we aim to promote consistent growth by ensuring every individual employee is motivated to act as a positive force within the organization through internal transfers that put the right person in the right job.

Reference: For information about our activities on human rights within our supply chain, refer to Supply Chain Management (→P91-96).

Product Responsibility

For manufacturers, quality issues that affect customer safety can have a significant impact on business, including negative business performance due to brand erosion and loss of customer trust. Conversely, our recipe for strong enterprise growth is to supply products that meet customer needs, offer high quality and added value, and are easy to use, while also constantly working to develop innovative technologies for our time.

Canon’s basic quality concept is to ensure that customers have “no claim, no trouble,” and we work hard to ensure “Canon Quality” throughout the entire Group. In line with this creed, we created a quality management system that follows the requirements of international standards, and we strive to improve quality across the entire product lifecycle, from

planning and development to production and after-sales service. In the area of safety in particular, along with establishing in-house product safety technical standards that are stricter than regulatory requirements in each country and region, we created a system for gathering comments and requests from Canon users worldwide, which we share with relevant divisions, as a means to improve our products and ensure safety.

Additionally, we are working to promote the development of Canon products with an emphasis on usability by ensuring customers worldwide can use them easily and with confidence. These initiatives include designing product manuals to make them easier to understand and adopting Universal Design principles in product development.



Social Contribution

The spirit of contributing to society has been a part of Canon's corporate culture since our foundation. We believe in returning profits to local communities by investing in various activities such as support for those affected by disasters; funding for education and academic scholarships; and the sponsorship of cultural, artistic and sporting events. Contributing to solutions to local issues not only helps to enhance trust in Canon as a company, but is also essential to the sustainable development of society.

Based on this approach, and in line with the Canon Group CSR Activity Policy (→P42), Canon seeks to develop Group operational sites by engaging in activities tailored to the characteristics and issues of different regions worldwide. In doing so, we draw on Group resources in our areas of strength, such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources. Additionally, in terms of supporting development of the next generation, Canon supports the Children's Rights and Business Principles developed by the UN Global Compact, and engages in social contribution activities to help protect the rights of children.

Relevant Guidelines

- The United Nations Guiding Principles on Business and Human Rights
- The International Labour Organization (ILO) International Labour Standards
- Sustainable Development Goals (SDGs)
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- ISO 26000
- Keidanren (Japan Business Federation) Charter of Corporate Behavior

Relationship with SDGs

Our activities in the field of "Responding to People and Society as a Good Corporate Citizen" are closely related to achievement of the SDGs outlined below.

Human Rights and Labor	
Product Responsibility	
Social Contribution	