

Materiality-based Approach

Creating New Value and Solving Social Issues



Why is this important?

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.

In order to respond to changing times, Canon applies a two-pronged approach to R&D. The first is to target inventions to support development of groundbreaking products through the creation and cultivation of technological "seeds." The second prong is to pursue innovation-focused R&D to develop the technologies that can help solve issues of global importance, such as climate change and infectious disease (see P51 for details).

In addition, to make the most of Canon's technological capabilities, we are pursuing Core Competence

Management, bringing together Core Competence Technologies that support the diverse creation of industry-leading core products with Fundamental Technologies that form the basis of technical progress (please refer to P51 for more information).

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 create new value amid 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. In this way, Canon has established 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

When facing profound societal change, there is a risk that companies may fail to grasp opportunities to envision the creation of new value, or else lose competitiveness—either by not considering societal needs when developing products and services, or by not changing their approach or systems. Recognizing that societal change leads to opportunities to create new value, 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 (->P35-42) for more details.

GRI102-11 GRI102-15 GRI103-1 GRI103-2 GRI103-3

Approach

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.

“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 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.

Based on this approach, we reorganized our entire operations into four groups of “Printing,” “Imaging,”

Relationship with SDGs



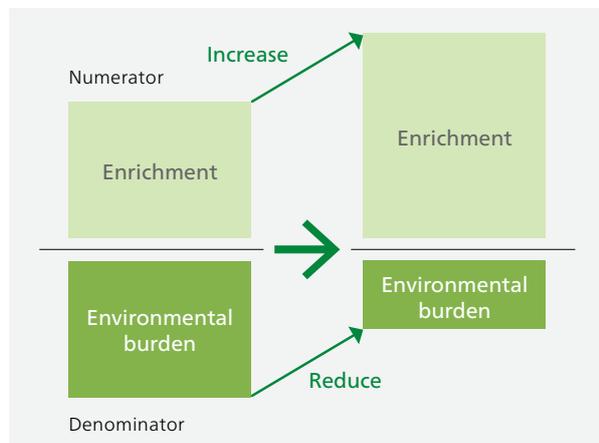
Protecting and Conserving the Environment

Why is this important?

Basic Approach

In 2008, we formulated “Action for Green” (→P55) as our environmental vision, positioning “environmental value” as the main concept in initiatives to realize 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 Approach



Canon is working to reduce environmental impact by focusing on four material areas: (1) contributing to a carbon-free future; (2) contributing to a circular economy; (3) eliminating hazardous substances and preventing pollution; and (4) contributing to a society in harmony with nature.

Materiality

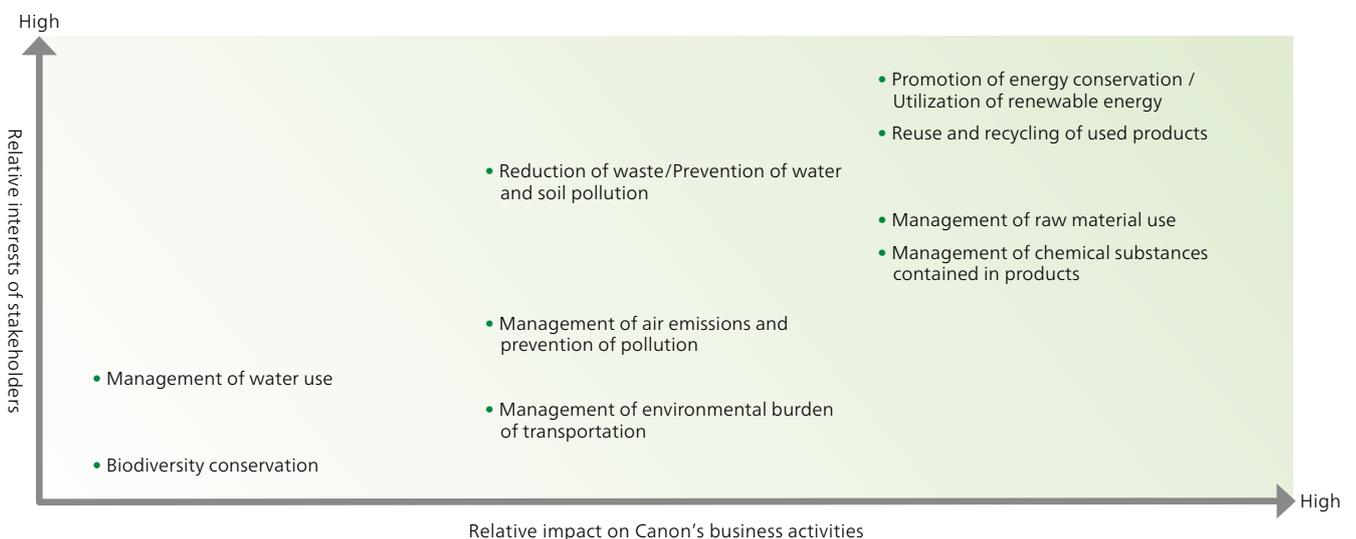
We analyze how our business activities relate to environmental issues and needs. We then assign them a level of priority based on the relative level of interest among stakeholders, ascertained with the help of surveys, and the relative impact on our business activities. (See Materiality Matrix diagram below.)

In a survey conducted in 2020, 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 in each country and region 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 activities at Canon sites and on the cost and competitiveness of our products. They also have a relatively high impact on Canon business activities, and are positioned as high-priority areas in the materiality matrix.

Toward the realization of a sustainable society, Canon believes that it is important to drive forward and develop initiatives of this kind throughout the product lifecycle, taking careful note of social issues and needs, the level of stakeholder concern, and the other wide-ranging changes in the world around us.

Materiality Matrix



Risks and Opportunities

Even as consumer lifestyles grow more affluent, various environmental problems are emerging, 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 carbon neutrality and how to realize a circular economy. Recognizing the business impact of environmental

issues, many companies see 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.

Major Climate-related Risks and Opportunities

Risks and opportunities		Financial impact	Action
Risks	Transition risks:	Stricter energy-efficiency regulation and associated compliance costs (products/sites)	High <ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout the product lifecycle Collection, analysis and adaptation of information on environmental regulations
		Increased business costs from economic measures to reduce emissions (e.g., carbon tax)	Medium <ul style="list-style-type: none"> Achieve energy consumption targets at operational sites Promotion of energy conservation activities at each operational site through cooperation among development, production, facility, and environmental departments
	Physical risks	Negative impacts on operations caused by increasingly severe extreme weather events such as typhoons and floods	Medium <ul style="list-style-type: none"> Formulation of BCPs and relocation of high-risk operational sites to higher ground
	Reputational risks	Negative external evaluation due to insufficient information disclosure	Low <ul style="list-style-type: none"> Disclosure of the approach and the status of efforts in response to climate change
Opportunities	Products and services	Expanded opportunities for sales of energy-efficient products with low lifecycle CO ₂ emissions	High <ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles Development, manufacture, and sales of products that realize a beneficial balance between energy conservation and enrichment of people's lives
		Contribution to CO ₂ emissions reduction at societal level through sales of various innovative products and solutions (hardware/software)	High <ul style="list-style-type: none"> Achievement of environmental targets based on the reduction of environmental impact throughout product lifecycles
	Energy efficiency	Reduction of energy costs by improving production and transportation efficiency	Medium <ul style="list-style-type: none"> Achieve energy consumption targets at operational sites Replacement and introduction of high-efficiency facilities and transportation methods
	Energy sources	Expanded opportunities for use of renewable energy through lower associated costs	Medium <ul style="list-style-type: none"> Switch to renewable energy sources
	Others	Enhanced corporate image due to proactive climate-related disclosures	Low <ul style="list-style-type: none"> Disclosure of the approach and the status of efforts in response to climate change

Major Risks and Opportunities in the Areas of Materiality

	Risks	Opportunities
Circular economy	Transition risks	<ul style="list-style-type: none"> Business cost reduction through improved resource efficiency Enhanced competitiveness through 3R design and development of advanced technologies that promote a circular economy Increased demand for products/consumables that contribute to a circular economy (e.g., remanufactured products) Enhanced corporate image through publicity of our advanced approach to resource recycling Offering the value of CO₂ emissions reduction effect through efforts to recycle resources
	Physical risks	
	Reputational risks	
Hazardous substances	<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 	<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
Biodiversity	<ul style="list-style-type: none"> Impairment of stable water supply and impacted business operations due to extreme weather events Damage to corporate image from slow transition to circular economy 	<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
	<ul style="list-style-type: none"> Reduced supply and higher cost of printing paper due to declining 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

GRI102-11 GRI102-15 GRI103-1 GRI103-2

Approach

Based on our environmental vision of "Action for Green," Canon is working to reduce environmental impact by focusing on four material areas:
 (1) contributing to a carbon-free future (→P63–66);

(2) contributing to a circular economy (→P67–71);
 (3) eliminating hazardous substances and preventing pollution (→P72–74); and (4) contributing to a society in harmony with nature (→P75–76).

Materiality-based Approach

For 2050

We aim to achieve net-zero CO₂ emissions for entire product lifecycles* by 2050.

For 2030

By consistently achieving our target of an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit, including Scope 3 as well as Scope 1 and 2 emissions, we aim to realize a 50% emissions reduction in 2030 compared to 2008 levels.

Approach

To reach net zero CO₂ emissions, we will rigorously improve efficiency throughout product lifecycles, further promoting energy efficiency in design, production, and distribution. Since 2008, Canon has consistently met its target of an average annual improvement of 3% for the index of lifecycle CO₂ emissions per product unit. We will continue to build on this record of achievement going forward. We have moved ahead with the introduction of renewable energy mainly in Europe and Asia, and will continue to promote the strategic utilization of renewable energy in consideration of its availability and economic viability in each region. We will also seek to reduce CO₂ emissions through advances in the recycling of resources. In addition to our own efforts, we will collaborate on initiatives with stakeholders throughout the value chain. We will take every possible measure to achieve net-zero CO₂ emissions over the longer term, incorporating innovation wherever it occurs in society. At the same time, by making a wide range of technologies and IT solutions available, Canon will not only reduce CO₂ emissions in our own operations but also help lower CO₂ emissions across the society.

* Scope 1: Direct emissions (city gas, LPG, light oil, kerosene, non-energy-related greenhouse gases, etc.)
 Scope 2: Indirect emissions (from use of electricity, steam, etc.)
 Scope 3: Supply chain-related emissions (emissions from purchased goods and services, upstream transportation and distribution, and utilization of sold products).

Medium-term Environmental Targets (Three-year Plan)

With a view to what we aim for in 2050 and 2030, we set Medium-term Environmental Targets in line with our three-year management plan, and we review the targets each year.

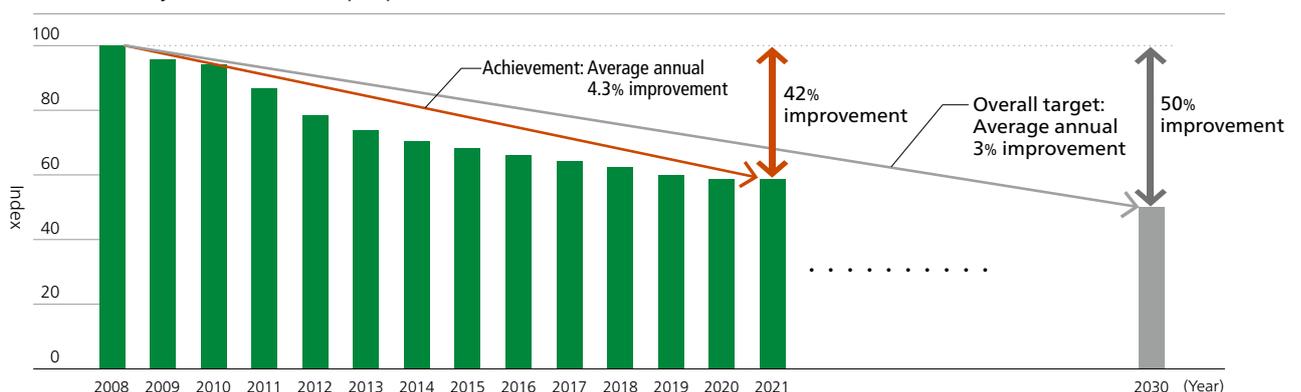
Canon sought a single integrated indicator to measure the progress achieved across all environment-related activities, from energy and resource conservation to recycling, and to also highlight the efficiency of these activities in terms of achieving a beneficial balance with business activities. We therefore established the index of lifecycle CO₂ emissions per product unit, and set an overall target of achieving a 3% average annual improvement in the index as part of the Canon Group Medium-term Environmental Targets.

This overall target is subdivided into a product target and an operational site target. The product target is set at a 3% average annual improvement in the index of CO₂ emissions per product unit associated with raw materials and product utilization. The operational site target includes target figures for reduction per basic unit in energy consumption, total waste emissions, water consumption and controlled chemical substance emissions. In this way, we will make continuous progress toward meeting our overall target.

Progress in 2021

Against the target of a 3% average annual improvement in the index of lifecycle CO₂ emissions per product unit, we realized an average annual improvement of 4.3% between 2008 and 2021 for a cumulative total improvement of 42%. In 2021, we progressed with related activities, including initiatives in both operations and product design to improve energy efficiency based on the whole product lifecycle. Unfortunately, disruption of logistics operations owing to COVID-19 and other factors limited the rate of achievable improvement. However, this disruption is temporary and we expect to return to a path of continuous improvement.

Index of lifecycle CO₂ emissions per product unit



* Assuming 2008 baseline of 100

Disclosure in Line with TCFD Recommendations

Canon accepts the recommendations of the final report of the Task Force on Climate-related Financial Disclosures (TCFD) and discloses climate-related information in accordance with the TCFD framework.

Initiatives in line with TCFD Recommendations	
Governance	<p>Environmental targets, including climate change responses, are approved by the Chairman & CEO. Medium-term and long-term plans are formulated by the Sustainability Headquarters, and approved by the CEO after discussions among board directors and other executives. The Sustainability Headquarters plays a central role in the group-wide efforts to achieve these targets, and reports the progress of the targets to the management every month and the annual review to the CEO.</p> <p>Our company has also established a Risk Management Committee based on a resolution of the Board of Directors. Serious risks related to environmental laws and regulations and natural disasters are considered by the Risk Management Committee.</p>
Strategy	<p>Based on information from specialized institutions and government agencies, Canon conducts numerical simulations of lifecycle CO₂ reductions using the climate change scenarios of the Intergovernmental Panel on Climate Change (IPCC), identifies business risks and opportunities, and formulates medium-term to long-term strategies. * See page 30 for details of risks and opportunities identified</p> <p>In order to reduce risks and expand opportunities, we recognize the importance of both mitigating CO₂ emissions and adapting to physical risks from the perspective of entire product lifecycles, and we have formulated and implemented action plans accordingly.</p> <p>We are also working to reduce CO₂ emissions through efforts to realize a circular economy. For example, remanufacturing of printers can reduce CO₂ emissions from the procurement of new raw materials and parts processing. In the closed-loop recycling of ink and toner cartridges, plastic is pelletized from collected cartridges and reused as raw material, thus reducing CO₂ emissions from procurement and transportation of new raw materials.</p>
Risk management	<p>The identified climate change risks and opportunities are managed in accordance with the ISO 14001 PDCA cycle. Our company has established a Group-wide environmental management system, based on ISO 14001, at all of its business sites around the world as a mechanism to continuously improve its environmental assurance activities. In order to promote (DO) environmental assurance activities in conjunction with the activities of each division (Product Group, business sites, and Group companies), the Environmental Management System determines (PLAN) medium-term and annual environmental targets, and formulates priority measures and implementation plans to achieve them, which are reflected in business activities. In addition, we conduct environmental audits to check the status of initiatives and issues in each division, and conduct environmental performance evaluations that incorporate environmental aspects into performance evaluations (CHECK), leading to continuous improvement and reinforcement of environmental assurance activities (ACT).</p> <p>These Responses to risks and opportunities are reflected in company-wide environmental targets and priority measures. Our company considers the environment as part of its management evaluation. The achievement of environmental targets and the results of environmental activities by each division are evaluated and scored twice a year in the environmental performance evaluation conducted as an indicator of the consolidated performance evaluation system, which evaluates the performance of the entire Group. The evaluation results are reported to the CEO and other senior management.</p>
Metrics and targets	<p>In order to comprehensively identify and manage the results of all environmental activities, such as energy conservation, resource conservation, and recycling, through a single index that covers the entire product lifecycle, we have set the Canon Group Medium-term Environmental Targets to be "3%-per-year average in lifecycle CO₂ emissions improvement index per product."</p> <p>By continuing to meet this target, we expect an improvement of approximately 50% in 2030 compared to 2008 levels. As of 2021, this was a 42% improvement from 2008 levels, which exceeded the target. The total life cycle CO₂ was 7,616,000 t-CO₂ (Scope 1, 2 and 3). These GHG emissions data are covered by a third-party guarantee every year, and were covered in 2021.</p> <p>Our company is working with the public to achieve net-zero CO₂ emissions by 2050 through initiatives across product lifecycles.</p>

Relationship with SDGs



Responding to People and Society as a Good Corporate Citizen

Why is this important?

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 *kyosei* as our corporate philosophy in 1988 in line with global development of the business. *Kyosei* describes an aspiration to create a society in which all people, regardless of race, religion or culture, live and work together for the common good.

The COVID-19 pandemic has greatly affected individual lives and global economic activity, increasing the demands across society for safety and security both at work and at home. In pursuit of the SDGs, companies are expected to contribute to efforts to eliminate discrimination and poverty on a global basis while recognizing diversity and seeking to create a society in which everyone can play an active role.

Besides business activities, Canon’s response to fulfil these societal expectations 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, while contributing to achieving the SDGs.

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. In addition to our social responsibilities as a manufacturer, we believe it is vital to contribute to the continued development of society in the way we respond, through business activities, to societal changes and trends, as well as the way in which we strive to meet the expectations and demands of stakeholders. Besides such global guidelines as the “Guiding Principles on Business and Human Rights” and “Universal Declaration of Human Rights” authored by the United Nations, we evaluate societal demands and expectations based on the views of external experts and on the results of our stakeholder surveys. We consider all these aspects in assessing the suitability of our activities and making revisions where appropriate. Our latest stakeholder survey pointed to high levels of interest in Canon initiatives in the following areas: “Prevention of Discrimination and Harassment,” “Respect for Basic Human Rights,” “Inquiries and Repair/Maintenance support abilities,” “Improving quality and quality control,” and “Utilizing business activities to contribute to social welfare.”

Going forward, Canon will promote good corporate citizenship activities while taking into consideration the changing demands and expectations of society.

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"> • Shrinking of global market • Shortage of next-generation human resources • More severe impacts on regional communities due to natural disasters • More severe societal impacts due to COVID-19, etc. 	<ul style="list-style-type: none"> • Ongoing development of local communities • Acquisition of next-generation human resources • Building trust with local communities • Enhancement of brand image • Cultural support, sports sponsorship, etc.

Approach

Human Rights and Labor (→P77–93)

Under increasing global attention to how corporations are operating in relation to human rights, Canon, as a truly global business enterprise, has established the Canon Group Human Rights Policy, and seeks to maintain legal and regulatory compliance in all business activities across every country and region, while promoting initiatives to ensure respect for the human rights of all employees, suppliers and other stakeholders involved in our own business activities and those of our business partners.

Canon believes sustained enterprise growth is a function of improving productivity by maximizing the potential of individual employees through the development of a highly motivated and diverse workforce. To this end, we are promoting various initiatives throughout the Canon Group in areas such as diversity and inclusion, occupational health and safety, health management and HR development, in order to support the creation of workplace conditions that promote high employee motivation.

Product Responsibility (→P94–99)

Believing that customers should never encounter any safety-related quality issues, Canon in its production activities takes product safety as an issue of paramount importance. Furthermore, product safety problems can significantly impact business performance by eroding customer trust and the value of the Canon brand. 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 suited to our ever-changing world.

Canon’s basic quality concept is to ensure that customers have “no claims, no trouble.” Our quality

management system builds on the requirements of international standards using unique concepts and mechanisms. Based on this approach, we strive to improve quality across the entire product lifecycle. With regard to safety, we have instituted in-house product safety technical standards that are stricter than the regulatory requirements in each country and region that we serve to ensure that our customers can use Canon products with peace of mind.

In addition, through the introduction of Universal Design principles and other initiatives, we are working to promote the development of Canon products that customers worldwide can use easily, regardless of age, gender, nationality or ability.

Social Contribution (→P100–102)

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. We believe that contributing to solving local issues is an indispensable part of supporting the sustainable development of society, based on enhanced trust in Canon as an enterprise.

Based on this approach, Canon established the Canon Group CSR Activity Policy (→P100). Canon seeks to develop its operational sites by engaging in activities tailored to the characteristics and issues of different countries and regions worldwide. In doing so, we draw on various resources in our areas of strength, such as advanced technological capabilities, global business deployment expertise, and diverse, specialized human resources.

Relevant Guidelines

- UN Universal Declaration of Human Rights
- The International Labour Organization (ILO) International Labour Standards
- The United Nations Guiding Principles on Business and Human Rights
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Children’s Rights and Business Principles developed by the UN Global Compact
- Sustainable Development Goals (SDGs)
- ISO 26000
- Keidanren (Japan Business Federation) Charter of Corporate Behavior

Relationship with SDGs

