

Sustainable Management ESG Initiatives

E Environment

S Social

G Corporate Governance

- Board of Directors and Audit & Supervisory Board Members

E Environment

The Canon MJ Group seeks to contribute to social progress by enhancing lifestyles and safeguarding the environment by deploying in-house measures to prevent climate change and reduce waste while pursuing distinctive initiatives as a marketing enterprise.

Preventing Climate Change

Initiatives at Business Sites

We upgrade office equipment to energy-efficient models and implement measures to reduce lighting and air conditioning power consumption. We also shrink our environmental footprint by improving work processes and work practices. Examples include car-sharing sales and service vehicles and no-overtime work days.

We effectively slashed to zero our CO₂ emissions from electricity consumption in the showroom and customer service areas of Canon S Tower and branches. This achievement was made possible through purchases under the J-Credit Scheme*, under which credits for power derived from renewable energy sources offsets electricity consumed from other sources. In 2020, we applied this system to the shuttle bus running between the Canon S Tower and the Makuhari Office to virtually eliminate its CO₂ emissions.

*The Japanese government certifies J-Credits under the J-Credit Scheme of the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Ministry of Agriculture, Forestry and Fisheries. The scheme encourages entities to adopt and expand the use of renewable energy by converting intangible CO₂ emissions reductions and absorptions into credits that they can trade in markets.

Product and Services Initiatives

- Reducing environmental impact by providing IT solutions

The Canon MJ Group offers a range of document and other IT solutions. These solutions, for example, improve business efficiency and lower costs by reducing energy consumption at customer sites through the use of data centers and paper document digitization to reduce paper resources. This also lowers environmental impact by reducing resource and energy consumption.

- Introducing carbon offsets

We introduced a carbon offset*¹ scheme to offset CO₂ emissions of our office MFPs and certain production printers throughout product life cycles

at customer requests. Although the eco-friendly technologies of our products lower emissions across the product life cycle, we still purchase offset credits*² equivalent to the emission amounts that cannot be reduced, thereby virtually eliminating emissions*³.

Under this scheme, we transfer offset credits equivalent to emissions reductions from the use of offset products to customers who wish to use them.

Customers can use emissions reductions from offset credits transferred to them as their own reductions. Also, we use offset credits that local governments sell, thereby contributing to regional CO₂ reduction activities.

*1. Carbon offsets reduce GHG emissions to compensate for emissions elsewhere.

*2. Credits issued for carbon offsetting

*3. Emissions for all units shipped in the Refreshed series are offset.

Resource Recycling

Product Collection and Recycling Activities

We set up a program to efficiently collect used Canon MFPs, laser printers, and those cartridges from customers and dealers and to recycle valuable resources within the Group, thereby contributing to the creation of a recycling-driven economy.

Canon recycling sites reuse and materially and thermally recycle used products, cartridges, and other items from customers so they become resources instead of landfill.

The Refreshed series of office MFPs exemplifies our approach. After disassembling collected equipment to the component level, we clean and wash parts, replacing deteriorated and worn parts in accordance with strict recycling standards. Refurbished equipment goes through production and inspection lines employing the same standards as those for equipment solely employing new parts. We fully verify quality and reliability in bringing out refurbished offerings as new products.



imageRUNNER ADVANCE
C3330F-R6

Managing Water Use

We monitor and manage water consumption at key business sites. At our headquarters in Shinagawa, we use water-saving panels in the cafeteria and other areas. We collaborate with the Shinagawa Grand Commons urban development council to use recycled water in restrooms and other areas in keeping with Tokyo metropolitan government objectives. We cut water consumption when verifying semiconductor equipment by minimizing their operations.

Preventing Pollution

Carefully Managing Chemical Substances

We identify and manage all chemical substances that we use in after-sales support for our products. Steps under our Chemical Substance Management Procedures include monitoring hazardous substance usage amounts and storage.

We determine whether or not we can use new chemical substances by assessing their environmental impacts, and confirm appropriate usage and storage methods.

Conserving Biodiversity

Implementing the Furusato Project

Our Furusato Project aims to bequeath a better world to future generations in keeping with our recognition that biodiversity is essential for a



Activities of the project held in Miyagi Prefecture

Activities of the project held in Fukui Prefecture

sustainable economy.

We endeavor through the project to encourage participation in the activities of groups with which we are collaborating to raise awareness of biodiversity and conservation through My Action Declaration*, a set of five actions to protect biodiversity.

*To reach the Aichi Diversity Targets, we must all be aware of the impacts of our lifestyles on biodiversity.

Disseminating Website Contents

The Canon website offers access to the Animarium, an online virtual town, river, sea, and mountain space in which visitors can learn about the environment and biodiversity through photos about the wonders of living things.

TOPIC Canon IT Solutions Receives Letter of Appreciation from Governor of Tokyo for Helping to Realize Zero Emission Tokyo Strategy

Canon IT Solutions endorsed the Tokyo metropolitan government's efforts to realize its Zero Emission Tokyo strategy, donating 19,893 metric tons of CO₂ reduction credits from the Nishi-Tokyo Data Center. That facility participates in the Tokyo Cap-and-Trade Program*, a mandatory emissions trading scheme. The company received a letter of appreciation from the Governor of Tokyo for donating credits after lowering emissions and energy consumption more than required.



*This program obliges office building occupants and other energy users to reduce their CO₂ emissions, and allows them to trade emissions excesses or shortfalls as credits.

S Society

The Canon MJ Group contributes to society in a variety of ways, including by creating frameworks to provide safe and reliable products and services to customers and by developing workplaces that prize the contributions of each employee.

Relations with Employees

Respect for Human Rights and Diversity

We strive to prevent unfair discrimination and harassment of employees. We foster a corporate culture in which diverse people with different personalities and values can play an active role and grow with one another.

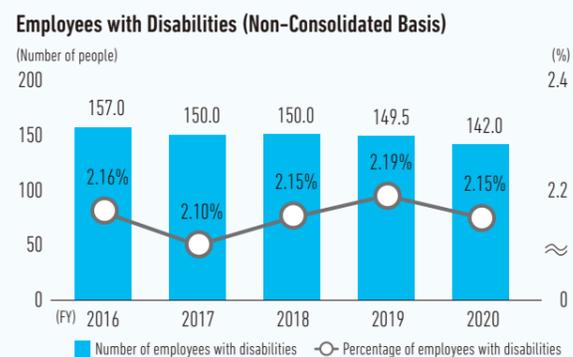
Supporting women's advancement

In support of the Women's Action Plan of Keidanren (Japan Business Federation), Canon MJ and Canon IT Solutions Inc. submitted voluntary plans to appoint female officers and managers.

Also, Canon System & Support Inc., Canon Production Printing Systems Inc., Canon BizAttenda Inc., and Canon Customer Support Inc. formulated action plans based on their specific challenges to foster the participation of women in workplaces and appoint and recruit female managers. By 2025, Canon MJ looks to have women accounting for 6.0% of managerial positions and 20.0% of deputy manager roles.

Initiatives to employ people with disabilities

The Canon MJ Group is committed to employing people with disabilities, and accordingly endeavors to create a barrier-free work environment. As



*Calculated according to prescribed working hours, disability degrees, and other factors in keeping with the Ministry of Health, Labour and Welfare standards.

of June 2020, 2.15% of Canon MJ's employees were people with disabilities. The Group will continue pushing ahead with new graduate and midcareer hiring of individuals with disabilities.

Balancing professional and private commitments

Canon MJ has rolled out a range of programs to foster career plans and create more attractive employment environments by empowering its people to balance work with childcare and nursing care commitments.

In April 2021, we received Platinum Kurumin Certification from the Minister of Health, Labour and Welfare for excellence in offering childcare support.



Combating harassment

The Canon MJ Group engages in various awareness-building initiatives to prevent sexual and power harassment.

Harassment issues are part of the agenda for training new employees and managers. Compliance meetings also position harassment as an issue for discussion within work units.

We make it easier for employees to seek advice about harassment by offering consultations and by enabling the sharing of concerns by email or telephone.

Developing Human Resources

We empower all employees to learn and grow by providing the support they need while encouraging voluntary learning. Our Human Resources Department oversees overall training. It joins hands with departments handling specialist training and workplace supervisors overseeing day-to-day operations to design ideal experiences for each employee and foster their growth.

Asia trainee system

The Canon Group maintains the Asia Trainee System, through which it sends young employees to undertake language and practical training at overseas subsidiaries in Asia. The goal is to foster professionals who are familiar with local languages, cultures, and business practices. This is

one of the training programs of Canon Inc. We want those participating in the program to become strong candidates for future overseas assignments.

• In-house recruiting program

We support career development through the Job Opening Bulletin System. This program encourages employees to take on new positions and more fully tap our human resources.

Enhancing Job Satisfaction

Our meritocracy-based corporate culture fully recognizes achievements in important and responsible jobs, regardless of age or gender. Our work environment encourages employees to grow and develop personally and benefit our organization.

• Work practice reform initiatives

We launched the Work Practice Reform Promotion Project to enhance productivity Groupwide so employees can complete their tasks during regular working hours.

We staggered work hours and broadened the scope of teleworking to help safeguard employees from COVID-19.

- Raise awareness by implementing no-overtime work days and sharing results on our information site
- Diversify work practices by using satellite offices and telework and staggering work hours
- Enhance work efficiency by encouraging the use of IT tools and robotic process automation (RPA), through which software robots run applications on PCs

Procurement Activities

Basic Procurement Policy

The Canon MJ Group established the following basic procurement policy.

1. Foster efficient and competitive business activities by pursuing safety and quality and endeavoring to stably procure reasonably priced

products and services that meet customer needs.

2. Prioritize green procurement of products and services that help shrink our environmental footprint as part of conservation initiatives.
3. Offer fair trading opportunities and procure fairly in keeping with laws and social norms.
4. Engage in procurement activities that foster mutually beneficial long-term relationships with business partners to realize a sustainable economy.

Rigorous Procurement Compliance

The Canon MJ Group educates about its action guidelines and procurement laws and regulations initiative to ensure optimal and fair business transactions. We established the Group Procurement Regulations, maintaining requirements for fair and equitable transactions, environmental protection, and compliance with procurement-related laws and regulations.

We established a department that oversees our Procurement Department, and aim to regulate the Canon MJ Group overall by educating about procurement-related laws and rules and monitoring compliance.

We provide buyer education for Procurement Department employees to raise compliance awareness based on the Group Procurement Regulations.

As well as stating our requirements of business partners, we conclude basic agreements before engaging in transactions with them, committing to complying strictly with laws and ordinances and to engaging in fair and honest transactions that do not violate corporate ethics or erode social trust. After we start doing business with these partners, we conduct regular surveys to check progress in an array of areas, including from environmental and social perspectives, providing them with feedback on assessments.

Engaging in Green Procurement

The Canon MJ Group endeavors to eliminate hazardous chemical substances by complying with the Global Canon Green Procurement Standards*.

We brief new suppliers on these standards. We confirm compliance by checking that they have established product chemical substance management systems based on the standards and by surveying environmentally hazardous substances in raw materials, parts and auxiliary materials of products for which we consign production.

* These mandatory standards for Canon Group companies stipulate the parent's green procurement requirements as part of its environmental protection initiatives.

Procuring Minerals Responsibly

The Canon MJ Group tackles the challenge of sourcing minerals responsibly in conflict-affected areas* in accordance with a basic policy of the Canon Group. We ensure peace of mind for Canon product customers by requesting suppliers to confirm the provenances of minerals in their products and help us eliminate the use of conflict minerals.

* Some minerals from the Democratic Republic of Congo and adjoining countries are prevalent across the global supply chain. They are called conflict minerals because they fund armed groups in Central Africa. The United States enacted legislation that requires U.S.-listed companies to disclose their use of conflict minerals, raising interest worldwide in this issue. From 2020, we took the impact of the European Union's conflict minerals regulations into account in expanding the scope of our assessments to cover all conflict and high-risk areas worldwide in line with the OECD Due Diligence Guidance.

Quality Management

Quality Management System

The Canon MJ Group established a quality management system that augments the requirements of ISO9001, the international standard for quality management systems to control quality risks. This approach is in keeping with our Basic Policy on Product Safety and ensures that we provide top-quality products and services that are safe and reliable for customers.

For the quality management system, we established policies and targets for the relevant products, services, and support. We pursue ongoing improvements through plan-do-check-act (PDCA) cycles and clarify responsibilities and authority for achieving goals.

We manage product quality in the marketplace by collaborating with Canon Inc., which oversees manufacturing and other manufacturers, and respond swiftly to customer issues.

TOPIC Telework Supporter Service Helps Enhance Work Practices and Prevent Spread of COVID-19 Infections

BellSystem24, Inc., a leading call center company, introduced Telework Supporter in 2019. About 25% of its home-based operation booths use this cloud-based service from Canon IT Solutions.

Telework Supporter uses facial recognition to manage work attendance. People find this less stressful than camera monitoring systems in which managers check videos of employees on the job. The system also reduces the risk of information leaks.

BellSystem24 views security as a top priority, so it was impressed with the system's ability to detect peeping and spoofing, lowering the risk of information leaks.

The pandemic has prompted many companies to adopt telework as part of work practice reforms. We will keep contributing to the expansion of telework and business progress in various markets by providing Telework Supporter and other IT solutions.



G Corporate Governance

Overview of Corporate Governance at the Canon MJ Group

- Organizational format: Company with Audit & Supervisory Board members
- Number of directors: 6
- Number of outside directors: 2
- Number of outside directors designated as independent: 2
- Term of directors: 1 year
- Number of Audit & Supervisory Board members: 5
- Number of outside Audit & Supervisory Board members: 3
- Number of outside Audit & Supervisory Board members designated as independent: 2
- Term of Audit & Supervisory Board members: 4 years
- Independent auditor: Deloitte Touche Tohmatsu LLC
- Use of executive officer system: Yes
- Number of executive officers: 23

Basic Stance on Corporate Governance

We recognize that sustainable growth in corporate value requires ongoing improvement in such areas as management transparency and the monitoring of progress toward management targets. This is reflected in our wide-ranging initiatives to strengthen corporate governance. We have implemented all principles of Japanese Corporate Governance Code.

Initiatives to Enhance Corporate Governance

2011	Adopts executive officer system
2014	Appoints one outside director
2016	Increases number of outside directors to two
2016	Establishes standards for independent outside directors
2016	Japanese Corporate Governance Code and Audit & Supervisory Board members (Standard)
2018	Sets up Nomination and Remuneration Committee

Protection of Minority Shareholders in Transactions with the Controlling Shareholder

The Company's controlling shareholder is Canon Inc. The Company concludes important basic agreements with Canon Inc. based on resolutions

of the Board of Directors. Such agreements are appropriately and fairly implemented without compromising the Company's interests. The Company acts appropriately and fairly in all transactions, not just those with its controlling shareholder, to avoid compromising its independence and interests and to safeguard the interests of all shareholders.

Relationship with the Parent Company

Our parent company is Canon Inc., whose policy is to list its subsidiaries on stock exchanges to optimize its consolidated results, ensuring earnings stability by maintaining the independence and dynamic management structures of those companies. This approach enhances Group value in keeping with the interests of all shareholders, including minority ones.

Canon MJ sells and services Canon products. It also sells and services the products and IT solutions of other entities in response to customer requests. To develop our own businesses, we have to make swift decisions, procure funds flexibly, and attract talented people. We are able to do this because we are listed and operate independently. We thus believe that expanding earnings through our businesses help increase the Canon Group's corporate value while benefiting shareholders overall.

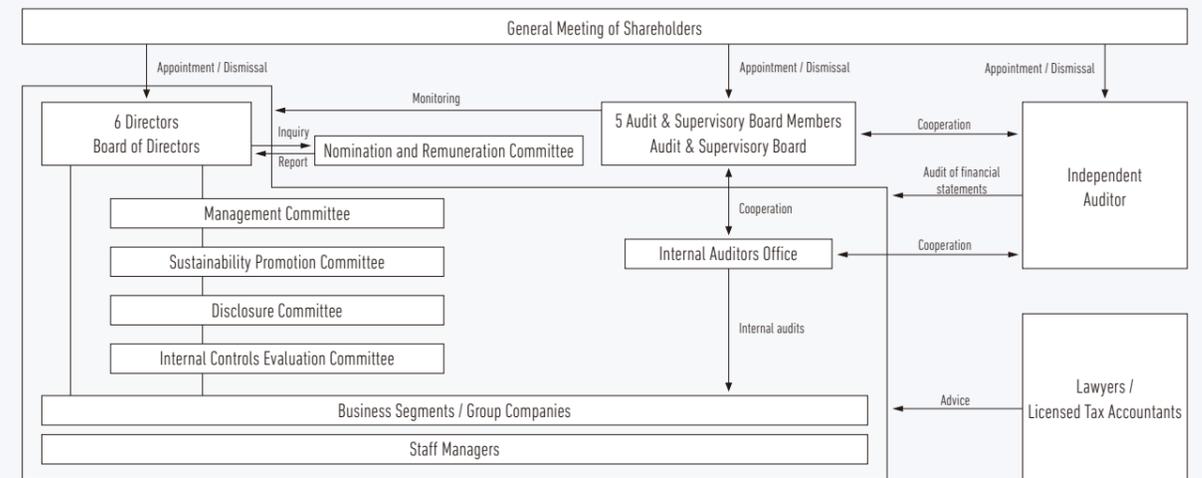
The parent company's involvement in running our organization is limited to exercising voting rights as a shareholder. No parent directors hold concurrent positions with us. More than half of the members of our voluntary Nomination and Remuneration Committee are independent outside directors, ensuring transparency and fairness. We confirm that transactions with Canon Inc., such as to determine purchase prices and interest rates on loans, do not disadvantage either party. We only implement these transactions after signing contracts.

Policy on Constructive Dialogue with Shareholders

The Company helps to drive sustainable growth and improve corporate value over the medium and long terms by engaging in constructive dialogue with shareholders, including through general meetings of shareholders, briefings on management plans for the medium and long terms, results briefings, and meetings with major institutional investors.

Corporate Governance Organization

(As of March 26, 2021)



Board of Directors

We maintain a structure in which the representative director oversees Companywide business strategies and execution, while supervision of business domains and headquarters functions is primarily through executive directors, and add at least two independent outside directors to ensure sound management. In accordance with laws and ordinances, the Board of Directors monitors important decisions and implementation.

Other decisions are handled by the representative director or under the representative director's direction and supervision through executive officers whom the Board of Directors appoints through its resolutions to assume responsibility for making and implementing decisions for business domains and headquarters functions.

As well as engaging in regular deliberations about results, executive appointments, and other matters, the Board of Directors extensively discusses and decides about important matters relating to legal affairs and Board regulations at gatherings that are normally held once monthly, or as needed, and at Management Committee meetings attended by the directors of Canon MJ and the presidents of major subsidiaries.

Audit & Supervisory Board

The Audit & Supervisory Board functions independently of the Board of Directors, and comprises individuals who are familiar with the Company's business or corporate management and who have accounting or other expertise. At least one outside Audit & Supervisory Board member is an outside person who fulfills the independence criteria of Standard that the Board of Directors separately determines.

The Audit & Supervisory Board cooperates with the independent

auditor and the Internal Auditors Office to assess performance and corporate assets and ensure sound management.

There are five Audit & Supervisory Board members, of whom three are outside auditors. Their duties include attending Board of Directors' meetings, communicating with directors and other parties, and perusing important documents in line with the auditing policies and work allocations that the Audit & Supervisory Board stipulates, and conducting rigorous audits by examining operations and property.

Internal Auditors Office

The Internal Auditors Office produces internal audit policies for Canon MJ and its subsidiaries as an independent specialist that reports directly to the president. It also conducts audits, assesses, and advises on all business activities from the perspectives of credibility of financial reports, the validity and efficiency of operations, legal compliance, and the conservation of assets. The auditors of Canon IT Solutions Inc. and Canon System & Support Inc. conduct assessments based on the same policies. The Canon MJ Group has 50 audit staff members.

Outside Directors and Outside Audit & Supervisory Board Members (as Defined under the Companies Act)

Canon MJ has two outside directors and three outside Audit & Supervisory Board members. Pursuant to the consent of all Audit & Supervisory Board members and the Board of Directors, we implemented our Standard for outside directors and outside Audit & Supervisory Board members to clarify for the independence of outside directors and outside Audit & Supervisory Board members in keeping with the Japanese Corporate

Governance Code and standard. Our outside directors and outside Audit & Supervisory Board members satisfy the independence criteria and help maintain and improve the transparency and accountability of the Board of Directors.

The Company does not maintain a specialist organization or provide full-time staff to assist outside directors or outside Audit & Supervisory Board members. Directors in charge of operations and other officials provide outside directors with prior explanations of Board of Directors' meeting agendas as needed. Internal auditors, directors in charge of operations, and other officials provide outside Audit & Supervisory Board members with prior explanations of Board of Directors' meeting agendas as needed. Outside Audit & Supervisory Board members attend Audit & Supervisory Board meetings, as well as liaison meetings conducted as needed, to exchange information on important audit details among Audit & Supervisory Board members.

Outside Directors' and Outside Audit & Supervisory Board Members' Attendance at Board of Directors' Meetings and Audit & Supervisory Board Meetings

	Name	Attendance at meetings of the Board of Directors and Audit & Supervisory Board during fiscal 2020
Outside directors	Akio Dobashi	18/18 times (100%) of Board of Directors' meetings
	Yoshio Osawa	18/18 times (100%) of Board of Directors' meetings
Outside Audit & Supervisory Board members	Iwao Hashimoto	13/13 times (100%) of Board of Directors' meetings 10/10 times (100%) of Audit & Supervisory Board meetings There were 18 meetings of the Board of Directors in fiscal 2020. He attended all 13 gatherings subsequent to his appointment. There were 17 meetings of the Audit & Supervisory Board in fiscal 2020. He attended all 10 gatherings subsequent to his appointment.
	Nobutoshi Matsumoto	13/13 times (100%) of Board of Directors' meetings 10/10 times (100%) of Audit & Supervisory Board meetings There were 18 meetings of the Board of Directors in fiscal 2020. He attended all 13 gatherings subsequent to his appointment. There were 17 meetings of the Audit & Supervisory Board in fiscal 2020. He attended all 10 gatherings subsequent to his appointment.
	Shigeo Hasegawa	18/18 times (100%) of Board of Directors' meetings 17/17 times (100%) of Audit & Supervisory Board meetings

Analysis and Evaluation of Effectiveness of the Board of Directors

The Company consulted with directors and Audit & Supervisory Board members about the effectiveness of the Board of Directors, and the Board

of Directors analyzed and evaluated the findings. These talks confirmed the overall effectiveness of the Board of Directors. We will draw on the views of directors and auditors (in matters relating to management index) in running the Board of Directors to further improve its effectiveness in the course of discussions.

Policies and Procedures for Determining Remuneration for Senior Executives and Directors

Remuneration for the representative director and directors consists of basic remuneration, which is a fixed basic monthly fee for executing their roles and duties, a bonus linked to performance during the fiscal year, and stock incentives also linked to performance to promote improvements in medium- to long-term business performances and corporate value. The same applies to remuneration for executive officers, who are senior executive officers or above. Outside directors only receive basic remuneration.

The Company maintains a voluntary four-person Nomination and Remuneration Committee comprising the president, one director, and two independent outside directors. The committee verifies the appropriateness of the remuneration system for directors and executive officers who are senior executive officers or above, including ideas on calculating basic remunerations and bonuses and the criteria for granting performance-linked remuneration. Remunerations are all in line with the remuneration structure, whose basic calculation approaches were resolved at meetings of the Board of Directors and are verified by the Nomination and Remuneration Committee.

The total of basic remuneration and performance-linked stock incentives for directors must be less than the maximum total remuneration approved at general meetings of shareholders. Bonuses, however, are determined when proposals for them are approved at ordinary general meetings of shareholders.

Members of Nomination and Remuneration Committee

- Masachika Adachi: Chairperson, President & Representative Director
- Minoru Mizoguchi: Director, Senior Executive Officer
- Akio Dobashi: Outside Director
- Yoshio Osawa: Outside Director

Appointment and Nomination Procedures

To nominate director or Audit & Supervisory Board member candidates and appoint senior executive officers (including successors and president and representative director candidates), the president and representative director first nominates candidates from among those fulfilling requirements. The nomination is submitted at a meeting of the Board of Directors after the Nomination and Remuneration Committee confirms that it is fair and appropriate.

The Audit & Supervisory Board discusses and consents to nominees before deliberations by the Board of Directors.

Dismissal Procedures for Management Team Executives

Directors and Audit & Supervisory Board members can ask the Nomination and Remuneration Committee for deliberations at any time to decide whether the dismissal of a representative director, executive director, or executive officer who is a senior executive officer or above (collectively, "management team executives") is necessary in the event of illegal, unfair, or treasonous behavior among such individuals, if they have failed to fulfill their roles, or for other reasons that make such people unsuited to retain their posts as management team executives.

All results of Nomination and Remuneration Committee deliberations shall be submitted to the Board of Directors, regardless of the outcome of Board of Directors' deliberations on the necessity of dismissal. The management team executives subject to deliberations cannot join in discussions.

Internal Controls

Based on the Companies Act, the Board of Directors resolved the basic policy for an internal controls system to ensure appropriate business practices, and is deploying that system in line with the policy.

Chaired by the president, the Internal Controls Evaluation Committee consists of officials representing corporate departments and subsidiaries. Its task is to develop internal controls systems for the entire Canon MJ Group.

Canon Inc., which is listed on the New York Stock Exchange, has adopted systems that comply with the Sarbanes-Oxley Act, a U.S. law designed to improve corporate governance. As a member of the global

Canon Group, Canon MJ has also applied global perspectives by establishing systems based on the same standards.

Corporate Ethics and Compliance

For the Canon MJ Group, compliance is not simply a matter of obeying laws and regulations. We also commit to complying with laws and social rules, maintaining social justice, and continuing to meet the expectations of society. We engage in compliance from the perspectives of initiatives to raise awareness, educating, and undertaking organizational activities to ensure that all of our people act ethically and obey the law.

All officers and employees of the Canon MJ Group receive copies of the Canon Group Code of Conduct, which presents the standards that they should uphold in performing their duties, and Compliance Cards, which describe the "Three Selves" spirit (covering self-motivation, self-management and self-awareness). We educate and train employees to enhance awareness. In addition, we distribute compliance-related email newsletters to help our people better understand and adhere to laws and rules relating to our business.

We normally convene the compliance meeting to confirm compliance risks and countermeasures at each work site. There were no such gatherings in 2020 because of the pandemic, but we have resumed them in 2021. We also maintain an ongoing internal reporting system.

Information Security

The Canon MJ Group helps realize a secure society by managing information security based on its governance oversight. Products and solutions for customer information security issues draw on our expertise in this field.

We have taken various steps to bolster information security governance, moving forward with objective assessments and ongoing improvements. We formulated the Basic Policy on Information Security for the Canon MJ Group and rolled out the Information Security Management System (ISMS) and Personal Information Protection Management System (PMS) for the Group to standardize and streamline management. We are optimizing our information security countermeasures, training information

security personnel, and have secured and maintained certification under the ISMS Conformity Assessment Scheme and PrivacyMark. We deployed the Canon MJ Computer Security Incident Response Team to reinforce cybersecurity. We also issue an information security report.

Business Continuity

The Canon MJ Group formulates business continuity measures to prepare for major earthquakes, influenza outbreaks, and other crises.

Business Continuity Planning

This planning entails formulating preparatory measures to keep operations running without interruption or to aid swift recoveries following disasters and therefore help the Group fulfill its social responsibilities. We choose important operations that should continue and formulate business continuity plans for each of them.

Business Continuity Management

We run business continuity plans based on drills and other business continuity management plans and endeavor to enhance their effectiveness.

Key initiatives

• Building a contact system

We set up this system so relevant parties can properly communicate and respond following disasters. The system leverages social networking services and can be used outside working hours. By efficiently sharing disaster situation, business damage, and other information, we seek to streamline decision-making, prevent secondary damage, and maintain and swiftly restore business continuity.

• Drills

It is important to remain constantly ready for disasters and prepare specific responses.

We regularly conduct drills to ensure that people can properly use social networking services in emergencies, notably by sending messages about safety and disaster situations.

Departments formulating business continuity plans conduct desk-based simulations and drills based on scenarios in keeping with themes that match their circumstances. We explore countermeasures for issues that arise in drills.

Ongoing training enables us to respond decisively to emergencies.

• Assessments

A secretariat overseeing Groupwide business continuity management activities confirms the effectiveness of business continuity planning by assessing departmental management activities from third-party perspectives. We evaluate the effectiveness of these efforts from those perspectives, identify issues, clarify improvements, and provide feedback on activities for subsequent fiscal years.

Tackling the COVID-19 Pandemic

We make the health and safety of customers and Canon MJ Group employees our first priority, and have taken the following preventive steps to maintain business continuity even as infections spread across Japan.

1. Work practices

- Implement teleworking (to reduce office headcounts by 70%)
- Stagger work hours and have people work from satellite offices

2. Employee behavior

- Ensure that employees practice social distancing, wear masks and wash hands thoroughly, and avoid closed, crowded, and close-contact settings
- Ensure that employees step up health management and swiftly report suspected infections
- Generally prohibit overseas business travel and cancel or postpone unnecessary domestic business trips
- Hold online meetings with customers, business partners, and employees, and prohibit large-scale in-person gatherings internally
- Consider caution in holding in-person face events
- In principle, prohibit overseas travel for personal purposes

3. Measures at business sites

- Regularly disinfect office floors and common areas

Messages from Outside Directors



Akio Dobashi
Outside Director

As I stated in the previous integrated report, the Company has had no governance issues to the best of my knowledge. I have been an outside director for five years, since which I have found that directors increasingly speak at meetings and engage in more vigorous discussions.

If I had to highlight an issue, it would be that the Company could operate more swiftly in everything from setting policies and goals to implementing specific strategies. In IT solutions in particular, which we have positioned as a growth business, clearly communicating growth strategy progress internally and externally should accelerate expansion. I believe that we can improve our corporate value by better informing our customers and the market of the social issues that we seek to resolve through IT.

Having ample funds should benefit us greatly as we accelerate growth. Demonstrating to capital markets that we are willing to invest in talent development and acquisitions should make it easier for us to obtain useful acquisitions information. In reinforcing human resources, we need to make our IT solutions growth strategy clear and more proactively hire new graduates and midcareer people who want to work in IT-related areas.



Yoshio Osawa
Outside Director

I believe that our corporate governance setup has evolved since my appointment in 2018. The COVID-19 pandemic has changed how our people work. We have been able to constrain infections, which is testament to our governance approach working well.

The four members of the Nomination and Remuneration Committee, which the Company launched in 2018, held fruitful deliberations in 2020. I think that the Board of Directors has deepened discussions not just about the organization and structure but has also enhanced awareness about corporate governance while materially improving it. In the years ahead, I think we will need to focus more on risk and crisis management and pursuing the SDGs to address a range of risks.

We did not sense that the Company fully employed its business strengths despite having a broad customer base, supporting its product capabilities with a solid Canon brand and advanced technologies. The Board of Directors has continued to discuss the need to provide more total solutions, including Canon products and IT solutions, and maintenance and operations services to satisfy customers. Over the past three years, the entire organization seems to have taken a new tack. The Company and its customers rapidly increased teleworking last year in response to the pandemic. I think this situation increased an internal awareness of the need to provide total solutions, as IT is part and parcel of telework.

It will be essential for all employees to become knowledgeable about IT to move forward. We should become speedier, notably in investing in human resources development, providing services that integrate Canon products and IT solutions, and undertaking acquisitions.

IR Activities

We formulated the Canon MJ IR Policy in 2008 to clarify our stance, which is disclosed on the official investor relations (IR) website below. For retail investors, the president, the managing executive officer overseeing IR, or other executives conduct Company briefings. In 2020, Canon MJ conducted Company briefings for retail investors in July. For analysts and institutional investors, the Company augments medium- to long-term management plan briefings by the president at the beginning of the year with quarterly results briefings at which the managing executive officer in charge of IR outlines performances. The Company also embraces individual interview requests, meeting requests from analysts and institutional investors, and teleconferences with foreign institutional investors.

Canon MJ IR website

canon.jp/8060e-ir

Business Risks

Impacts of Market Competition and Fluctuations

In office MFPs and maintenance services, price competition continues. The unit price for maintenance services continues to fall, and profitability could deteriorate if price competition intensifies. A decline in print volumes driven by the trend toward paperless offices could affect the Canon MJ Group's results. An increase in unit sales of third-party laser printer toner cartridges could constrain revenues from genuine Canon counterparts.

The digital interchangeable lens camera market could continue to shrink as the overall market shifts from SLR to mirrorless models. Sales declines of inkjet printers and inkjet cartridges may accelerate amid the decrease in the print volume associated with the declining demand for printing New Year's greeting cards.

In the industrial equipment business, capital spending among semiconductor and device manufacturers greatly affects orders for semiconductor fabrication and measuring equipment. Results could stagnate if these manufacturers reduced such expenditure.

In the medical equipment business, the Pharmaceutical and Medical Device Act (formerly, the Pharmaceutical Affairs Act) makes it mandatory to appoint sales administrators, set up post-marketing traceability

information systems, and reinforce safety management structures. While the Group does its utmost to maintain systems to comply with such requirements, transactions with medical institutions and medical equipment dealers could decline if its safety management structure or information systems do not perform as envisaged.

As we purchase products and services from many business partners, including parent company Canon Inc., we may face the risk of insufficient supplies of goods owing to certain partner circumstances, including natural disasters and major accidents. Results could be affected if such situations hamper sales activities.

Systems Development

We develop systems under contract in diverse fields to provide solutions to customers. In moving forward with projects, we endeavor to reduce the risk of unprofitable projects by establishing internal deliberation frameworks and carefully managing projects and work hours.

Significantly higher man-hours to accommodate customer requests for additional specifications or changes, disagreements with customers about specifications and progress, or other factors could greatly increase costs and affect business performance.

Data Center Business

Our Nishi-Tokyo Data Center offers data center, cloud, and systems operations subscription services. The advanced facilities are on stable ground and provide robust security, meeting strict facilities and operating quality standards. We obtained the M&O Stamp of Approval in 2017* from a third-party organization as recognition for meeting global data center operations expertise standards over the years

Nonetheless, an earthquake, major flood, fire, or other disaster or an infectious disease outbreak, operational error, or cyberattack could cause facilities and systems to halt operations or result in leaks of important customer information, harming business partners and other related parties. Such situations could erode trust and adversely affect the Group's operations, results, and financial position.

*The Uptime Institute, a private entity in the United States, has established global standards for data center operational quality.

Information Management

The Canon MJ Group holds important information about various Group operations. It has also amassed a considerable amount of sensitive information about companies and individuals in the course of providing customer solutions. We accordingly formulated the Basic Policy on Information Security and the Basic Policy on Information Security Rules for the Group, educate and train employees to increase awareness of the importance of information management, implement and check the status of system security measures, and create and deploy an ISMS.

For subcontractors, we established and oversee rules and management systems stipulating selection criteria and methods for confirming security management measures.

We additionally set up the Computer Security Incident Response Team to prevent, detect, and tackle cyberattacks.

Notwithstanding these measures, information that leaks externally as a result of cyberattacks could greatly inconvenience business partners and other stakeholders or lower the credit standing of the Canon MJ Group, thus possibly hampering its operations, results, and financial position.

Natural Disasters

Earthquakes, typhoons, and other natural disasters and outbreaks of serious infectious diseases in areas in which the Group does business could affect its operations. While it maintains redundant equipment and information systems as backup, the Group cannot guarantee it would sufficiently avert damage from such disasters, which could adversely affect its performance and financial position.

The COVID-19 pandemic has caused supply chain and production turmoil. Depending on how this situation affects Canon Inc. and other business partners, they may not be sufficiently able to provide products and services.

If the pandemic were to worsen and stretch out, the global economy and our operations could stagnate, the business activities and investment appetites of business partners could decline, and our business activities could face restrictions owing to government requests, adversely affecting our results and financial position.

Credit Risks

The Canon MJ Group could experience unforeseen credit losses, as it engages in numerous transactions in which it collects payments after providing goods and services. The Company therefore draws on credit information from external credit bureaus and other sources as part of thorough credit management efforts while hedging risks through factoring and other means. The Company provides allowances for doubtful receivables to cover the risks of losses on collection. Large unforeseen uncollectible amounts could detract from the Group's results and financial position.

Relationship with the Parent Company

Canon MJ is a subsidiary of Canon Inc., which owned 58.5% of its stock as of December 31, 2020. The Company has the exclusive right to sell all Canon brand products in Japan, the exceptions being semiconductor exposure equipment, LCD substrate exposure equipment, and medical devices. In fiscal 2020, Canon Inc. accounted for a large proportion of our overall purchases.

Because of this relationship, a major shift in the management policies or business activities of Canon Inc. could have a significant impact on the business activities, performance, and financial position of the Canon MJ Group. If it becomes impossible to maintain the superiority of Canon products in relevant industries for whatever reason, the Group's results could be adversely affected.

IT Governance: Investing in IT to Boost Corporate Value

The Group endeavors in various ways to enhance corporate governance and keep improving corporate value. IT is important to corporate management and the Group is deploying IT governance. We are institutionalizing IT investment management and have set up IT investment assessment committees under the auspices of the Management Committee. These assessment committees approve and evaluate investment projects from the perspectives of business growth and productivity improvement to optimize the effectiveness of IT investment and reduce risks.

Board of Directors and Audit & Supervisory Board Members

As of March 26, 2021

Shigeo Hasegawa
Audit & Supervisory Board Member
(Outside)

Iwao Hashimoto
Audit & Supervisory Board Member
(Outside)

Akio Dobashi
Director
(Outside)

Yoshio Osawa
Director
(Outside)

Nobutoshi Matsumoto
Audit & Supervisory Board Member
(Outside)

Shinichi Inoue
Audit & Supervisory Board Member
(Standing)

Hatsumi Hirukawa
Director, Senior Executive Officer

Masachika Adachi
President & Representative Director

Shiro Hamada
Director, Senior Executive Officer

Minoru Mizoguchi
Director, Senior Executive Officer

Masatoshi Tanise
Audit & Supervisory Board Member
(Standing)