

# Resolving Social Issues *with* IT Solutions



**Canon**

Canon Marketing Japan Inc.

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CANON **S**TOWER

Canon Marketing Japan Group Website

■ Investor Relations  
<https://cweb.canon.jp/eng/ir/>



## Integrated Report

For the year ended December 31, 2021

**Canon**

Canon Marketing Japan Inc.

# Canon MJ Group's Sustainability Management

Based on the principle of *Kyosei*, we will strive to create a Company that helps realize a society in which all of humanity can long live, work, and live happily together.



The Canon Group's *Kyosei* corporate philosophy aims to realize a society in which people, society, and nature are in harmony and in which all human beings can live well. This is in keeping with the Sustainable Development Goals (SDGs). We believe that materializing *Kyosei* is the essence of what many call sustainability management. We will accordingly expand areas in which we can combine our Canon products and IT solutions capabilities to resolve social issues through business.

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### ■ Editorial Policy

Since fiscal 2019, the Canon MJ Group has published a comprehensive "Integrated Report" that links financial information such as results and business strategies to non-financial information previously published in CSR reports. In the Integrated Report 2021, we introduce the Canon MJ Group's ability to create value over the medium to long term as it pursues the realization of its 2025 Vision and the Canon Group' corporate philosophy of *Kyosei*. We consider this document an important communication tool for deepening the understanding of the Group among our various stakeholders. Detailed financial information is available from the Company's website and securities report. The website also details sustainability activities.

### ■ Reporting Period

This report covers fiscal 2021, ended December 31, 2021, and also includes activities and information before and after that term.

### ■ Scope of Coverage

Canon Marketing Japan Inc. and domestic and overseas Group companies (some information includes that of parent Canon Inc.)

### ■ Notation in this Report

This integrated report includes the following company name abbreviations.  
 Canon Marketing Japan Group → Canon MJ Group  
 Canon Marketing Japan Inc. → Canon MJ  
 Canon IT Solutions Inc. → Canon ITS  
 IT solutions → ITS

### ■ Reference Guidelines for Integrated Reports

International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC)  
 Ministry of Economy, Trade and Industry (METI) Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation

### ■ Disclaimer Regarding Forward-Looking Statements

This integrated report contains forward-looking statements about the performance and management plans of the Canon MJ Group. All forward-looking statements are based on management's assumptions in light of information available to the Company at the time of publication.

The following factors may therefore influence actual results. These factors include consumer trends in Japan as well as other major global markets, private capital expenditures, currency fluctuations, notably against the U.S. dollar, materials prices, and political turmoil in certain countries and regions.

# 1968

## Established

### Established as a sales company to conduct business in close proximity to the customer

In 1962, amid continuing rapid economic growth, Canon formulated its first five-year management plan and made its full-fledged entry into the business machines market. In 1970, Canon contributed to the expansion of the business machine and copier market in Japan with the launch of NP-1100, the first plain paper copier to be made in Japan, but as competitors successively entered the market, Canon realized it needed to strengthen strategies to quickly reflect user demands in new products.

Canon decided to split its manufacturing and sales operations in order to conduct business in close proximity to the customer. Canon Business Machine Sales, Inc., established in 1968, merged as the surviving company, with Canon Business Machine Services Inc. and Canon Camera Sales Co., Ltd. to form Canon Sales Co., Inc. in 1971. During the 1970s when Japan's economy had slowed due to the oil shock, etc., the Company was given the task of "product planning for Japan," "promotion and advertising," and "business negotiations, sales and after service" for Canon products. As the SLR camera market and business machines market expanded, the Company steadily expanded its business.



Inauguration ceremony of Canon Sales Co., Inc. in 1971

# From 1980

## Expanded the customer base Demonstrated the trading company capabilities



Established the first ZERO-ONE SHOP in 1984

### Strengthened sales channels and promoted our own businesses

Amid the expansion of the business machines market along with the rapid popularization of word processors and personal computers, the Company leveraged its brand power and sales capabilities developed through Canon products to form sales alliances with Apple Computer Inc., IBM Japan Ltd., and Sun Microsystems Japan K.K. To maintain close proximity with customers and better respond to various needs, the Company developed stores such as ZERO-ONE SHOP in business districts and held seminars and practical classes. At the same time, we created sales channels for office equipment at electrical appliance retailers. Sales of inkjet printers expanded due to the popularization of the personal computer and we developed personal office equipment as our main sales channel.

# Built the base for Systems integrator (SIer) function

## Accumulated technical capabilities

### Developed the systems integration business

We focused on the concept of the "imaging and information systems integrator" to respond to rapid digitalization and network integration, and we developed a systems integration business that combined Canon products with third-party hardware and software products, including those imported directly from overseas. In addition to the manufacturer trading company business, we promoted other original businesses, such as a systems integrator certified in 1990 by Ministry of International Trade and Industry.

# From 1990



Held Canon Grand Fair based on the concept of "imaging and information systems integrator" in 1990

# From 2000

Strengthened human resources and technology



Name changed to Canon Marketing Japan Inc. in 2006

## Transitioned from wholesale business to information services company

Since 2000, the Company has actively conducted M&A and promoted business portfolio change to better respond to the diversifying and ever more sophisticated needs of customers. In 2003, the Company made SUMITOMO METAL System Solutions Co., Ltd. its subsidiary and acquired a full range of Sler functions, mathematical technology, and R&D functions. In 2008, the Company merged with Argo 21 Corporation and changed its name to Canon IT Solutions Inc., and strengthened systems integrator functions for financial institutions as Sler.

In 2006, the Company changed its name from Canon Sales Co., Inc. to Canon Marketing Japan, Inc. It transitioned from wholesale business to information services company.

Evolved into an IT provider

# From 2010

## Expanded the IT solutions business

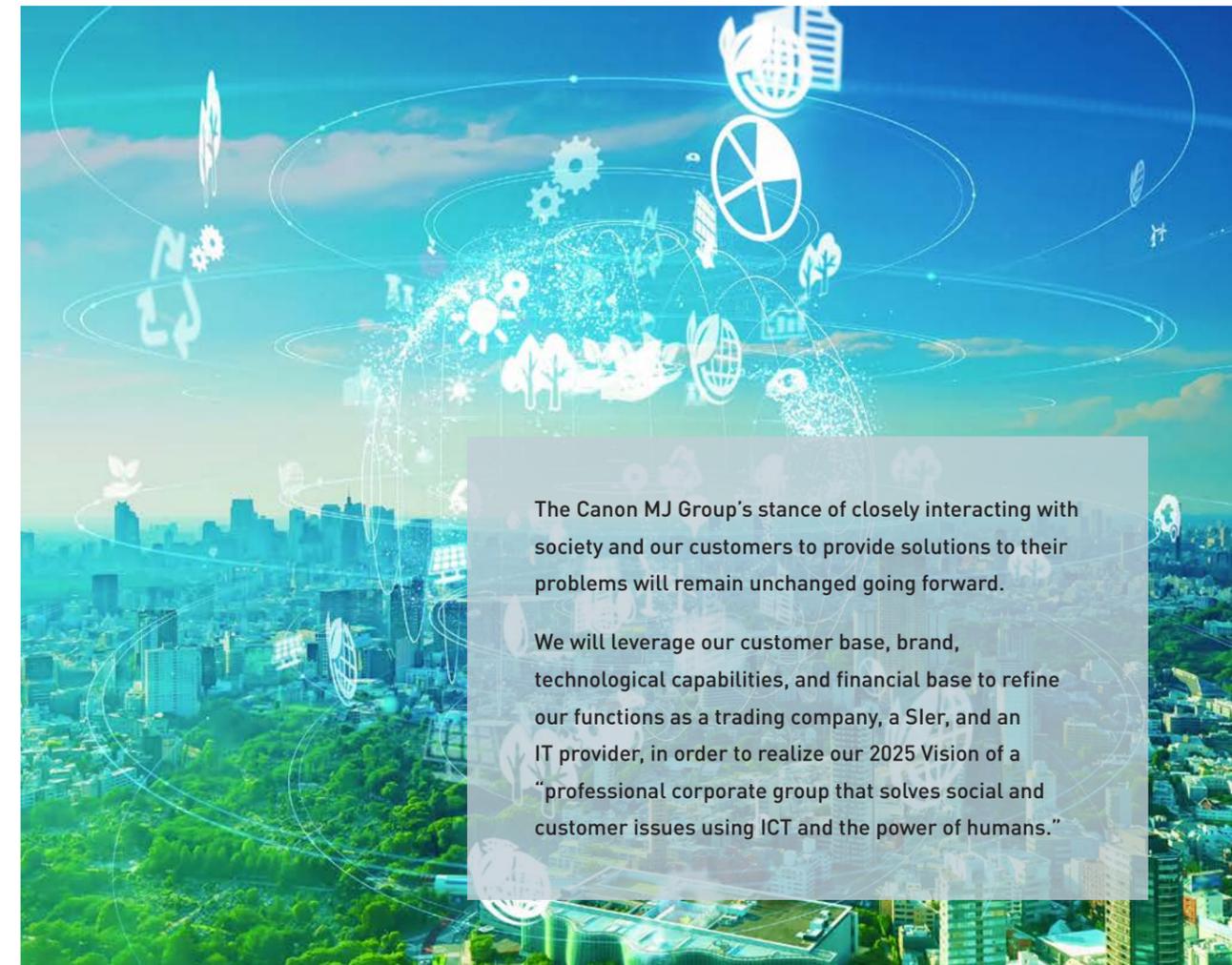
The Nishi-Tokyo Data Center began operation and services to serve the growing needs of customers related to outsourcing and cloud services driven by the full-fledged popularization of IT networks and Canon Marketing Japan Group's proprietary businesses were widely developed. Responding to the need for small- to medium-sized enterprises to adopt IT systems, we started operating a security business, a cloud service business, "HOME," for small- to medium-sized enterprises, and an IT maintenance business. In 2020, operation started at the Nishi-Tokyo Data Center No. 2 Building, and the IT solutions business is continuing to expand.



The Nishi-Tokyo Data Center started operation in 2012.

# From 2021

We, the Canon Marketing Japan Group, will work to solve the issues facing society and our customers by providing solutions that advance people's daily lives, work, and society.



The Canon MJ Group's stance of closely interacting with society and our customers to provide solutions to their problems will remain unchanged going forward.

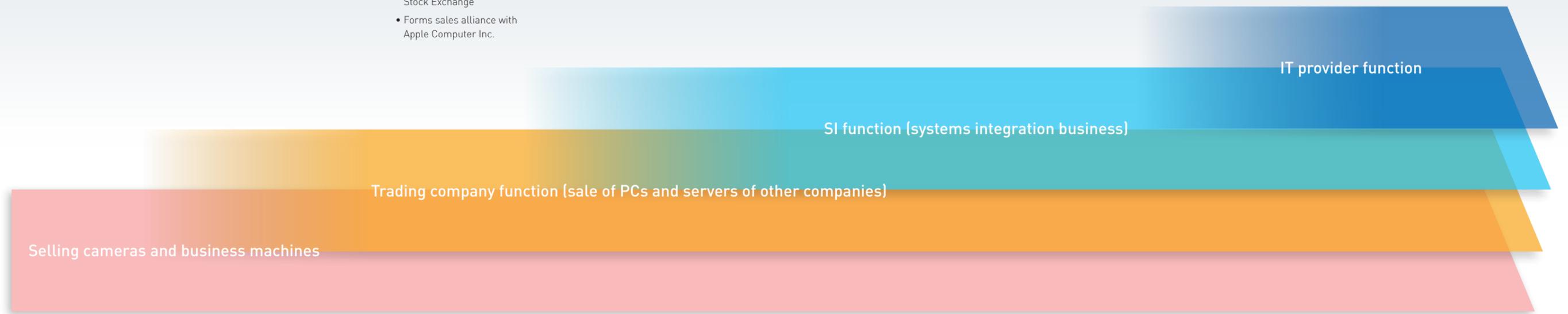
We will leverage our customer base, brand, technological capabilities, and financial base to refine our functions as a trading company, a Sler, and an IT provider, in order to realize our 2025 Vision of a "professional corporate group that solves social and customer issues using ICT and the power of humans."

# Milestones

The Canon MJ Group was established in 1968 to sell Canon's business machines, and later expanded beyond selling Canon cameras and business machines to offer PCs from other companies and systems integration (SI) services. Today, the Group combines its proprietary capabilities, diverse products, and fine-tuned services to supply solutions that support all areas of society.



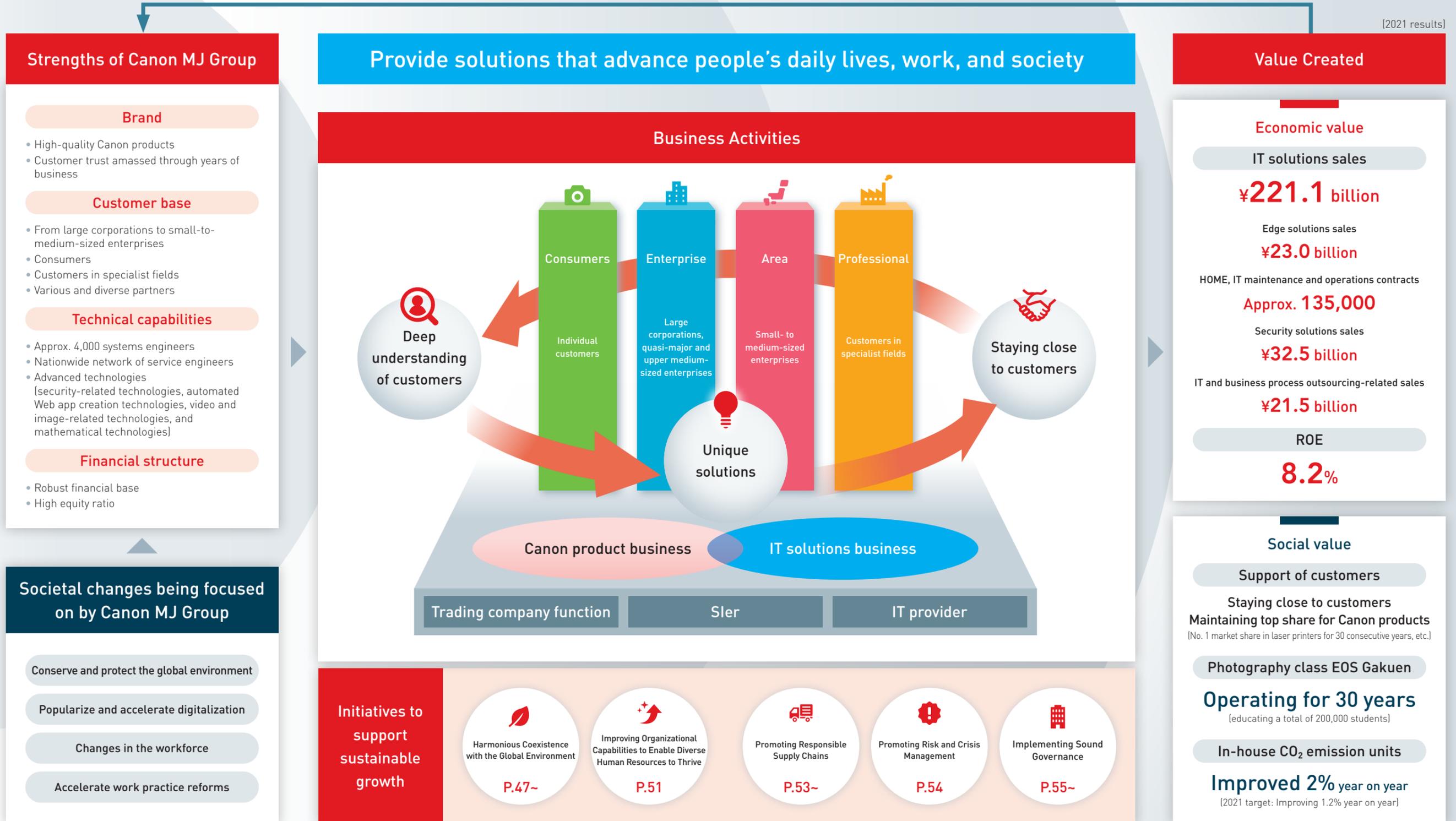
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|--|---|---|--|---|--|---|---|--|
| <p><b>1968</b></p> <ul style="list-style-type: none"> <li>Canon Business Machines Sales Inc. and Canon Business Machine Services Inc. established</li> </ul> <p><b>1969</b></p> <ul style="list-style-type: none"> <li>Canon Camera Sales Co., Ltd. established</li> </ul> | <p><b>1971</b></p> <ul style="list-style-type: none"> <li>Canon Business Machines Sales Inc., Canon Business Machine Services Inc., and Canon Camera Sales Co., Ltd. merge to form Canon Sales Co., Inc.</li> <li>Releases BP-1000 billing processor, enters office computer field</li> </ul> | <p><b>1981</b></p> <ul style="list-style-type: none"> <li>The Company lists on the Second Section of the Tokyo Stock Exchange</li> </ul> <p><b>1983</b></p> <ul style="list-style-type: none"> <li>The Company lists on the First Section of the Tokyo Stock Exchange</li> <li>Forms sales alliance with Apple Computer Inc.</li> </ul> | <p><b>1985</b></p> <ul style="list-style-type: none"> <li>Forms sales alliance with IBM Japan, Ltd., for workstations and PCs</li> </ul> | <p><b>1990</b></p> <ul style="list-style-type: none"> <li>Becomes Ministry of International Trade and Industry-certified systems integrator</li> <li>Forms sales alliance with Sun Microsystems Japan K.K.</li> </ul> | <p><b>2003</b></p> <ul style="list-style-type: none"> <li>Acquires SUMITOMO METAL System Solutions Co., Ltd., renaming it CANON SYSTEM SOLUTIONS INC., thus fully entering the IT solutions field</li> </ul> | <p><b>2006</b></p> <ul style="list-style-type: none"> <li>Canon Sales Co., Inc. was renamed Canon Marketing Japan Inc.</li> </ul> <p><b>2007</b></p> <ul style="list-style-type: none"> <li>Acquires Argo 21 Corporation</li> </ul> | <p><b>2008</b></p> <ul style="list-style-type: none"> <li>Canon IT Solutions Inc. established</li> </ul> <p><b>2012</b></p> <ul style="list-style-type: none"> <li>Nishi-Tokyo Data Center begins services</li> </ul> | <p><b>2020</b></p> <ul style="list-style-type: none"> <li>Nishi-Tokyo Data Center No. 2 completed</li> <li>The Company's 50th anniversary</li> </ul> |
|--|---|---|--|---|--|---|---|--|



Value Creation of the Canon MJ Group  
Value Creation Process

Canon Group Corporate Philosophy 共生 Kyosei

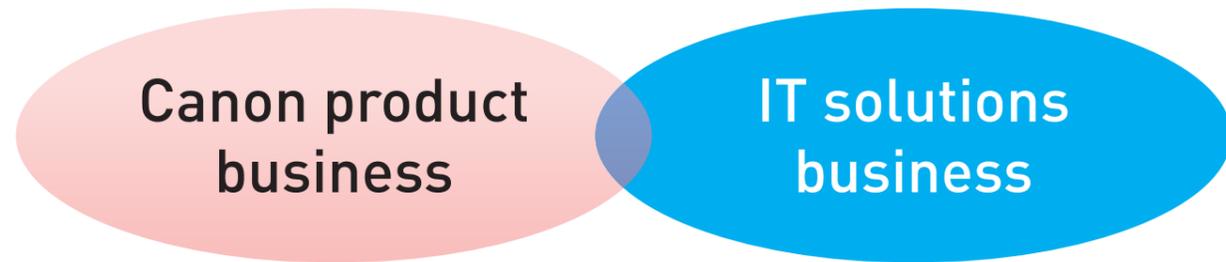
Canon MJ Group 2025 Vision: Professional corporate group that solves social and customer issues using ICT and the power of humans



### Societal changes being focused on by Canon MJ Group

- Conserve and protect the global environment
- Popularize and accelerate digitalization
- Changes in the workforce
- Accelerate work practice reforms

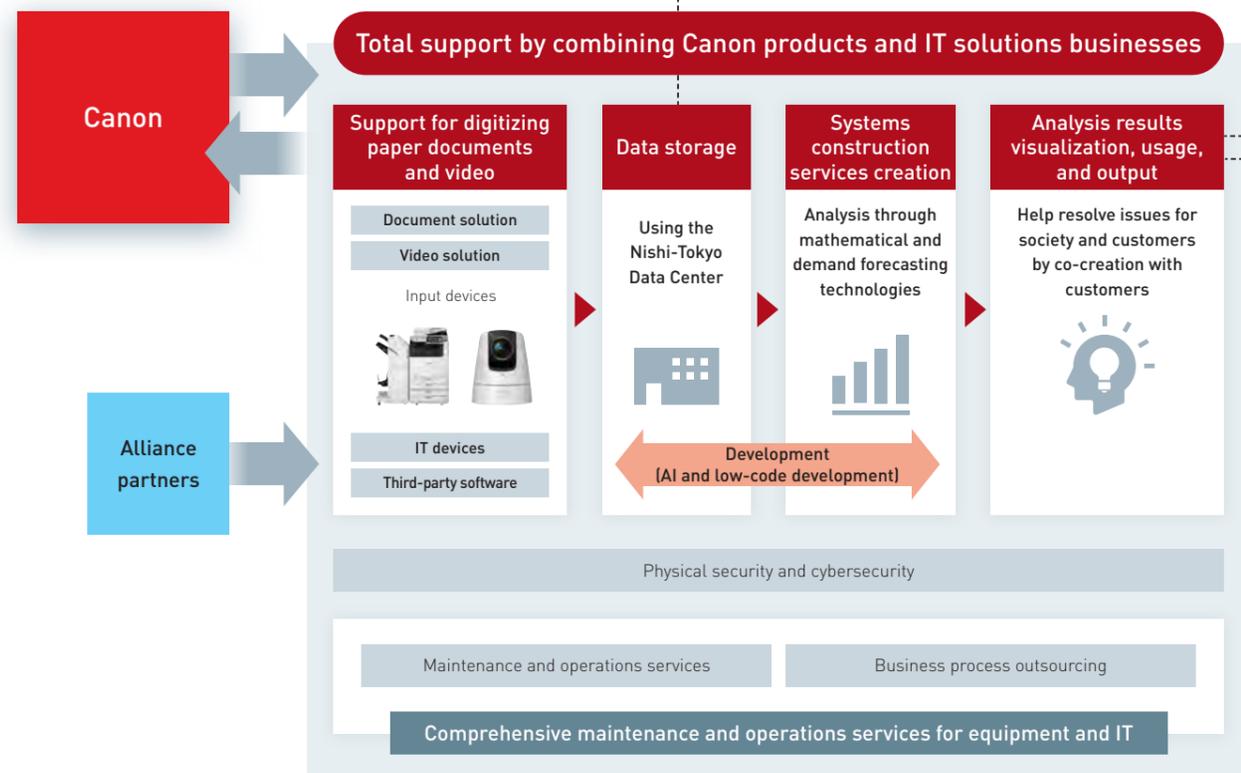
# Key Concepts in Value Creation



## Customer-centric approach

We always base our thinking on the customer, and act from the customer's standpoint.

We take a scrupulously customer-centric approach in order to resolve the issues faced by customers and to provide maximum value. As a practical way of always ensuring we stay customer centric, we follow the rule of placing the customer as the subject of our sentences. For example, rather than making us the subject by stating "Canon will...", we begin with "The customer's issues are..." By using the customer's viewpoint based on the external environment they face, we will provide solutions that can truly meet their needs in order to bring them satisfaction and put them in a superior competitive position.



**Social Capital** We have built our customer base over the years by selling and servicing Canon products, forging strong relationships with partner companies. Therefore, we are able to continuously create value.

### Broad customer segment

For more than 50 years, we have built robust relationships with numerous customers in selling Canon products. We provide optimal products and solutions for a broad customer segment, encompassing large corporations to small-to-medium-sized enterprises, as well as for a variety of customers, which includes individual customers.

Over **170** service sites throughout Japan

[As of January 2022]

Canon MJ, Canon System & Support Inc., and Canon Customer Support Inc. have a nationwide network of service sites for corporate customers, mainly customers of office MFPs, helping establish continuous ties with customers.

**Manufacturing Capital** We will continue to support customers' IT systems with high-performance equipment and data centers with excellent operational quality.

The Nishi-Tokyo Data Center obtained certification for the global standards presented on the right, which are evidence of it being a high-quality data center, and works to maintain this certification. It received recognition as a Tier 4 level high-performance facility and the M&O Stamp of Approval for meeting global standards, and complies with the guidelines of Japan's Center for Financial Information Systems. We conduct drills for system failure and other trouble, incurring no major malfunctions, in upholding high safety standards.

### Obtained public certification for global standards



Please refer to the Company's website for further details of our data center initiatives. ▶ [http://www.canon-its.co.jp/products/idc\\_west\\_tokyo/](http://www.canon-its.co.jp/products/idc_west_tokyo/)

**Human Capital** We will hire and train people with a wealth of knowledge and experience in products and IT to propose and provide optimal solutions at every customer contact point.

No. of SE Approx. **4,000**

No. of people who have acquired the IT Passport qualification Over **4,700** people

We have accumulated technology by acquiring companies with proprietary technological capabilities and by developing advanced technologies. Our personnel possess not only the technical abilities but also the imagination, insight and tenacity to persevere to use those technical abilities to find solutions for the issues faced by customers and society.

We work to improve group-wide IT knowledge by supporting the acquisition of IT Passports. This support also applies to back office departments.

**Intellectual Capital** By patenting the solutions technologies and supporting techniques that we have created through R&D, we are building an industry-leading patent portfolio. This enables us to provide superior customer solutions that differentiate us from the competition.

No. of patent applications published

**132**

[In 2021]

Number of patents held

**1,187**

[As of December 31, 2021]

### Advanced technologies

In particular, we are proceeding to aggressively acquire patent rights in the technologies of automatic web application generation, security-related, video and image-related, and mathematical technologies, which are key strengths, and we received a Local Commendation for Invention from the Japan Institute of Invention and Innovation for the fourth consecutive year.

We received a commendation for invention for "personal information filtering technology (patent no. 4823022)" which is used in our mail security product "GUARDIANWALL Mail Family."

▶ For details, please refer to Financial Strategy on page 25 and Natural Capital on P47.

## A Message from the President



*M. Adachi*

Masachika Adachi  
President & Representative Director

# Resolving Social Issues *with* IT Solutions

We aim to become a professional corporate group that solves social and customer issues using ICT and the power of humans.

## Long-Term Management Objectives (2021-2025)

Theme  
**01**

### Announcing the future direction of the Canon MJ Group in a rapidly changing external environment

In April 2021, Canon Marketing Japan Group announced the Long-Term Management Objectives (2021-2025) as a new growth strategy. The environment in which we now operate is characterized by unprecedented and dizzying volatility, which is the result of climate change, the decline in the working population, the advance of digital technology, rising uncertainty in the global economy, and other factors. In particular, during the spread of COVID-19 a variety of activities were restricted, and both society and individual companies are being required to engage more fully with initiatives that transcend existing frameworks in order to transition towards new values and lifestyles, and to address increasingly diverse work practices. It is precisely because this is an era in which changes are so dramatic and

forecasting is so difficult that in the Long-Term Management Objectives (2021-2025) we are again focusing on the Canon Group corporate philosophy of *Kyosei* as an underpinning of our corporate activities, seeking to become indispensable to society and our customers, while sustainably enhancing corporate value by engaging in initiatives that take society and the global environment into account. In terms of our corporate vision, we aspire to become a professional corporate group that solves social and customer issues using ICT and the power of humans. By solving social issues through our business activities we aim to achieve sustainable improvements in our corporate value and to move steadily forward with sustainability management.

## Review of 2021

Theme  
**02**

### Record profits driven by growth in the IT solutions business and our transformation to a highly profitable structure

Performance in fiscal 2021, which was the first year of the Long-Term Management Objectives, was marked by our

success in steadily growing the core IT solutions business. This was driven mainly by SI services and by security and

## Value Creation of the Canon MJ Group

### A Message from the President

IT infrastructure-related products and services, and against the backdrop of proactive corporate investments in IT. We were also able to make progress in transforming ourselves into a company with a robust earnings structure through rigorous selection and concentration of businesses and improvements in productivity achieved by modifications to business processes over the past few

years and through reductions in SG&A expenses. As a result, despite facing product supply constraints caused by the semiconductor shortage and supply chain disruptions, we achieved record profits. This first year thus constituted a satisfactory start to the Long-Term Management Objectives.

#### Direction of the Medium-Term Management Plan (2022-2025)

Theme  
03

#### Investing for growth to continuously hone the strengths of the Canon MJ Group in order to provide DX support that meets the expectations of society and customers

##### ■ Business Strategy

We are taking steps to strengthen the IT solutions business, which is the central driver of the Canon MJ

Group's growth. Our high value-added solutions leverage the strengths in Canon's imaging technology that we have built over many years, as well as in our systems

Seeking to meet customer expectations for DX support in order to achieve a sustainable society

integration, mathematical technology and other proprietary and cutting-edge IT. By providing these to a wide range of customers, from large corporations to small and medium-sized enterprises, we will support their digital transformation (DX).

Over the past few years, digitization has proceeded apace in a number of different industries. The objective of digitization, which replaces existing analog processes with their digital equivalents, is primarily to enhance the efficiency and reduce the costs of existing operations. In the Canon MJ Group, we call this approach of utilizing IT to improve actual operational processes that support the business, "defensive DX." On the other hand, in order for a company to increase its competitive advantage, it is vital that it concentrates its manpower and investment funds on the core business and on creating new business models. In addition, many customers are moving ahead to promote the SDGs (Sustainable Development Goals), and are being required to expand their business through the resolution of social issues. We call DX used for such purposes "aggressive DX." A company's competitiveness is likely to be significantly affected by whether or not it currently engages with this kind of digitalization to employ digital technology, transform its entire business, create new businesses, and provide new value to society and customers. Until now, the Canon MJ Group has primarily practiced "defensive DX," but going forward it will devote more resources to addressing "aggressive DX" in order to provide further support for customer growth, and for the resolution of social issues.

The key concepts when seeking to strengthen "aggressive DX" are "co-creation" and "collaborative creation." "Co-creation" means using dialogue with the customer to clarify the business issues that they face, and creating value together with the customer. With DX spreading and industry boundaries disappearing, companies must create value that is not bound by existing arrangements if they are to retain their competitive advantages. I believe that through such co-creation with customers, working together to resolve the issues by which they are confronted will ultimately lead to the resolution of issues that affect society as a whole. The previously mentioned technologies are strengths of the Canon MJ Group, and will be indispensable for solving such problems. Moreover,

in order to broaden proposals and provide even higher added value it will be necessary to engage in "collaborative creation" that involves a variety of business partners, including industry peers, with different strengths. By taking business knowledge backed by experience and derived not only from ourselves but also from our business partners, and combining it with the cutting-edge technologies possessed by each, we seek to create proposals that exceed customer demands while being consistent with our goal of resolving social issues.

By combining Canon's imaging technology with the Canon MJ Group's IT solutions to perform both co-creation and collaborative creation, we hope to resolve even more of the issues faced by society and by our customers, and I believe that this in turn will lead to further growth for the business of the Canon MJ Group.

##### ■ Investment Strategy

I want this organization to have the kind of presence that encourages all kinds of customers, from large corporations to small and medium-sized enterprises, to approach the Canon MJ Group for advice before they go to anybody else. It is also important to have the kind of presence that leads our partners in collaborative creation to believe that they will achieve a better proposal for their customers by working with the Canon MJ Group. In order to achieve the kind of presence that can meet the expectations of both customers and partner companies, the Canon MJ Group must further clarify and hone what it considers to be its strengths.

To hone these strengths, the Medium-Term Management Plan (2022-2025) calls for ¥200.0 billion in growth investments over the course of four years. Due to the success of our past efforts to convert the Group to a robust corporate structure, we have established a system that can generate profit. While we must maintain this robust corporate structure going forward, I believe it is important to use investment strategy as one method to accelerate the pace of growth in the field of IT solutions, which is a growth business. By actively pursuing investments while keeping risks at a tolerable level we will aim to achieve sustainable and profitable growth.



## Value Creation of the Canon MJ Group

### A Message from the President

#### ■ Human Resources Strategy

The Medium-Term Management Plan (2022-2025) uses the words “contributing value through a service-based business model” to describe the course of action we are taking for growth in the IT solutions business. In order to transition towards a service-based business model we must better understand the industries of which we are in charge and the operations of more of our customers, and create proposals accordingly. To achieve this, we must raise the ability of our system engineers and sales staff to conceptualize new business ideas. For internal training, while enhancing training to learn about technology and

acquire knowledge, we have put in place an educational curriculum to foster so-called design thinking ability. In addition to internal human development, we are actively recruiting highly specialized individuals from outside the Company in various fields. Incorporating high levels of skill and diverse perspectives into the business will contribute to the creation of new value and the growth of the business. Our approach is that the cornerstone of value creation is the power of humans. Based on this we have designated the development of skilled personnel an urgent issue and are moving forward with measures to address it.

#### Being a Company That Is Highly Regarded, Appreciated, and Attractive

Theme  
04

My goal is to make the Canon MJ Group a company that is highly regarded, appreciated, and attractive.

In order to develop the kind of corporate presence that generates expectations with regard to resolving increasingly complex and diverse social issues, we must take a multifaceted approach to matters, and have the sensitivity and sensibility to detect change swiftly. To enable each and every employee of the Canon MJ Group to increase their sensitivity and refine their sensibility, I want them to enter into dialogue with many different people, and to come into contact with a wide range of ideas and approaches. I always strive to listen in good faith when someone expresses their own thoughts to me, irrespective of their position or age. In addition, when listening in this way I do my utmost to put a positive rather than a negative interpretation on what I am hearing.

It is slightly more than one year since I was appointed President, and during that time the COVID-19 pandemic has made direct communications difficult. I have regularly communicated my thoughts and feelings to employees

using internal social networks and the corporate intranet, and listened to feedback from a wide range of employees. Recently there have been many more comments, including people providing their thoughts, and an increase in the energy level of interactions, which makes me feel that change is also beginning to occur within the Company. These contain many opinions that are of value to the Company, and have led to many realizations for me personally.

It is important to connect with this same feeling in order to generate a feeling of expectancy among customers and our business partners. This is conveyed to others as a form of appeal, and it is the cumulative effect of this expectation that leads to being appreciated. I am convinced that an increase in employees who are perceived to be appealing and who are appreciated by those around them will result in the appeal of Canon MJ Group being felt by those around us, and it becoming a company that is appreciated.

#### To Our Stakeholders

Theme  
05

In order to achieve the medium- to long-term targets that we have backcasted from our vision for the future, I have strongly emphasized to employees in various opportunities the need to accelerate our initiatives for reaching these objectives.

The recent economic environment has been characterized by considerable uncertainty and the outlook is difficult to read, but it is important to formulate plans and to move ahead with them. However, if we allow ourselves to be bound too tightly by the plans that we formulated when the objectives were first set then we will lack flexibility and fail to respond to changes. For this reason, I believe it is vital that we swiftly begin implementing what we have decided, then make repeated mid-course corrections as we work towards achieving our objectives. If we close in on our targets by “accelerating,” that in itself will create a positive feeling. This will then create the beginnings of a virtuous circle as we set our own targets to achieve new heights, and move towards

executing them. Seeking to complete whatever task we begin ahead of schedule and with a “can do” attitude will generate a sense of momentum and confidence. I intend to continue talking in various places about the importance of accelerating all manner of initiatives and about the sense of achievement to be gained by setting high targets and closing in on them. In this way, we will all, myself included, accelerate the growth of the Canon MJ Group as a whole.

Based on the Canon Group corporate philosophy of *Kyosei*, we will work alongside all our stakeholders to achieve a global society in which all of humanity can enjoy a long life, and work and live happily together.

I ask you to expect great things of the Canon MJ Group as we continue accelerating towards our goal of being a company that is highly regarded, appreciated, and attractive to customers and society.

**My goal is for the Canon MJ Group to remain a company that is highly regarded, appreciated, and attractive**





# Medium-Term Management Plan (2022-2025)

2025 Vision

Professional corporate group that solves social and customer issues using **ICT** and the power of **humans**

Basic Policy

- 1 Expand ITS Business with Profit**  
 Execute our ITS strategy by customer segment and establish a service-based business model to expand sales sustainably while gaining profitability
- 2 Increase Earnings Capacity of Existing Businesses**  
 Continue to strengthen the business through restructuring, and roll out strategies by customer segment to further enhance profitability
- 3 Strengthen Specialist Fields and Create New Businesses**  
 Promote initiatives such as further growing the industrial equipment business as a specialist field, developing human resources and fostering a corporate culture to support the innovation required to create new businesses
- 4 Group Management Aimed at Continuous Growth**  
 Establish an engagement improvement cycle to maximize the value of human capital, and accelerate business investments for growth

## Targets for the Medium-Term Management Plan (2022-2025)

	Medium-Term Management Plan (2022-2025)		
	2021 (Results)	2022 (Forecast)	2025 (Plan)
Net sales (of which ITS sales)	¥552.1 billion (¥221.1 billion)	¥583.0 billion (¥235.8 billion)	<b>¥650.0 billion</b> <b>(¥300.0 billion)</b>
Operating income	¥39.7 billion	¥41.5 billion	<b>¥50.0 billion</b>
Operating margin	7.2%	7.1%	<b>7.7%</b>
ROE	8.2%	7.7%	<b>8.0%</b>

Note: Figures announced on April 25, 2022 are reflected. However, ITS sales figures are as of January 31, 2022.

Basic Policy

1

## Expand ITS Business with Profit

By executing our ITS strategy by customer segment and establishing a service-based business model, we aim to expand sales sustainably with profit.

Target Customers	Segment	Solutions / Services		
Large corporations	Enterprise	<b>(1) Edge Solutions Sales</b> 2021 ¥23.0 billion	<b>(3) Security Sales</b> 2021 ¥32.5 billion	<b>(4) ITO and BPO-Related Sales</b> 2021 ¥21.5 billion
Quasi-major and upper medium-sized enterprises		2025 <b>¥45.0 billion</b> CAGR: +18%		
Small- to medium-sized enterprises	Area	<b>(2) HOME*/IT Maintenance and Operations Contracts</b> 2021 Approx. 135,000		
		2025 Approx. <b>220,000</b> CAGR: +13%		

Contributing value through service-based business model

### (1) Edge Solutions\*

Further refine various existing strengths in the solutions business and expand areas where we have strengths. Utilizing our customer base, we will deploy solutions created individually for major corporate customers to customers of the same industries and by turning those solutions into services and offering them to quasi-major and upper medium-sized enterprises and small and medium-sized enterprises (SME), we will establish service-type business models.

\* Solutions focused on areas and technologies where Canon MJ has competitive strengths (video solutions, digital document services, mathematical and demand forecasting, low-code development, etc.)

### (2) HOME\*/IT Maintenance and Operations

Amid the accelerating pace of digitalization, SMEs are facing shortage in in-house IT personnel, and there is a high level of customer demand requesting assistance in addressing that. While accelerating our provision of value-added proposals that grasp the issues, needs and environmental changes of such SME customers, we will continue to maintain close ties with customers to expand our maintenance and operational services.

\* IT support services aimed at medium- and small-sized offices (cybersecurity measures, cloud services, etc.)

### (3) Security

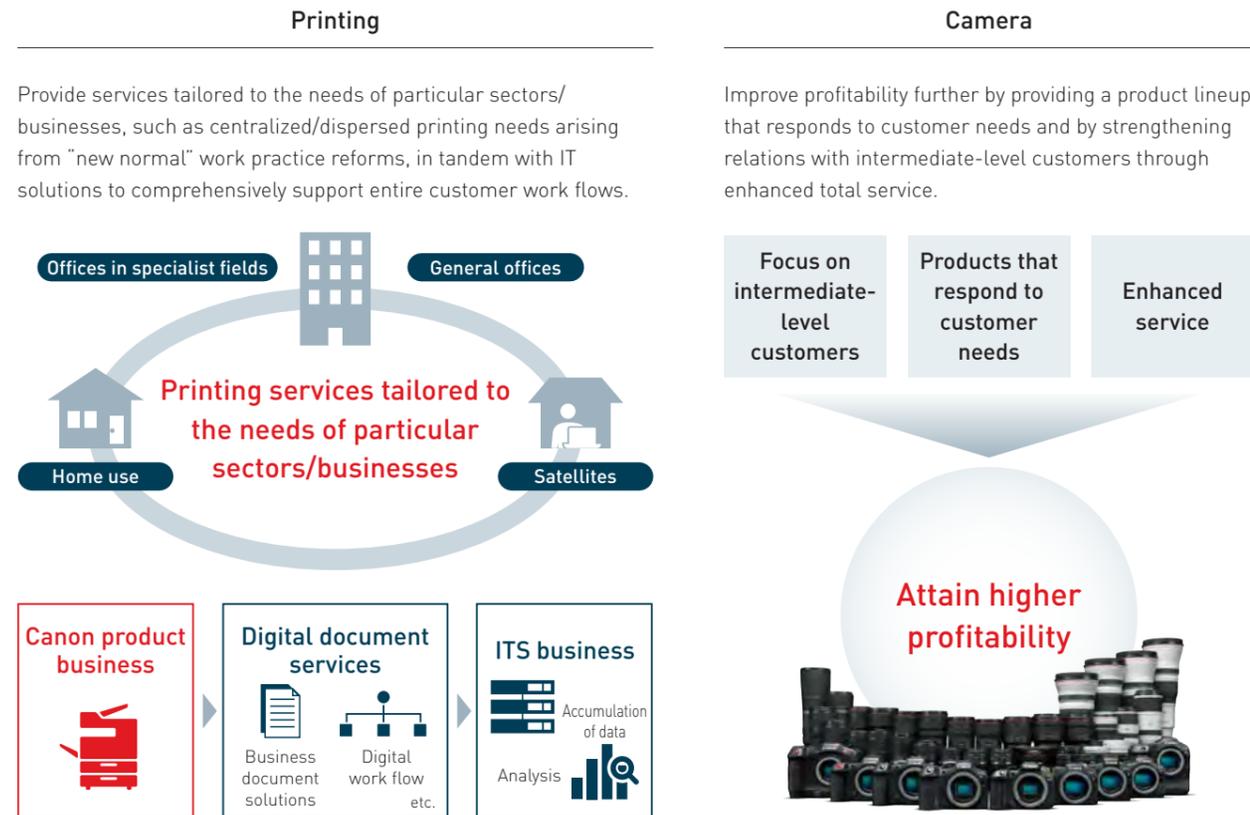
Amid a rise in cybersecurity threats, such as targeted attacks and phishing, we will address the needs of different customer segments with total security offerings that cover both physical security such as video surveillance and cyber security such as network intrusion detection, thus further increasing our presence in the security market.

### (4) ITO and BPO

We will continue our deep ties with customers and offer outsourcing businesses to help our customers focus on their core operations. In addition to developing high-value-added solutions in the data center business, etc., our services offering unique operations for specific fields as an outsourcing supplier have drastically grown into the core business in the expansion of our IT business with recurring revenue.

**Basic Policy 2 | Increase Earnings Capacity of Existing Businesses**

**Further Increase Profitability of Main Product Businesses**



**Execute Strategies Tailored to Customer Segment**

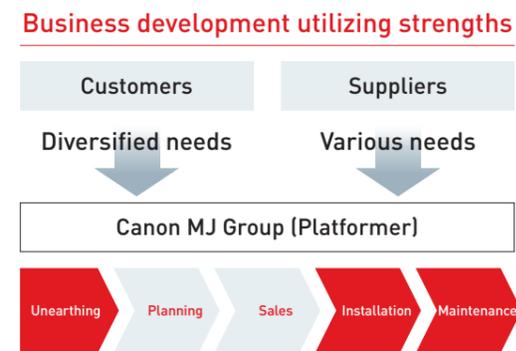
We will leverage the customer-based organizational structure to accurately capture needs for each customer segment and quickly execute strategies.

Target Customers	Segment	Strategy
Large corporations	Enterprise	<ul style="list-style-type: none"> <li>Use customer base to expand <b>sector-specific and operational-specific projects</b></li> <li>Capture <b>new document needs</b> generated by the diversification of offices under the COVID-19 pandemic</li> <li><b>Acquire new quasi-major and upper-medium-sized customers</b> to achieve business enlargement</li> <li>Strengthen salesforce through reorganization</li> </ul>
Quasi-major and upper medium-sized enterprises		
Small- to medium-sized enterprises	Area	<ul style="list-style-type: none"> <li>Strengthen and intensify <b>area marketing</b></li> <li>Reassess business processes to <b>improve productivity</b></li> </ul>

**Basic Policy 3 | Strengthen Specialist Fields and Create New Businesses**

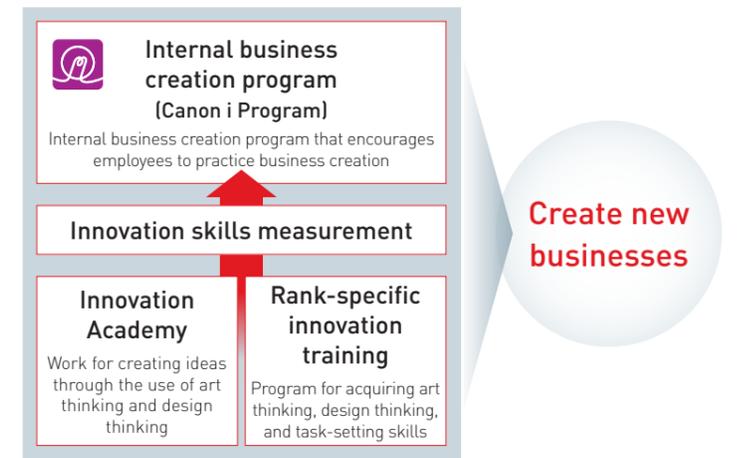
**Further Growth in the Industrial Equipment Business**

Keeping abreast of the world's latest technological trends, we are researching and pioneering excellent products overseas. Also, we will expand the size of our business through importing and selling various and diverse original merchandise, and having our highly specialist personnel provide maintenance and support.



**Creating New Businesses**

Speed up creation of new businesses through initiatives for developing and deploying innovative personnel with a view to creating new value across the Group.

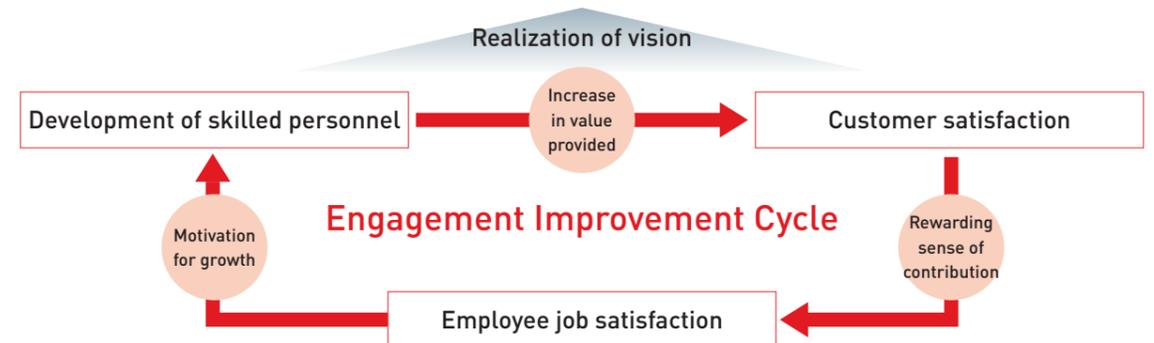


**Basic Policy 4 | Group Management Aimed at Continuous Growth**

**Establish an Engagement Improvement Cycle**

Increasing the value provided to customers through improving personnel skills will lead to a sense of fulfillment in serving customers as well as motivation for growth, and in turn will establish an engagement improvement cycle, which is a virtuous cycle.

**Professional** corporate group that solves social and customer issues using ICT and the power of **humans**



**Speed Up Business Investments for Growth**

Business investments will reflect capital efficiency and profitability goals. We will reinvest profits from these investments in growth businesses.  
▶ For details, please refer to Financial Strategy on page 25.

# Financial Strategy (Financial Capital)

While keeping sustainability management in mind, we will forge ahead with improving capital efficiency and investing for continuous growth.

## Achieving Record Profits Despite a Difficult Business Environment

I feel that 2021 was a year in which we dealt with one change in the environment after another, while the COVID-19 pandemic went on around us. We in the Canon MJ Group were especially conscious of the need to think several steps ahead and come up with ideas to achieve both what we needed to do and what we were able to do. As a result we turned in an excellent performance, with profits hitting record highs and all business segments growing year on year on an operating income basis.

Over the past few years, I think the Canon MJ Group has succeeded in achieving a lean financial structure that can generate solid profits. In 2022 we are aiming for a further expansion of profits, flooring the accelerator as we pursue the operating income target of ¥50.0 billion in 2025.

What we are most focused on is the shift to a service-based business model. In the area of IT solutions, we will grow the business efficiently by taking existing systems that we mainly built together with specific large corporations, and rolling them out to customers in the same industry, then to quasi-major and upper medium-sized enterprises, and then small-to-medium-sized enterprises.

## Basic Policy on Financial Strategy

The key points of our financial strategy are improving capital efficiency and investing for continuous growth.

### [Improving Capital Efficiency]

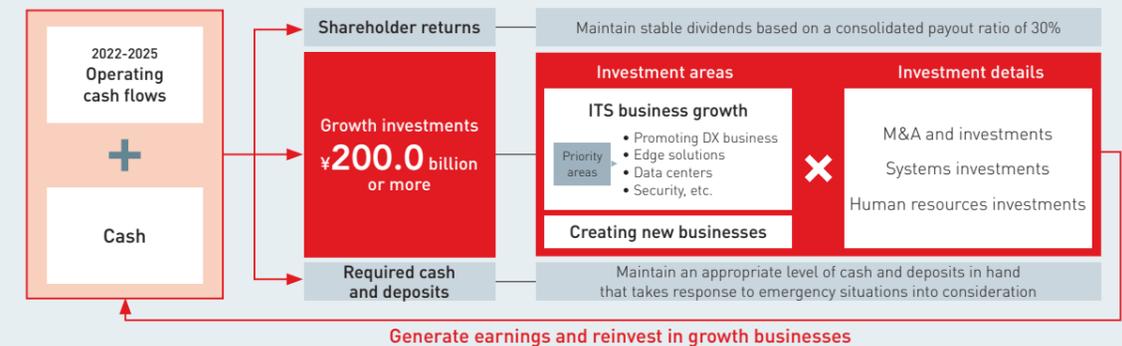
The 2025 management indicator targets that were set in the Long-Term Management Objectives include ROE of 8.0%, and we have already exceeded that level with the 8.2% we recorded in 2021. Going forward we will focus on maintaining a level of at least 8.0%, but with a total stockholders' equity ratio of 71.0% we have a robust financial base. We intend to maintain this healthy financial structure while committing our own funds to grow sales, raise our earnings power, and improve capital efficiency. The driver of ROE improvements

in future will be the speed and decisiveness with which we shift to a highly profitable service-based business model. Another 2025 management indicator target is that of ¥50.0 billion in operating income. We recognize that in order to achieve both our targets for ROE and operating income, we will need to stretch our current business model to its maximum extent.

### [Investing for Continuous Growth]

As a result of transforming our previous corporate structure we have succeeded in raising our ability to generate cash. The Medium-Term Management Plan (2022-2025) calls for investing more than ¥200.0 billion in growth over four years.

The breakdown consists of investments in the business, such as M&A and equity investments, as well as investments in systems and human resources. In addition to making investment contribute to performance during the period up to 2025, we believe that investments necessary to enable the Canon MJ Group to achieve continuous growth to 2030 and 2050 need to be in this four-year period. Investments for continuous growth will not consist of equal amounts every year, and we will execute them while maintaining financial discipline and appropriately managing our financial and capital strategies. We will also enhance returns to shareholders as we work on improving corporate value.



## Financial Discipline and Sustainability Management

### [Financial Discipline]

To date, the Canon MJ Group has consistently taken a proactive approach to investments for growth, such as M&A. Over the past few years we have not conducted any major M&A, but during that period we reassessed SG&A expenses and our sales style, changing to a leaner corporate structure that I believe can generate profit even in a harsh social environment.

When investing, if we can properly identify investment targets in the Group's priority areas and the deals meet the cost of capital, we will commit the necessary funds.

On the other hand, the prerequisite is that we maintain financial discipline. We have a committee that deliberates the appropriateness of loans, investments and M&A, and only after being discussed by that committee are items submitted to the Board of Directors.

### [Sustainability Management]

Sustainability issues are having an increasing impact on

finance, and with regard to climate change in particular, in January 2022 we formulated and announced the Canon MJ Group Environmental Vision 2050 and the Canon MJ Group 2030 Medium-Term Environmental Targets. In order to increase the effectiveness of that Vision and the intermediate targets, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and are working on related initiatives.

The Canon MJ Group plans to conduct investment in data centers as well, with the keyword for data centers being CO<sub>2</sub>. As we transition to a service-based business model, customers are shifting their services from their own premises to the cloud and to data centers provided by the Canon MJ Group, and this contributes to reductions in CO<sub>2</sub> emissions by customers. Our data centers operate at high efficiency and have low energy consumption, and by converting them to use renewable energy we can further reduce customers' CO<sub>2</sub> emissions, and in turn help reduce CO<sub>2</sub> emissions for society as a whole.



### Tsuyoshi Osato

Director, Vice President  
In charge of Group Auditing, Group Finance & Accounting and Group Procurement  
Chief Executive of Finance & Accounting Headquarters

Featured Topic

Canon MJ Group's  
Human Capital



Accelerating the development of skilled personnel to use ICT and the power of humans to solve social and customer issues

Canon MJ Group is promoting the development of skilled personnel. We invited Project Professor Takashi Iwamoto from Keio University and exchanged views on the theme of "human capital."

Approaches to Human Capital

Please tell us your opinion on the different approaches to human capital.

**Iwamoto:** The expression "human capital" has actually been around for a long time. In the 18th century, Adam Smith was already stressing the importance of human capital, and the term has been the subject of debate for close to 250 years. We also use the term "human resources." But the word "resources" is a concept that tends to be understood in terms of consumption, like in energy resources, or as a cost. On the other hand, "human capital" conjures the image of something akin to financial capital that can yield returns through investment. Understanding personnel as "capital" like something similar to financial capital gets to the heart of the philosophy of human capital management.

In the global realm, HR systems are called "Human Capital

Management Applications," and these systems have been evolving rapidly since the 2010s as AI has advanced. Through managing human capital by using data in this way, managements are already beginning to reap returns. You never know, perhaps in the future, companies will be presenting "personnel balance sheets" alongside their financial balance sheets in their reporting.

**Adachi:** The concepts you are talking about here are easy to understand. In the world of accounting, the main stream of thought is to comprehend personnel as costs due to the expression "personnel expenses," and they are understood as the target for cost reductions in corporate restructuring plans, etc. Moreover, Japan has long been known to follow a

system of permanent employment, but this has been discussed as a bad custom when compared to systems of employment in Western companies. However, personnel training, etc. from a medium- to long-term standpoint, which has been treated as very important by Japanese companies thus far, has aspects that are compatible with this concept of human capital, so we are reviewing it. In the age we are entering, I believe that our source of corporate competitiveness will be our understanding of personnel as capital, which will lead to an increase in the value of personnel and increase of corporate value.

At the same time, I see enormous benefits from initiatives to visualize value of human capital through something like a "personnel balance sheet" as Dr. Iwamoto mentioned. In evaluating the capability of employees in the Group, I often hear reports stating, "that person is a very capable member of personnel," but I believe that it is important to visualize

what kind of value they can generate in what areas, and necessary to manage and utilize data in a quantifiable manner. By visualizing this, I believe that employees will notice the capabilities they need to improve in the future, which will create a culture where they study of their own volition.

Furthermore, I think that information disclosure regarding human capital is still in its early days. The first thing we should do is make solid advancements in personnel assessment, so that we express things like, "Our Group has this many members of personnel with the necessary skills to realize our vision," by using a common language such as a "personnel balance sheet." I get a strong impression from this conversation that such a thing would be the best way to give all our stakeholders an accurate understanding of the Group's value while at the same time improving motivation among each of our employees.

Canon MJ Group's Human Capital

How does Canon MJ Group view its personnel?

**Mizoguchi:** Considering the two terms "human capital" and "human resources" mentioned earlier by Dr. Iwamoto from the perspective of a human resources officer, I would say that within the Canon Group, we carry out corporate management and human resources policy with the basic view of our personnel as "human capital." In the Canon MJ Group as well, I think that since long ago, we have perpetuated the viewpoint that it is our personnel who are the source of our corporate competitiveness, and President Adachi is constantly telling our employees and officers that "people are everything."

As a way of illustrating the special attributes that our personnel of the Canon MJ Group possess, allow me to tell you about the results of the external assessments from the other day. From the standpoint of the external evaluator, the employees of the Group were rated highly for "showing a strong resolve to successfully tackle issues, regardless of the targets." However, at the same time, the evaluator pointed out that they "have room to grow with regard to creativity, which includes making future projections themselves and the capability to conceptualize freely."

Now we operate in an era in which we need to transform our

views on personnel skills development considerably. Currently, we have stated as our 2025 Vision that our Group aims to become a "professional corporate group that solves social and customer issues using ICT and the power of humans," and have been working on this vision. The "power of humans" is an indispensable element for continuing to capture customers' trust. As they have thus far, the necessary know-how, knowledge and capabilities change as business categories change. Our Group must constantly change into a company that has many personnel who can be recognized by our customers as providing added value. That type of personnel is what we mean when we refer to the "development of skilled personnel" in our Long-Term Management Objectives (2021-2025).

**Adachi:** I am keenly aware of the need to further train personnel to have high levels of creativity. As we move toward achieving the Long-Term Management Objectives (2021-2025), we must further put our effort into human capital management. As I mentioned just earlier in response to Dr. Iwamoto's opinion, initiatives aimed at visualization of the value of human capital is very important. Meanwhile, I believe there are some aspects of the value of personnel that

Featured Topic Canon MJ Group's Human Capital

cannot be measured using a uniform yardstick. It is important that we boost the value of personnel while being aware of that point. While utilizing the unique strengths that each individual possesses, we need to refer to and match up with common global yardsticks. In addition to this, "sensitivity" and "sensibility" that perceive a complex and diverse society as well as customers' issues are essential. By interacting with customers in a highly sensitive and sensible manner, we can shrewdly make proposals that differentiate us with a standpoint that differs from that of a major system integrator, which I believe will lead to the improvement of customer satisfaction.

**Iwamoto:** I am quite taken by the terms "sensitivity" and "sensibility." A major theme of research across the globe is the question: "How do you create corporate culture?" Within such discussion, the importance of cognitive diversity is sometimes emphasized. It is an approach that places utmost importance on giving weight to such aspects as diverse styles of thought, sensibility, sensitivity, and experience, and creating an innovative corporate climate through such a mix. This way of thinking can be seen in the "Report of the Study

Group on Improvement of Sustainable Corporate Value and Human Capital" by the Ministry of Economy, Trade and Industry, which suggests that "diversity and inclusion of knowledge and experiences" is essential.

**Adachi:** What is important for increasing sensitivity and refining sensibility?

**Iwamoto:** Important aspects include the personalities, competencies (behavioral characteristics that give rise to accomplishments), styles of thought, and the like that each employee holds constitute a big point. I think that what ends up being created is the result of an overlaying and mixing of various elements, such as knowledge and skill based on biological capabilities and experience. However, it is not easy to apply such result to business. However, if we practice a style of management that keeps "cognitive diversity" in mind, I think the attitudes of employees begin to change, and we will gradually see the Group transform into an innovative organization. Although it won't be possible to make quantifiable measurements of these new management initiatives, I think we will see such things get translated into business achievements.

organizational productivity increases or organizational improvement, it is necessary to set action plans and address the issues on an ongoing basis. With the advancement of ICT, etc., there are tools available that we call "action platforms," which allow for accumulation of the behavioral data of employees and increased precision of action plans while rotating PDCA cycles. Using this type of platform, we will accumulate action data and be able to put it to good use.

For example, it is necessary for managers to improve their skills in order to promote the growth of their team beneath. If a manager is able to improve his/her management skills based on the hints of accumulated action data, this would lead to reductions in training costs while boosting productivity. Within leading-edge companies, the use of such action platforms is becoming increasingly popular. Through combining human wisdom with ICT, the tools used to improve engagement are rapidly evolving.

**Mizoguchi:** It is certainly welcome news that such tools become available. In today's age, I don't think we need a unilateral pressure on employees to feel loyal to their company, and at the same time, I don't think companies should only pursue employee satisfaction. True engagement requires a relationship of equality. I think individual growth, success at work and the Company's growth are things that need to occur in synchrony with each other. Another important factor for us is customer satisfaction. Therefore, it is important that customer satisfaction creates a flow that leads to employee growth and then to company growth. In these times where there is the pressure of the great transformation of our business model, if we think about what kind of value we can provide to customers, I think that the thing we need to do will inevitably come up.

**Adachi:** The "development of skilled personnel" is an extremely important element for realizing "Expand ITS business with profit," which is one of the basic policies in the Medium-Term Management Plan (2022-2025). We will not only be conscious of increasing the level of IT-related knowledge, but also increasing capabilities in areas of sensibility, such as design thinking and business conceptualization skills. To do this, it is essential to take on new challenges.

Our message for newly joined employees is "do not focus solely on just what you are told to do," while with our

younger and mid-level employees we talk about wanting them to "set high targets for themselves and think about how to climb that mountain to reach the peak." I think that it is okay that people have different ways of climbing to the peak. Just accumulating many experiences of success is not necessarily good as there are many things to learn from experiences of failure, which leads to growth. Our message to employees is that we want them to take on new challenges over and over without questioning if it's a success or failure. I believe that sensitivity and sensibility can be refined and business conceptualization skills will be cultivated through this process of taking on challenges.

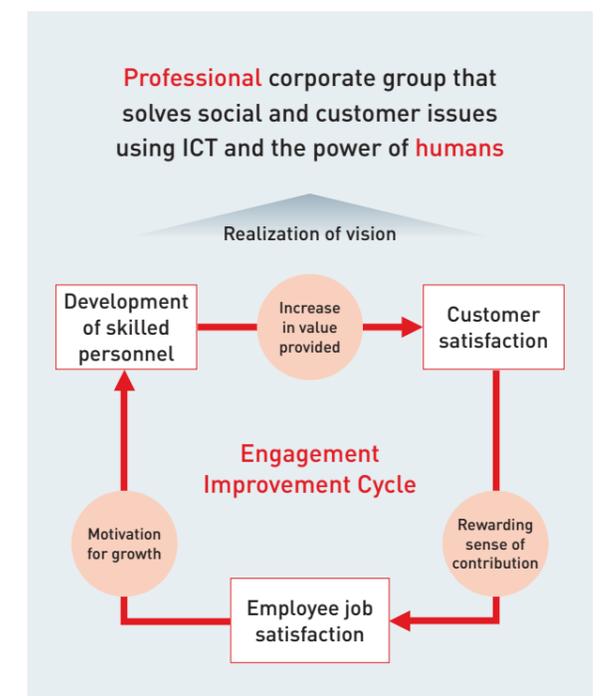
As a result, the value of proposals to customers will increase, and we will in return gain a higher level of expectation from customers. Increasing customer satisfaction leads to job satisfaction and makes life more rewarding. The pursuit of customer satisfaction results in employee growth, which leads to company growth and ultimately boosts the Canon MJ Group brand. This virtuous cycle is very much the "engagement improvement cycle" set forth in the Medium-Term Management Plan (2022-2025), and I think it encapsulates true engagement.

Improving Employee Engagement

On the subject of employee engagement, how should we consider this issue going forward?

**Iwamoto:** Actual tools for measuring engagement, such as organizational analysis and employee satisfaction surveys,

have already been in use two or three decades. However, I think that in order to translate such results into concrete



\*For details, please refer to Medium-Term Management Plan (2022-2025), Basic Policy 4: Group Management Aimed at Continuous Growth on page 24.

# Human Capital

## The ideal form of personnel

“Professional human resources who demonstrate enterprising nature and continue to be selected for their new value creation”

Policy of developing human resources

1. Based on the spirit of the “Three Selves” that constitutes the Canon Code of Conduct, we create learning environments in which participants can study with a sense of ownership.
2. We clarify the gap between aspiration and reality, and design steps to close that distance.
3. As foundation of learning, we require our people to think issues through to the end, and to think their way to solutions.
4. Taking the basic approach that people are trained through experience, we create not only spaces for training but opportunities to take on real-world challenges.
5. By respecting and sometimes questioning the opinions of others, we create an environment in which we teach and are taught, educate and are educated.

## Targeted Changes in Behavior

Based on the spirit of the “Three Selves” that constitutes the Canon Code of Conduct, we will continue to learn of our own accord, utilize the knowledge we have developed to take on new challenges, and in doing so create change (or change ourselves). By repeating this process, we aim to achieve growth.



## Education and Training

The Canon MJ Group conducts foundational training that is common for all roles, and training for increasing expertise in each field and developing personnel who can lead their departments.

### Basic Training

The basic training that has been standardized for all roles is conducted using rank-specific training based on the personnel training system that defines “the ability to think, the ability to execute, and the ability to involve other people” in levels. The aim is for participants to study theories during the training and learn by putting those theories into practice during their work. Furthermore, we are expanding career training, training to develop design thinking, etc. and enhancing the curriculum.

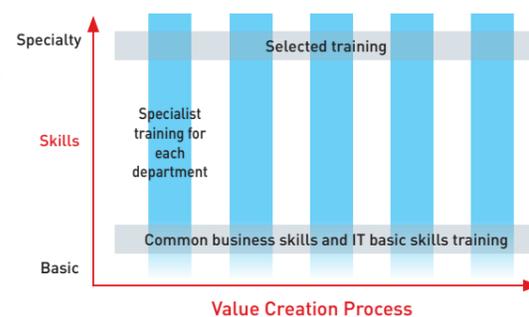
In addition, we have a variety of available options, including a system for supporting the acquisition of qualifications, self-selected distance education and e-learning, to foster a culture of learning and support individual development.

### Specialist Training

For the specialist training, we are working on creating skill definitions for each department. We avoid overlapping investment by clearly separating the roles of specialist training and basic training, and have achieved a flexible program.

For the development of human resources for management, without focusing solely on acquiring knowledge related to management, we aim for diverse perspectives and flexible ways of thinking by adding liberal arts, and implement initiatives to refine our sensitivity and sensibility.

Going forward, we will make even greater efforts in specialist training related to digital literacy, and accelerate the development of skilled personnel.



## Preparing to Execute the IT Solutions Strategy

### Case (1): Developing Solutions Specialists in the MA Headquarters

A solutions specialist in the MA Headquarters (Enterprise segment), which is one of the roles at Canon MJ, has the knowledge and know-how necessary to provide IT solutions mainly for large corporations, working closely with customers to develop plans centered on IT solutions that will resolve the issues facing the customers.

The solutions specialist especially strives to hone their solution planning skill and business conceptualizing skill in order to strengthen their skills for conceptualizing and building business IT based on social issues and technological innovation while considering the growth strategy of the customers. The Company has created the “Defining the Ideal SS” document and skill assessment system and

conducts practical training to develop highly skilled human resources.

The Company is carrying out multifaceted activities to ensure that the skills firmly take root through group work, classroom learning, presentations, feedback, etc., with an emphasis on putting the skills into practice, including the “DX Human Resources Development School” for learning methods and processes for creating new business models, the “Design Thinking Workshop” for learning the entire “design thinking” process and experiencing putting it into practice, and the “New Solution Workshop” for putting the process from “shared feelings,” which are particularly important even within “design thinking,” to “defining the problem” into practice.

### Case (2): Developing Highly Skilled Human Resources at Canon IT Solutions

Canon IT Solutions has created the business co-creation model and the service creation model to realize the co-creating company as stated in its VISION 2025, and is working to develop the human capital that holds the key to achieving these models, namely, consultants, and personnel who can create service concepts.

#### [Co-creation School: Business Co-creation Course]

The Co-creation School is a practical personnel development organization for human resources who will play a central role in the co-creating company. In the Business Co-creation Course, issues facing customers are identified and good hypothetical solutions are developed in order to foster the ability to propose measures for solving issues. The first half of the one-year training period is the “learning phase” where, in 2022, participants are gaining basic knowledge regarding management, studying to acquire small and medium enterprise management consultant certification, etc. while learning problem-solving methods, and working on writing white papers on themes they selected. Participants who have successfully completed the learning phase, proceed to the “practical phase” in the second half of the training period where they build up experience in actual projects (including multiple discussions with client management in extremely high upstream areas) at the Business Innovation Promotion Center.

#### [Co-creation School: Service Creation Course]

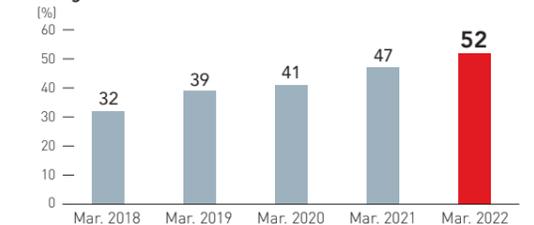
In the Service Creation Course, social issues and problems are identified, new services and business ideas are examined and the participants’ ability to give shape to ideas and launch businesses is fostered in order to create service-based businesses. The training is conducted as project research (approximately eight months) at The Graduate School of Project Design (Professional Graduate School). The participants attend lectures given by a wide variety of lecturers, including external guest speakers, and hold discussions among themselves using the points they noticed and knowledge they acquired from the lectures in order to firmly establish the ability necessary for creating business concepts. Finally, each participant creates a concept plan for a service business.

### Recruitment of IT Personnel

As part of the shift to the IT solutions business, the proportion of systems engineers among new graduates and midcareer hires rises year by year. Without being limited to persons with a science-based education, we hire those with a background with IT skills or those who have a strong interest, and make efforts to develop them internally.

In addition, we actively hire highly specialized personnel from outside the Company for important positions. Bringing a high level of skills and various perspectives into the business contributes to the creation of new value and business expansion.

Proportion of systems engineers in new graduates and midcareer hires



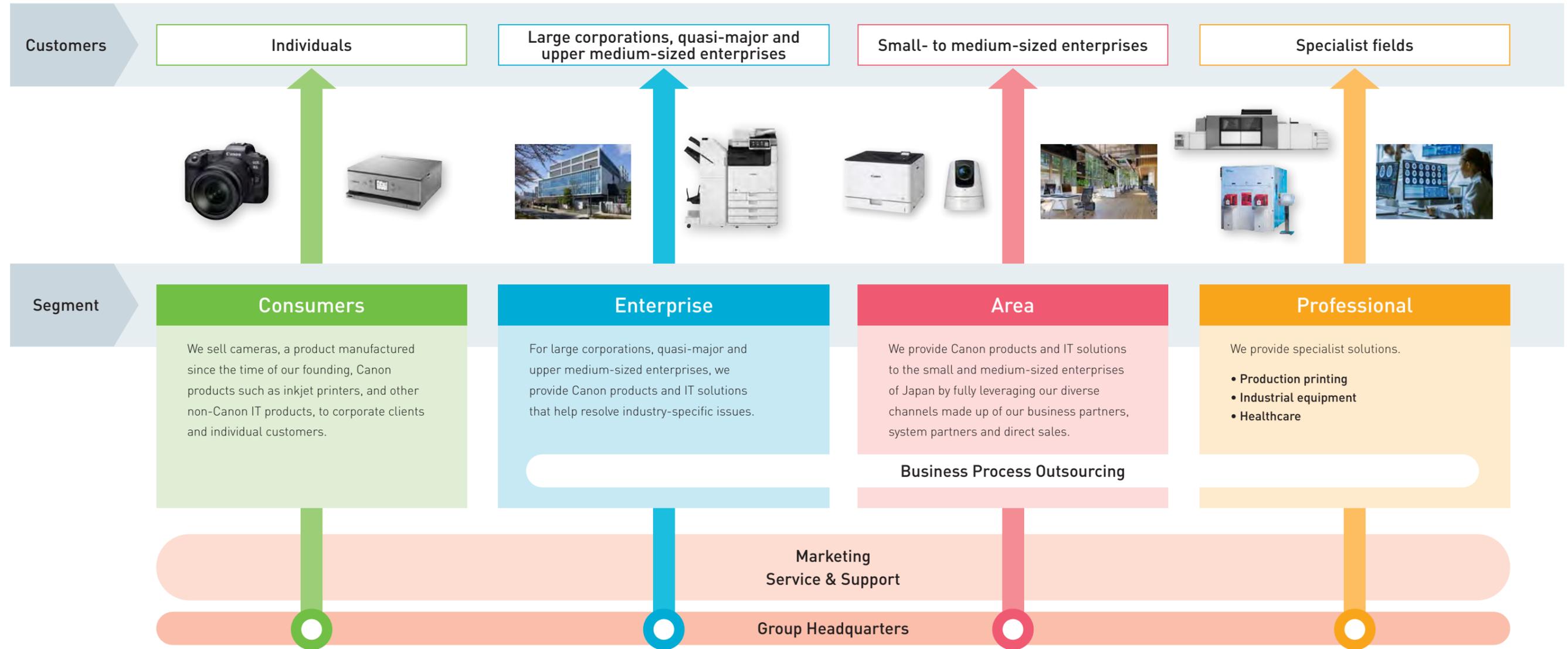
**Wakana Saiki**  
General Manager of Group Human Resources Development Center of General Administration & Human Resources Management Headquarters

### Message from the Head of Personnel Training and Recruitment

Meritocracy, which is one of our action guidelines, is a concept in which people who work independently are rewarded fairly and properly. We do not discriminate based on gender, as well as age, educational background and career history. Employees are evaluated fairly and impartially based on the results of their work and their awareness and conduct with respect to their work. While we continue to value this unchanging concept, uncertainty in the global economy is increasing and, as digital technology advances, the necessary skills and literacy are constantly changing together with changes in the external environment. By responding flexibly and quickly to such changes, including honing our sensitivity and sensibility to trends around the world and the subtle differences in our customers, we aim to make the Canon MJ Group a place where diverse human resources can feel invigorated and thrive.

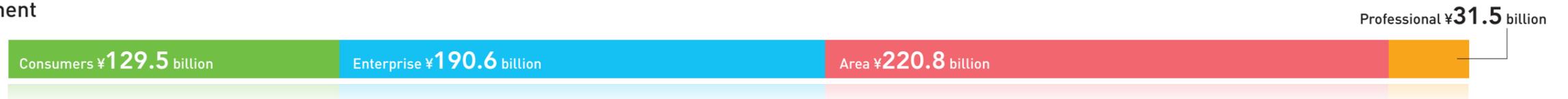
# Overview of Businesses by Segment

We are developing businesses in the Consumers, Enterprise, Area, and Professional segments to help numerous customers create value.



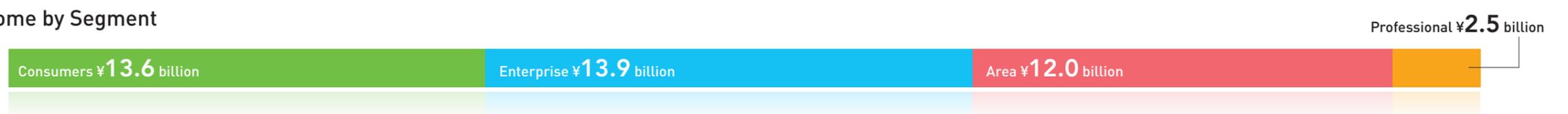
## Consolidated Sales by Segment

¥552.1 billion



## Consolidated Operating Income by Segment

¥39.7 billion



Note: In addition to the above, there were net sales of ¥(20.3) billion and operating income of ¥(2.3) billion in the "Other" segment for the call center and BPO service business and elimination of inter-segment transactions.

## Consumers Segment

We sell cameras, a product manufactured since the time of our founding, Canon products such as inkjet printers, and other non-Canon IT products to corporate and individual consumers.

**Koichi Mikami**  
Vice President  
Director of Consumers Segment



### Mission

Make consumers' lives more fulfilling and convenient through the products and services that we provide, under an organizational culture, resilient and flexible in the face of change, that has been developed through marketing activities for the Canon products

### Business Strategies

For the consumer market, which is characterized by rapid technological innovation and significant changes in trends, we aim to provide value that exceeds our customers' expectations. Our strengths are customer trust in our cameras and printers, which are the most distinctive part of the Canon brand, and diverse points of contact with customers, from retailers to e-commerce and our own showrooms (Canon Photo House). We will strengthen our points of contacts in the digital and real worlds and engage in more meaningful communication in order to provide even more value.

Although the camera market is mature, we expect that consumer demand will gradually grow as the number of opportunities for travel, going out, etc. increases in the future. Through developing our original services that provide support to a wide range of camera users from the professional to the entry level user, we have gained a deeper understanding of our customers, and we are further enhancing activities to continue such ties with them. In particular, to further strengthen ties with customers with a strong interest in photography, we are promoting

photo circles and camera classes to provide customers with places to exchange ideas and receive rich support while striving to provide added value based on photographers' subject matter. In the future as well, we will continue to support national photography contests (such as Shashin Koshien) and the like to promote the charm and value of photos and help provide opportunities that foster creativity and sensibility among young photography enthusiasts. In such ways, we will make the lifestyles of our customers more fulfilling and contribute to the development of a photography culture.

For inkjet printers and IT products, we offer usage proposals and new experiences for working styles and learning brought about by the new normal in order to improve convenience and productivity for customers.

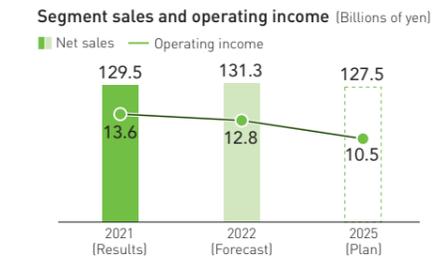
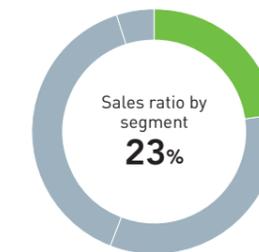
While striving to further enhance profitability of cameras, printers, and other existing businesses by strengthening our connections to consumers, we aim to exceed the planned targets for sales and operating income by endeavoring to create new products and services for the years ahead.

### 2021 Performance Topics

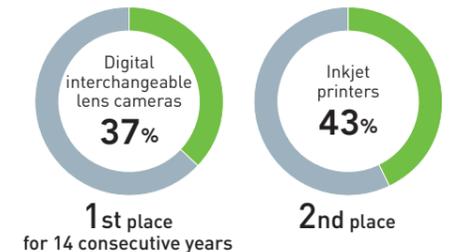
<b>Segment overall</b>	<b>Sales ↑</b> Expansion of marketing of priority products such as middle- and high-end mirrorless cameras and RF interchangeable lenses Increase in sales due to higher sales of inkjet printers and IT products
	<b>Operating income ↑</b> Increase due to an increase in gross profit from higher sales of high-value-added products and due to lower SG&A expenses
<b>Sales ↑</b> <b>Digital interchangeable lens cameras</b> Significant increase due to strong sales of high-priced mirrorless cameras such as full-frame sensor EOS R cameras, RF interchangeable lenses, etc.	<b>Sales ↑</b> <b>Inkjet printers</b> Increase due to an increase in the composition of high-value-added products and a rise in sales of products equipped with the GIGA TANK, an extra-large capacity tank
<b>Sales ↓</b> <b>Ink cartridges</b> Decrease due to a shrinking market caused by factors such as a decline in color printing	<b>Sales ↑</b> <b>IT products</b> Increase due to a rise in sales of PC peripherals and gaming PCs

# CONSUMERS

### Overview of the year ended December 31, 2021



### Share information of 2021



### Photography and Video Initiatives

By supporting repairs and cleaning at Canon booths of the photographic equipment used during international sporting events held in the summer of 2021, we enabled professional photographers from around the world to cover events without hindrance, helping them deliver photos and footage of inspirational moments by the athletes.



Provides lenses for TV stations and production facilities, weather cameras, commercial video equipment, and cinematic cameras and lenses for professional video creators. With even still cameras now being required to provide high-quality video functions, we seek to generate synergies by using BtoB imaging technology based on Canon technology to heighten the appeal of video functions of BtoC products. The EOS R5C launched in March 2022 has been well received by video creators.

### Initiatives for Creating New Customers

We are expanding the business of distributing merchandise of both domestic and overseas manufacturers using the logistics, sales channels, and marketing capabilities of Canon products. In particular, we focus on finding products that can provide new value for consumers from overseas manufacturers that are not yet active in Japan, developing the business through win-win relationships.



ichikara Lab team members (above)  
ichikara Lab space (below)



We are also actively working on the creation of new products originating in the Consumers segment. At the ichikara Lab, our first in-house startup, we are making efforts to strengthen our marketing to younger consumers while simultaneously reaching out to new customer segments. In addition, we are launching projects to generate new businesses, and working to create products and services that could only be achieved by ourselves by virtue of our closeness to customers, and to train our own personnel.

## Enterprise Segment

For large corporations, quasi-major and upper medium-sized enterprises, we supply Canon products and solutions that help resolve industry-specific issues.

**Hiroyuki Matsumoto**  
Vice President  
Director of Enterprise Segment



### Mission

Become a true partner by collaborating with our customers to create value

### Business Strategies

We aim to realize a sustainable society by finding solutions through co-creation with customers.

By using the relationships we have already built up with customers over many years, we have been able to gain deeper understanding of our customers' industries and the content of their business. Moreover, by employing the original technology related to imaging and AI held by Canon, and the original technology related to software, mathematics, language processing, image analysis held by Canon IT Solutions, and so forth, we are able to offer solutions that other companies are unable to provide. Our combined capabilities, which allow us to provide proposals, development, maintenance, and operations in our fields of expertise backed by such technologies, are our strength.

Amid the progression of digitalization and the saturation of supply in existing markets, major corporations and other companies are increasingly conducting initiatives based on open innovation to obtain insightful input from external parties in order to shift the business structure.

Seamlessly continuing efforts to deeply understand the industry and the business of our customers, we would like to co-create new value with our customers through further honing our knowledge and original technological capabilities and holding extensive dialogue with customers.

In order to further promote such customer co-creation business models in the future, we will strive to identify our customer's problems and nurture and encourage the design concepts that emerge. In addition, through upskilling and hiring activities, targeting data scientists and high-caliber IT personnel capable of carrying out large projects, we will also further hone our application research and proposal and development capabilities. With the aim of contributing to society through finding solutions for society and our customers in order to boost existing value in the market and industry, we are aspiring to become a "true partner" that customers look to first for advice.

### 2021 Performance Topics

**Segment overall**  
Sales ↑ Increase due to the strong performance of the IT solutions business despite a decrease in sales of mainstay business equipment resulting from the impact of supply shortages  
Operating income ↑ Increase due to a rise in gross margin from higher sales and due to efforts made to cut SG&A expenses

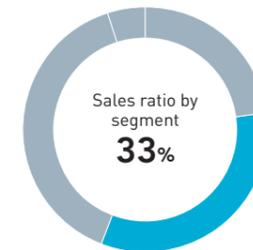
**Sales ↓ Office MFPs and laser printers**  
Decrease due to the impact of product supply shortages

**Sales ↓ Maintenance services**  
Decrease due to a decline in print volume in offices as major corporations continued their teleworking initiatives

**Sales ↑ Ink cartridges for laser printers**  
Increase due to sales growth primarily in the financial sector

**Sales ↑ IT solutions**  
Increase due to solid performance for SI projects for the financial sector, projects to meet the digitalization needs of the educational industry, the second data center building and security projects, as well as several BPO projects, etc.

### Overview of the year ended December 31, 2021

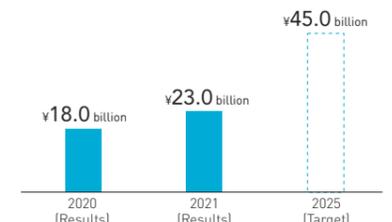


Segment sales and operating income (Billions of yen)



\* Reflects the figures announced on April 25, 2022.

Edge solutions sales



## Canon IT Solutions Inc.

**Akira Kanazawa**  
President  
Canon IT Solutions Inc.



### Position within the Canon MJ Group

Play a central role in driving toward achieving the Long-Term Management Objectives target of ¥300 billion in net sales in the IT solutions business by 2025

### VISION 2025

"Co-creator" that paves the way toward tomorrow with advanced ICT and enthusiastic employees

### Business Strategies

Based on our approach of exploring corporate issues and social problems with customers, we will interact more closely with our customers and transform ourselves into a co-creating company through three business models, the service-based business model, the systems integration model, and the business co-creation model.

In this way, we will accelerate the upskilling of not only our existing IT personnel, but also personnel capable of carrying out qualitative transitions in system integration, personnel capable of creating services that meet our customers' needs, and personnel capable of co-creating business with our customers. We will also implement initiatives to enhance engagement with employees. Furthermore, through the

solutions that we provide, we strive to ensure that our customers can enjoy value at a high level of quality.

While we view the IT market, which is steadily growing through DX investments, as an opportunity, there is a risk that we will not be able to respond to rapid advances in technology, develop our personnel, or strengthen relationships with partner companies according to plan. While confirming progress, we will take appropriate measures to mitigate this risk.

Through these initiatives, our goals for 2025 are to expand net sales for the Company as a whole by 1.5x, to increase service-based business model net sales by 2.0x, and to increase the number of personnel involved in business co-creation by 5.0x (all compared to 2021 figures).

### 2021 Performance Topics

**Sales ↑** Increase due to solid performance for SI projects for the financial sector and projects to meet the digitalization needs of the educational industry, and due to the recovery trend for SI projects and embedded system development projects for the manufacturing sector  
**Operating income ↑** Increase due mainly to a rise in gross margin from higher sales

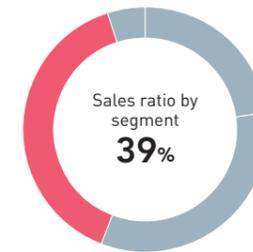
## Area Segment

We will maximize our use of the various channels, including business partners, system partners and direct sales, to provide Canon products and IT solutions to small and medium-sized enterprises throughout Japan.

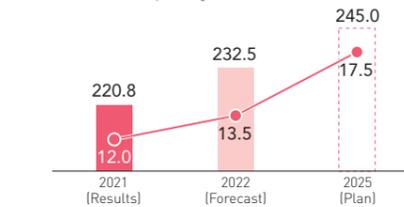
**Yasuyuki Uotani**  
Vice President  
Director of Area Segment



### Overview of the year ended December 31, 2021

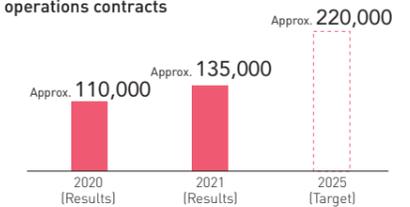


Segment sales and operating income (Billions of yen)  
■ Net sales — Operating income



\* Reflects the figures announced on April 25, 2022.

Number of HOME (IT support service for small and medium-sized offices) and IT maintenance and operations contracts



### Mission

**Aim to design work practices for customers, and contribute to local communities together with various partners and customers**

### Business Strategies

We aim to contribute to local communities utilizing our strengths of diverse sales channels that cover the entire country and our ability to formulate comprehensive proposals using Canon products and IT solutions.

Against the current backdrop of accelerating digitalization, rising threats for information security such as targeted attacks and phishing, an expansion in various support measures from the government and revisions to laws, etc., the appetite for IT investment among small and medium-sized enterprises is high. On the other hand, however, many customers are facing the problem of not having staff in charge of IT within the company, resulting in them not being

able to implement the initiatives they have planned. We will always interact closely with our customers as partners to help find solutions to their problems. In addition, we combine our strengths related to the high quality products we handle and the high value-added support we offer, with our strengths we possess in diverse supply chain channels to provide total support for our customers' work practice reforms and DX initiatives. To provide such a service, we are swiftly working on improving our frameworks to enable us to better find solutions to such issues through IT and training the personnel to support such initiatives.

### 2021 Performance Topics

- Segment overall**
- Sales ↓** Decrease due to a decrease in sales of mainstay business equipment resulting from the impact of supply shortage
- Operating income ↑** Increase due to a rise in gross margin from higher sales of high-value-added products and services, and due to efforts made to cut SG&A expenses
- Sales ↓** Office MFPs and laser printers  
Decrease due to the impact of product supply shortages
- Sales ↑** Maintenance services and ink cartridges for laser printers  
Increase in comparison with the significant decrease of the previous year, despite growth in telework, particularly in major cities
- Sales →** IT solutions for small and medium-sized enterprises  
Level with previous year due to the impact from the supply shortage for IT products such as business PCs, etc. despite increases in sales of cloud services, security products and IT maintenance and operation services

## Canon System & Support Inc.

**Takeshi Hiraga**  
President  
Canon System & Support Inc.



### Position within the Canon MJ Group

**Perform direct sales of Canon products and IT solutions to small and medium-sized enterprises nationwide and provide maintenance and operating services for those products, etc.**

### Mission

**Support evolution of the customer**

### Business Strategies

Amid the recent rapid reforms regarding working styles, changes to the business environment, and so forth, it is becoming increasingly important for our small and medium-sized enterprise customers to have in place an IT environment designed to provide improved productivity and enhanced efficiency of operations in order to ensure the continuation of their business. However, there are some customers not proceeding with such initiatives, citing such reasons as "we are unclear on what we should introduce," "we are worried whether we will be able to utilize it if we do introduce it," and "we don't feel confident we can properly respond to system troubles." For these customers, we are selecting the optimum

products and solutions, and providing operating support and maintenance after their introduction. Leveraging our nationwide network of business sites, which is a key strength of ours, we are further accelerating the hiring and upskilling of personnel to provide the sales and technical support for our customers' growing IT needs. Our goal is to create an environment for our customers that allows them to concentrate fully on their field of business. By helping our customers to find solutions to their management challenges, we will contribute to their corporate vitality and thereby revitalize local regions and society.

### 2021 Performance Topics

- Sales ↓** Decrease due to a decrease in sales of mainstay business equipment resulting from the impact of product supply shortage
- Operating income ↑** Increase due mainly to an increase in the weighting of high-value-added products and services, particularly those of the IT solutions business, and efforts made to cut SG&A expenses

## Professional Segment

**Production Printing**  
**Takashi Izaki**  
President  
Canon Production  
Printing Systems Inc.



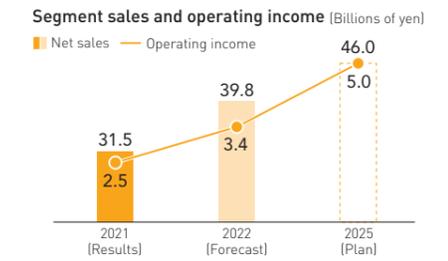
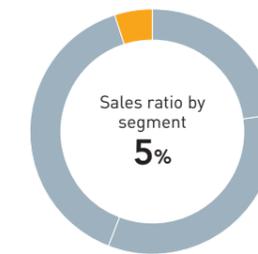
**Industrial Equipment**  
**Yasuhisa Oba**  
Vice President  
Group Executive of  
Industrial Equipment



**Healthcare**  
**Yoshinobu Kuroi**  
President  
Canon ITS Medical  
Inc.



### Overview of the year ended December 31, 2021



\* Reflects the figures announced on April 25, 2022.

### Production Printing

#### Business Strategies

We aim to bring about production innovations for our customers by proposing solutions for production printing equipment and workflow systems.

The shift to color inkjets in the data printing services market, and the move from offset printing equipment to digital inkjet printers in Japan's commercial and industrial printing market, which has fallen behind trends in the global market, are business opportunities. By leveraging our software development capabilities, one of our key strengths, we are able to propose printing systems for the form printing industry, point-of-purchase systems for the retail industry, and drawing management systems for the manufacturing industry. Fulfilling the role of a true partner that our customers can trust in, we work to construct win-win relationships in meeting the broad spectrum of professional needs of our customers through proposing our original solutions together with hardware sales.

We will pursue further growth by seeking to convert the portfolio from hardware-focused businesses to businesses originating in solutions by rebuilding the data printing services business and opening up the commercial and industrial printing market.

### Industrial Equipment

#### Business Strategies

By importing, selling, and supporting industrial equipment from abroad that meets customer needs and addresses their issues, we are contributing to helping improve Japan's manufacturing productivity.

We research and identify excellent products from overseas and import a wide variety of original products, and we sell, install and provide maintenance support for those products. Having the personnel with the advanced technical skills required for this is one of our key strengths.

By further improving our original products and services informed by an in-depth understanding of the work sites of Japan's manufacturers, we are working to enhance sales and maintenance support of not only semi-conductor related equipment and testing and measuring equipment for semiconductor manufacturers but also components and optical measuring equipment for the automotive, semiconductor and liquid-crystal display industries.

We will concentrate even more on starting up new businesses while implementing initiatives to strengthen relationships with business partners and train our professional personnel to conduct business based upon sales rights and product power that we possess, seizing business opportunities arising from the advancement of 5G, AI, and other technologies and the deterioration of social infrastructure.

### Healthcare

#### Business Strategies

As a cadre of professionals who are well versed in medical IT, we will help resolve the social issues of the medical industry, which include shortages of medical personnel, disparities among regions, and delays in digitalization, by deploying ICT in the workplace, and supporting DX.

Our strengths are our many points of contact with medical institutions and our large numbers of highly specialized staff who can provide a one-stop shop for everything from system proposals to introduction, operation and maintenance. In addition, our other strengths provided as the Canon MJ Group are that we operate support centers in two locations as a precaution against natural disasters, and we develop and offer cloud-based services in compliance with medical guidelines. In order to accurately capture medical IT demand, which is expected to increase in the future, it is essential to establish systems including an emphasis on training and securing personnel. Furthermore, by further developing our customer base while expanding our recurring-revenue business, we aim to achieve further growth.

### 2021 Performance Topics

#### Segment overall



**Sales ↑ Overall increase due to increased sales of industrial equipment, despite decreases in production printing and the healthcare business**



**Operating income ↑ Increase due mainly to an increase in gross profit achieved from increased maintenance service sales for industrial equipment, and lower SG&A expense**

#### Sales ↓ Production printing

Decrease due mainly to lower sales of consumables accompanying fall in print volume, etc., despite an increase in sales of continuous-feed printers

#### Sales ↑ Industrial equipment

Increase due mainly to increased sales of maintenance services for inspection and measurement equipment and semiconductor production-related equipment

#### Sales ↓ Healthcare

Decrease due mainly to the absence of many of the previous year's large projects for hospitals to construct electronic medical record systems and medical IT platforms, and a decline in projects for pharmacies, despite an increase in projects for clinics

Using digital technology to enhance existing businesses

Increasing contact points with customers through the use of DX

Why promote this?

- By employing online internet technology, we will enhance internal job satisfaction and contribute to achieving the work style reforms.
- By utilizing the CANON INNOVATION LAB “WITH” to enable a variety of initiatives to be experienced, we support job satisfaction at customers and in society as a whole.

CANON INNOVATION LAB “WITH”

We have opened the CANON INNOVATION LAB “WITH” as a space to work on creating new value by blending real and online elements, and in which to promote co-creation activities. What we have poured into WITH is the Group’s desire to walk side-by-side with society and our customers, and resolve their issues through the use of ICT and the power of humans. By providing high value-added solutions that utilize the strengths we have developed, we will provide powerful support for DX to our customers.



Introducing solutions to support DX that are tailored to our customers’ industry and operations, and solutions that utilize the latest technology.

Business Solutions



Connect Studio

A studio for empowering visual performances that only Canon could have created. Capable of distributing online seminars to up to 1,000 participants.



Simplified video creation studio fitted out with equipment for shooting and editing footage.

Creative Studio



Co-creation Space

Used as a space for practicing innovative activities that lead to the creation of new value, such as joint projects with external companies for the launch of new businesses, and the in-house startup program across the Group.

Business Scene Use Cases

In a zone that envisages a typical office, we enable customers to experience Canon document solutions for themselves, online, every day of the week. Rather than a showroom that assumes the customer will visit in person, we have made this a space that customers from all over the country can view spontaneously, which has opened the way to changes in our sales approach.

In other zones, instead of showing only our own solutions we reproduce scenarios in which we provide value to the customer through cooperation with other companies, offering an environment in which they can experience real improvements in operations for themselves.

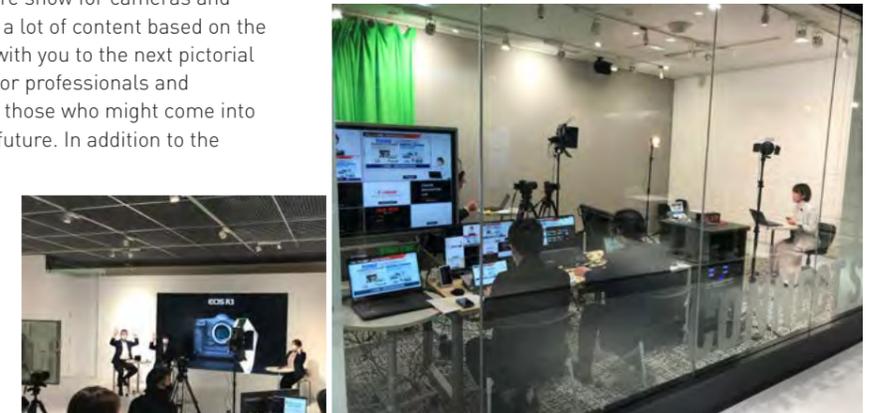


Event Use Cases

In the Connect Studio we distribute online seminars in a variety of genres.

At the “CP+2022 Online,” a world premiere show for cameras and photographic images, Canon distributed a lot of content based on the concept of “Imaging Avenue - Traveling with you to the next pictorial expression.” This was provided not only for professionals and prosumers but also for the enjoyment of those who might come into contact with cameras and photos in the future. In addition to the Connect Studio, we also livestreamed and recorded content using the 3F Hall S at the Shinagawa Canon S Tower.

It is also in frequent use for other events, such as online company briefings, new product briefings for the press, and for distributing all types of online seminars.



New Business-Related Example

The lab is used as a base to distribute various seminars for enhancing the innovative capabilities of Group employees, conduct workshops, and to operate the Canon i Program for in-house startups across the Group. In addition, we are also investigating a wide range of uses as a service for customers, such as employing it for pilot testing of a distribution service that utilizes studio functions.



# Sustainability Management

## We will promote sustainability management initiatives throughout the Canon MJ Group.

### Reviewing Fiscal 2021

To date, the Canon MJ Group has been promoting CSR activities based on the Canon Group's *Kyosei* corporate philosophy. However, as a result of having evaluated those activities in light of the changes to the external environment, we reached the conclusion that it was necessary to rethink the Canon MJ Group's activities.

Therefore, the Sustainability Promotion Committee was established in February 2021 to examine sustainable growth for society and for Canon MJ. The Committee met a total of four times\* last fiscal year, and held active discussions on putting into practice sustainability management, focused mainly on reexamining the Group's reason for existence. The Committee discussed various social issues surrounding society and the Company, announced the materiality disclosed in this year's Integrated Report. As part of this, the Committee

### Hatsumi Hirukawa

Director, Vice President  
In charge of Group Corporate Planning, Group Communication and Group Service & Support  
Director of Marketing Headquarters  
Vice-Chair of Sustainability Promotion Committee



prioritized efforts to address environmental problems which are globally pressing issues.

\* Major themes for consideration by the Sustainability Promotion Committee are listed on page 46.

### Environmental Initiatives

In recent years, the global movement toward decarbonization has accelerated with regard to measures to address climate change. In Japan also, efforts toward carbon neutrality are underway, including the government's Declaration on Carbon Neutrality for 2050 and the revised CO<sub>2</sub> emission reduction targets. In the area of resource recycling, the issue of plastics has become a global environmental issue, and with growing interest in biodiversity, companies are required to manage their businesses in consideration of the global environment, including "tackling climate change," "resource recycling,"

and "biodiversity conservation."

Against this backdrop, the Sustainability Promotion Committee has held a series of discussions on the environment and formulated the Canon MJ Group Environmental Vision 2050 and the 2030 Medium-Term Environmental Targets, which are the interim targets of the vision. In addition, in order to enhance the effectiveness of the vision and interim targets, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) in October 2021.

### Future Initiatives

Based on the materiality, which we have announced in this report, we would also like to deepen our discussion of specific KPI. With regard to the environment, in particular, we have concentrated on providing concrete examples, indicators and targets regarding the risks and opportunities concerning effects of the Canon MJ Group's businesses in this Integrated Report. From 2022 onward, we will concentrate on conducting analysis that will identify the risks and opportunities concerning effects on

business, and report our outcomes.

While proceeding with our initiatives to respond to the demands from society, we will deepen cooperation with internal and external stakeholders to address the expectations from society and develop frameworks through which we can provide solutions that advance people's daily lives, work, and society.

## Sustainability Promotion Structure

The Sustainability Promotion Committee is linked to each of the committees under the Management Committee, and takes up important themes for promoting sustainability management as appropriate and discusses them within the Committee.

### Structure Chart



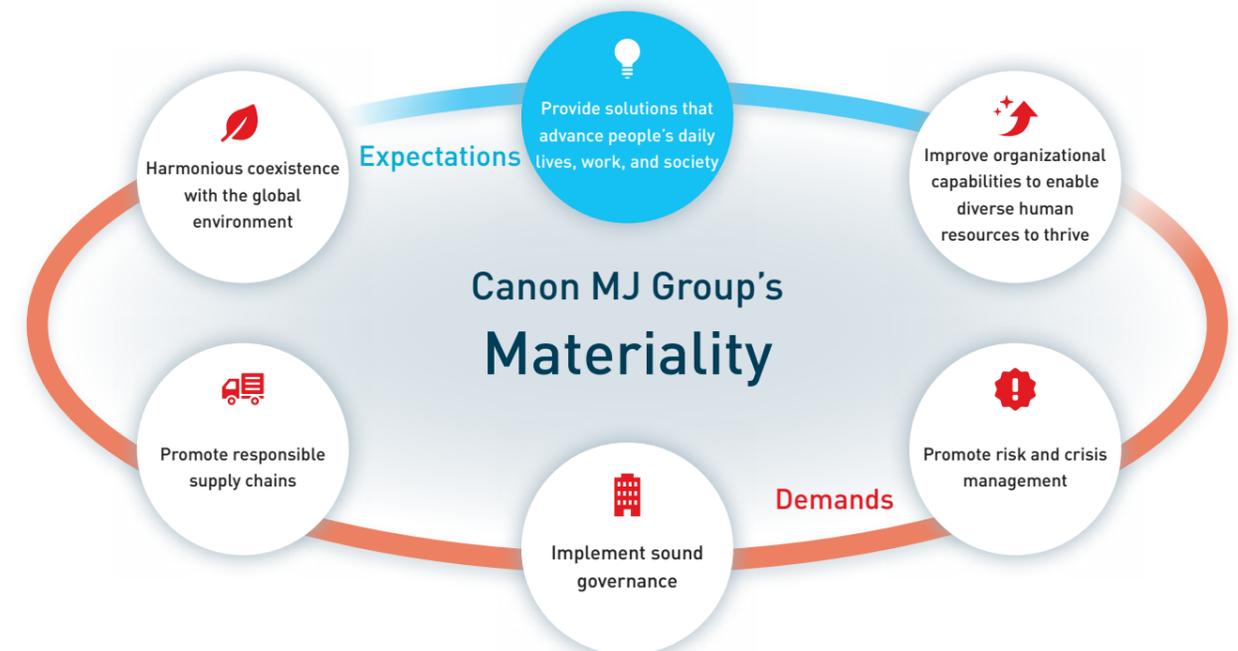
### 2021 Main Topics for Discussion

February	<ul style="list-style-type: none"> <li>Kick-off</li> <li>SDGs Study Group</li> </ul>
May	<ul style="list-style-type: none"> <li>Discussion on the ideal form of the Group</li> </ul>
August	<ul style="list-style-type: none"> <li>Discussion on the Group's focus areas</li> <li>Determination of the Canon MJ Group Environmental Vision 2050 and 2030 Medium-Term Environmental Targets</li> <li>Announcement of endorsement of TCFD</li> </ul>
December	<ul style="list-style-type: none"> <li>Discussion on materiality</li> </ul>

## Materiality

Based on the Canon Group' corporate philosophy of *Kyosei*, we have positioned the realization of a society in which all people can live together and work together in happiness, as a response to the expectations and demands of our stakeholders, and have identified materiality of the Canon MJ Group through discussions on these matters held by the Sustainability Promotion Committee. In identifying materiality, through dialogue with various stakeholders, we held discussions from the perspectives of demands placed on, and growth strategies for the Canon MJ Group. We will continue to set KPI and action plans for materiality, which lead to steady action.

By continuing to refine our unique capabilities in our business, and broaden the areas of social issues in which we can apply such strengths, we will steadily deepen our contributions to the various issues.



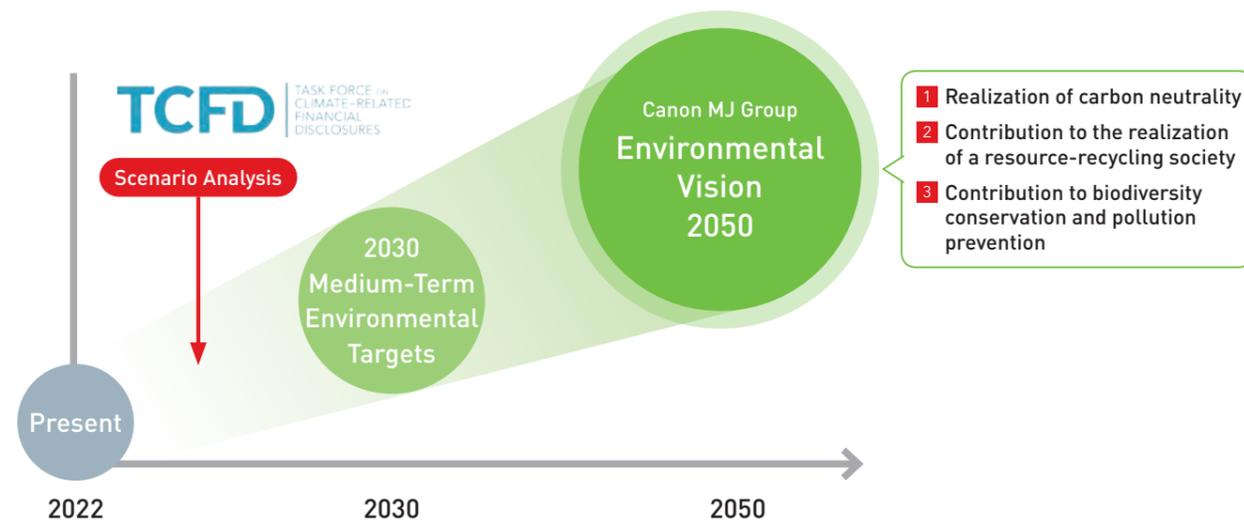
# Canon MJ Group's Sustainability

## Environment (Natural Capital)

### Harmonious Coexistence with the Global Environment

#### Formulation of the Canon MJ Group Environmental Vision 2050

The Canon MJ Group is promoting sustainability management based on the Canon Group's corporate philosophy of *Kyosei*, and has formulated the Canon MJ Group Environmental Vision 2050 and the Canon MJ Group 2030 Medium-Term Environmental Targets, which are interim targets, toward the realization of a sustainable society. The Canon MJ Group Environmental Policy was also revised accordingly.



#### Canon MJ Group 2030 Medium-Term Environmental Targets

<b>1 Realization of Carbon Neutrality</b>	<ul style="list-style-type: none"> <li>Reduce in-house CO<sub>2</sub> emissions by 38% (compared to 2021)*1, *2</li> <li>Contribute to customers' CO<sub>2</sub> reduction through our business</li> </ul>
<b>2 Contribution to the Realization of a Resource-Recycling Society</b>	<ul style="list-style-type: none"> <li>Zero emissions of product waste (recycling rate of 99.9% or more)*3</li> <li>Reduce waste by ascertaining the amount of waste in the Group and promoting plastic reduction activities</li> <li>Reduce water consumption by ascertaining the Group's water consumption volume and strengthening the efficient use of water</li> <li>Conduct Group water risk analysis and information disclosure</li> </ul>
<b>3 Contribution to Biodiversity Conservation and Pollution Prevention</b>	<ul style="list-style-type: none"> <li>Renewal of social contribution activities toward biodiversity conservation</li> <li>Elimination of hazardous materials in the supply chain through green procurement</li> </ul>

\*1 Calculated using the "SBT Reduction Target Calculation Tool" provided by the "Green Value Chain Platform" of the Ministry of the Environment.  
 \*2 In-house CO<sub>2</sub> refers to the total GHG emissions of Scope 1 and Scope 2  
 \*3 Recycling rate = Amounts recycled (total weight after excluding simple incineration and landfill disposal from total volume of products recovered and processed from marketplace) / total volume of products recovered and processed from marketplace

Please refer to the website for details.

- Environmental Vision 2050 and 2030 Medium-Term Environmental Targets <https://canon.jp/corporate/csr/environment/vision>
- Environmental Policy <https://canon.jp/corporate/csr/environment/policy>

#### 1 Realization of Carbon Neutrality

##### Reduction of In-house CO<sub>2</sub> Emissions

We upgrade multifunction printers (MFPs) and lighting equipment used in offices to energy-efficient models and implement initiatives for office equipment to reduce lighting and air conditioning power consumption, etc. 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 CO<sub>2</sub> 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\*4, under which credits for power derived from renewable energy sources offsets electricity consumed from other sources.

\*4 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 CO<sub>2</sub> emissions reductions and absorptions into credits that they can trade in markets.

##### Contributing to Customers' CO<sub>2</sub> Reduction through Our Business

Through providing environmentally friendly products, such as energy-saving products, to customers, the Canon MJ Group is contributing to customer's efforts to reduce their power consumption.

In addition, through the provision of various IT solutions, such as the consolidation of IT infrastructure through the use of data centers and the streamlining of document storage and retrieval through document solutions, we aim to contribute to the reduction of energy consumption by improving customers' operational efficiency, reducing space, and conserving resources, and thereby contributing to the reduction of CO<sub>2</sub> emissions in society as a whole.

#### 2 Contribution to the Realization of a Resource-Recycling Society

##### Collecting Used Products and Recycling Activities

The Canon MJ Group collects used Canon products from offices and other locations at nine collection centers nationwide and recycles them within the Group in cooperation with Canon Eco Technology Park\*5 and Top Business Machines Co., Ltd., which are Canon Group recycling sites.

Canon MJ also provides the "Canon Green Recycling Service" based on the Ministry of the Environment's wide-area certification system to promote collection and recycling activities of used products. This service eliminates the need for customers to issue, manage, and report manifest slips when discharging used Canon products\*6 as industrial waste in offices and other locations, thereby improving customer convenience and contributing to the promotion of recycling.

##### Water Risk Initiatives

As part of our water risk initiatives, we conducted a water risk assessment of the Canon MJ Group's business locations in Japan using Aqeduct\*7 of the World Resources Institute (WRI), and confirmed that the overall water risk level falls into the "low" or "low-medium" risk level. Monthly water consumption is ascertained and third-party verification is obtained for the Canon Group. In addition, due to the increased risk of flooding from torrential rains and other factors caused by the recent increase in extreme weather events, we have examined tsunami submersion hazard maps and relocated our domestic business locations at high risk of flooding.

\*5 Operated by Canon Ecology Industry Inc.  
 \*6 Used Canon products at home are considered general waste and should be disposed of in accordance with the rules of your local government.  
 \*7 Global tool for water risk assessment developed by the World Resources Institute (WRI)

# Canon MJ Group's Sustainability

## Environment (Natural Capital)

### 3 Contribution to Biodiversity Conservation and Pollution Prevention

Under the Canon Group's common Biodiversity Policy, the Canon MJ Group is working on the Furusato (hometown) Project with the aim of passing on a beautiful and verdant hometown for future generations. We endeavor through the project to encourage participation in the activities of groups with which we are collaborating and to raise awareness of biodiversity and its conservation based on My Action Declaration\*8, a set of five actions to protect biodiversity.

As our initiatives to prevent pollution, we are working to eliminate hazardous chemical substances by complying with the Global Canon Green Procurement Standards\*9, and to properly manage chemical substances used in our business activities.



Activities in Shizuoka Prefecture

Activities in Nara Prefecture

\*8 To preserve biodiversity, we conduct initiatives that allow us as individuals to take action from something familiar in our daily lives in order to feel more connected to biodiversity.

\*9 Please refer to Engaging in Green Procurement on page 53.

### Environmental Management

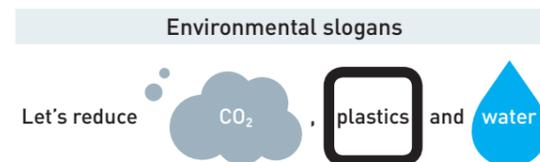
#### Environmental Management System

The Canon MJ Group is constructing an environmental management system that is common to the Canon Group based on ISO14001 as scheme to realize continual improvement of environmental protection activities.

Under the environmental management system, the Canon MJ Group determines environmental targets each year and formulates an action plan to realize those targets as part of business activities. Moreover, in order to ascertain the status of such activities and the issues that are faced, we implement environmental internal audits and are working to continuously improve and strengthen environmental protection activities.

#### Awareness Raising Activities Inside the Canon MJ Group

As part of initiatives aimed at providing solutions to environmental issues in the Canon MJ Group, we are promoting greater awareness by creating environmental slogans, publishing information on the intranet, and publishing internal bulletins that are sent to all employees of the Group.



### TOPIC

#### Nishi-Tokyo Data Center No. 1 Certified as an Outstanding Specified Anti-Global Warming Facility

~Contributing to the Realization of a Sustainable Society as a Business Site with Particular Excellence in Global Warming Countermeasures~

The Nishi-Tokyo Data Center No. 1, owned and operated by Canon IT Solutions Inc., was recognized by the Tokyo Metropolitan Government's Bureau of Environment as an Outstanding Specified Anti-Global Warming Facility (near-top-level business facility) for its efforts to reduce CO<sub>2</sub> emissions and environmental impact by "optimizing the operating frequency of air conditioners" and introducing "free cooling" heat source facilities that efficiently exchange heat while utilizing outside air during winter.

Outstanding Specified Anti-Global Warming Facilities are locations certified by the Tokyo Metropolitan Government as having met the "criteria specified by the Governor" for "business sites with a particularly outstanding level of promotion of global warming countermeasures."



Nishi-Tokyo Data Center No. 1

### Initiatives for TCFD Recommendations

#### Governance

Policies related to climate change are discussed at the Sustainability Promotion Committee\*10, which is chaired by the President, and determined at the Management Committee, and those policies are reflected in business strategies. The 2030 Medium-Term Environmental Targets, including climate change response, are managed by the Sustainability Promotion Committee and at its meetings held four times annually, the committee monitors the status of progress of the initiatives and provides directions.

\*10 Please refer to Sustainability Promotion Structure on page 46.

#### Strategy

The specific risks and opportunities regarding the impact of climate change on the Canon MJ Group's business for the 1.5°C scenario and the 4°C scenario based on information provided by IPCC and IEA, etc.

Classifications	Scenario*11	Impact on business	
		Specific examples	
Transition risks	1.5°C	Government policies / legal frameworks	• Increased costs due to obligations regarding carbon tax and emissions trading
		Market	• Impact on trading by not meeting business partner demands for climate change response
		Reputation	• Lowering of reputation from holding back on climate change response
Physical risks	4°C	Chronic state	• Increase in air conditioning maintenance and cooling costs due to frequent abnormally hot temperatures
		Acute state	• Inability to continue business activities due to large typhoons and isolated heavy rain • Inability to provide products and services due to supply chain disruptions
Opportunities	1.5°C	Resource efficiency	• Increased demand for solutions to improve efficiency of distribution and transportation
		Products and services	• Increased demand for energy-saving solutions (technological upgrades, optimization, surveillance, management) • Increased demand for carbon neutral data centers
	Resilience	4°C	• Increased demand for network cameras, sensors, etc. as part of measures against large-scale disasters • Increased demand for highly disaster resilient data centers

\*11 IPCC SSP1-1.9 (RCP1.9) and IEA SDS is used for the 1.5°C scenario, and IPCC SSP5-8.5 (RCP8.5) is used for the 4°C scenario.

#### Risk Management

With regard to the physical risks such as large-scale wind and water damage, flood damage, etc. brought about by climate change, the Risk and Crisis Management Committee\*12 performs crisis management activities such as examining and constructing crisis management systems.

\*12 Please refer to Promoting Risk and Crisis Management on page 54.

#### Metrics and Targets

Canon MJ Group has formulated the "Canon MJ Group Environmental Vision 2050\*13" and the "2030 Medium-Term Environmental Targets\*14." Under these, we have formulated the target of 38% reduction in in-house CO<sub>2</sub> emissions (compared to 2021) toward "1. Realization of Carbon Neutrality" as a climate change target. In addition, the Canon MJ Group is aggregating and disclosing its GHG emissions\*15.

\*13 Please refer to Formulation of the Canon MJ Group Environmental Vision 2050 on page 47.

\*14 Please refer to Canon MJ Group 2030 Medium-Term Environmental Targets on page 47

\*15 Please refer to ESG Data on page 103.

Improving Organizational Capabilities to Enable Diverse Human Resources to Thrive

Diversity

The Canon MJ Group aims to be a corporation 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.

Moreover, both Canon MJ and Canon IT Solutions have acquired "Eruboshi (two stars)" certification from the Minister of Health, Labour and Welfare as companies with excellent promotion of active roles for women.



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.

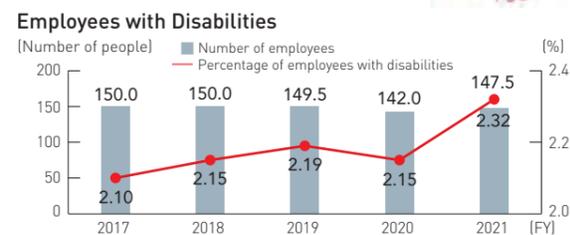
Canon MJ and Canon IT Solutions have acquired Platinum Kurumin Certification for excellence in offering childcare support.



Employing 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 of June 2021, 2.32% 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.



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

Career Development Support

The Canon MJ Group has defined its "ideal human resources" for realizing the development of skilled human resources provided in its Long-Term Management Objectives (2021-2025), and is working proactively on human resource development. (Please see page 31 for details.)

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.

Health and Productivity Management

Based on a "Health First" principle set forth in the Canon Code of Conduct, the Canon MJ Group promotes initiatives to support the health of employees and realize health and productivity management. The health of each and every employee is linked to increasing performance and engagement and contributes to sustainable improvements in our corporate value by maximizing the value of human capital.

We formulated the Health Management Three-Year Plan, and under the Canon MJ Group Safety and Health Activity Policy formulated each year, we are engaged in health and productivity management with an additional focus on infectious diseases as well as the three challenges of cancer, lifestyle disease and

mental health that the Group has been working on thus far. In addition, Canon MJ has appointed a director in charge, works to standardize the health support policies throughout the entire Group and supports the health of employees.

As a result of these efforts, 11 Canon MJ Group companies, including Canon MJ, were recognized under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program for corporations that excel particularly in health and productivity management.



Work Practice Reforms (Workplace, Work Process and Workstyle Reforms)

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)\*

\* RPA is an abbreviation of Robotic Process Automation, which is a process in which software robots complete tasks using applications on PCs

Overall image of work practice reforms



TOPIC

Work Practice Reforms (Workplace Reforms)

The Work Place Task Force within the Work Practice Reform Promotion Project is working on "Create a mechanism for bringing about a shift in the internal culture" and "Build a diverse workplace" aimed at creating highly productive offices adapted to the new normal era.

As part of transforming the internal culture, the Task Force is renovating the offices in Canon MJ's headquarters building to create new layouts that match the work situations and job characteristics. These new layouts are arranged to provide solo work seating optimized for work that requires concentration and co-creation seating that allows creative concepts to be born and stimulates communication.

Moreover, as part of building a diverse workplace, we provide places conducive to ideal work scenes through establishing our own satellite offices and are taking measures to achieve improved productivity by allowing our employees to choose their place of work.

We are encouraging each employee to individually revolutionize their consciousness through the catchphrase "challenge orthodoxy" to improve productivity.



A refurbished office



Satellite office seating

## Promoting Responsible Supply Chains

### Human Rights Initiatives

The Canon MJ Group has clearly stated in the Canon Group Code of Conduct that individual officers and employees are to respect each other's character and individuality, and ensure that they do not discriminate unjustly for reasons of race, religion, nationality, gender, or age, and so forth. This code has been made known throughout the Group.

Furthermore, in 2021 we formulated the Canon Group Human Rights Policy, which clearly sets out our position on human rights under the corporate philosophy of *Kyosei*, including

respect for international norms such as the UN Guiding Principles on Business and Human Rights and the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and on carrying out human rights due diligence.

Looking ahead, the Canon MJ Group will identify business risks related to human rights, labor standards, and safety and health, and take measures to address these risks in accordance with their importance.

### Procurement Activities

The Canon MJ Group, while complying with laws and regulations regarding procurement and giving consideration to protecting the environment, strives to build amicable trading relationships and ensure that our basic stance on our procurement activities is understood by our suppliers by disclosing on our website the "Procurement Basic Policy" for stable purchasing at reasonable prices.

As part of our measures to ensure rigorous procurement

compliance, we conduct training regarding our code of conduct and procurement laws and regulations for employees assigned to the Procurement Department. When conducting trade with a new supplier, we evaluate the risks beforehand and at the time of commencing trade, we conclude master agreements, 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.

### Engaging in Green Procurement

We endeavor to eliminate hazardous chemical substances by complying with the Global Canon Green Procurement Standards. We make sure that the product chemical management systems established for the supplier are continually being implemented and that the supplier is complying with the Global Canon Green Procurement Standards.

### Measures to Ensure Responsible Minerals Procurement

The Canon MJ Group tackles the challenge of sourcing minerals responsibly in conflict-affected areas in accordance with the Canon Group Basic Policy on Responsible Minerals Sourcing. 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.

### Quality Management

For the value (products, services and support) that the Canon MJ Group provides to customers, we have established our own unique quality management system that augments the requirements of ISO9001, the international quality control standards, and are working to improve customer satisfaction.

For the quality management system, we are working to optimize the processes from the commercialization concept to the end of after-sales service and improve the results achieved in each process in compliance with the Company regulations

and detailed rules regarding quality assurance and with each quality management guideline according to the characteristics of each product, service and support.

Furthermore, we manage quality of products and other items in the marketplace by cooperating through IT systems with Canon Inc., which oversees manufacturing, and with other manufacturers, and strive to respond swiftly to customer issues.

## Corporate Governance

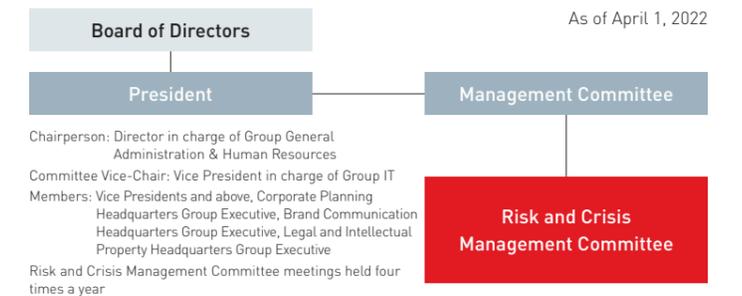
## Promoting Risk and Crisis Management

### Risk and Crisis Management

We have established a Risk and Crisis Management Committee for the purpose of building and implementing risk management systems and crisis management systems in order to improve corporate value of the Canon MJ Group and minimize loss for our stakeholders.

#### Areas of activity of the Risk and Crisis Management Committee

- (1) Preparation and set up of risk management systems
- (2) Preparation and set up of crisis management systems (including BCP)
- (3) Raising and promoting awareness of corporate ethics and compliance
- (4) Information security
- (5) Internal reporting response



### Promoting 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.

To all officers and employees of the Canon MJ Group, we distribute copies of the Canon Group Code of Conduct, which presents standards that they should uphold in performing their duties, and Compliance Cards, to ensure employees are fully

aware of the "Three Selves" spirit (covering self-motivation, self-management and self-awareness), while providing them with education and training to enhance awareness and instill knowledge. Moreover, we distribute compliance-related email newsletters to help our people better understand and adhere to laws and regulations, and rules relating to our business. In addition, we normally convene the compliance meeting to discuss and confirm compliance risks and countermeasures at each work site, important matters related to compliance and other matters. We also maintain an ongoing internal reporting system.

### Promoting Information Security

#### Policy

The Canon MJ Group helps realize a secure society by working to strengthen the foundations of information security as part of CSR. The Group takes measures against cyberattacks and other information security risks, and considers appropriate handling of information assets used in business activities to be an important management priority. We strive for continuous improvement through using third-party certification such as the "ISMS

conformity assessment scheme" and the "PrivacyMark System." While promoting information security management based on information security governance according to management tier, we conduct activities to raise awareness and training to build knowledge for all employees.

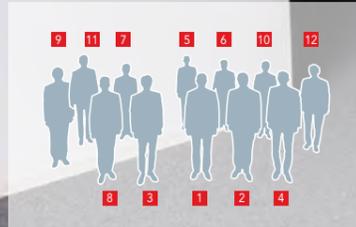
#### Cybersecurity Countermeasures

In light of the recent increases in diversity, sophistication, and cleverness of cyberattacks, the Canon MJ Group established the Canon Marketing Japan Group Computer Security Incident Response Team (Canon MJ-CSIRT) in January 2016, and has been promoting activities with the aim of minimizing cybersecurity risks and damage to the Group's internal infrastructure and to products and services supplied to customers.

and the product and service quality division. Canon MJ-CSIRT operates at the center of the Group, preventing and monitoring for cyberattacks, and mounting a response when attacks occur. Moreover, since it is difficult for one company alone to gather information and research the latest attack and defense methods around cyberattacks, the team collaborates with the Canon Group's CSIRT and other external institutions and organizations, such as the Nippon CSIRT Association.

Canon MJ-CSIRT is organized with members from three divisions within Canon MJ: the IT division, the information security division,

Canon MJ Group's Sustainability  
Corporate Governance



Directors and Audit & Supervisory Board Members

**11** Standing Audit & Supervisory Board Member [Outside]  
**Nobutoshi Matsumoto**

As of  
Apr. 1985: Entered Canon Inc.  
Aug. 2013: General Manager in charge of Finance Division of Finance & Accounting Center of Finance & Accounting Headquarters  
Apr. 2014: General Manager of Finance Division of Finance & Accounting Center of Finance & Accounting Headquarters  
Mar. 2020: Standing Audit & Supervisory Board Member of the Company (present)

**7** Director [Outside]  
**Toshiharu Hasebe** [Independent]

As of  
Apr. 1979: Entered Nippon Telegraph and Telephone Public Corporation  
Jun. 2009: Member of the Board of NTT Communications Corporation  
Jun. 2012: Executive Vice President  
Jun. 2014: President and Chief Executive Officer and Member of the Board of NTT Advertising, Inc. President and Chief Executive Officer and Member of the Board of NTT Publishing Co., Ltd.  
Jun. 2015: President and Chief Executive Officer and Member of the Board of Nippon Computer Arts, Inc.  
Apr. 2020: President and Chief Executive Officer and Member of the Board of DX Catalyst Inc.  
Mar. 2022: Outside Director of the Company (present)

**5** Director [Outside]  
**Akio Dobashi** [Independent]

As of  
Apr. 1972: Entered Nichimen Company, Limited (presently Sojitz Corporation)  
Apr. 2004: Representative Director, President & CEO of Sojitz Corporation  
Jun. 2005: Representative Director, President & CEO of Sojitz Holdings Corporation  
Oct. 2005: The corporate name was changed to Sojitz Corporation due to the merger of Sojitz Holdings Corporation and Sojitz Corporation  
Representative Director, President & CEO of Sojitz Corporation  
Apr. 2007: Representative Director and Chairman  
Apr. 2012: Director  
Jun. 2012: Special Advisor  
Jun. 2014: Advisor  
Jun. 2015: Outside Director of OSJB Holdings Corporation  
Mar. 2016: Outside Director of the Company (present)  
Jun. 2017: Outside Director of Maeda Corporation (present)

**6** Director [Outside]  
**Yoshio Osawa** [Independent]

As of  
Apr. 1979: Entered Sumitomo Corporation  
Jun. 2003: Concurrent post as director of Sumitomo Computer Service Corporation (presently SCSK Corporation)  
Apr. 2005: Executive Officer of Sumitomo Corporation  
Apr. 2008: Managing Executive Officer  
Jun. 2008: Representative Director and Managing Executive Officer  
Apr. 2011: Representative Director and Senior Managing Executive Officer  
Apr. 2013: Representative Director, Assistant to President and CEO of Sumitomo Corporation  
Adviser of SCSK Corporation  
Jun. 2013: Representative Director, President & COO of SCSK Corporation  
Apr. 2015: Representative Director and President  
Apr. 2016: Chairman of the Board of the Directors  
Apr. 2017: Director  
Mar. 2018: Outside Director of the Company (present)  
Jun. 2019: Outside Director of Citizen Watch Co., Ltd. (present)

**10** Standing Audit & Supervisory Board Member [Outside]  
**Iwao Hashimoto** [Independent]

As of  
Apr. 1986: Entered The Yasuda Fire and Marine Insurance Co., Ltd.  
Apr. 2010: General Manager of Eastern Hokkaido Branch of Sampo Japan Insurance Inc.  
Jun. 2012: General Manager of Osaka Corporate Sales Department No. 2 and General Manager in charge of Sales Promotion Office  
Apr. 2014: General Manager of Osaka Corporate Sales Department No. 1  
Sep. 2014: General Manager of Osaka Corporate Sales Department No. 1 of Sampo Japan Nipponkoa Insurance Inc.  
Apr. 2016: Executive Officer and General Manager of Hokkaido Headquarters  
Apr. 2018: Executive Officer and General Manager of Kanto Headquarters  
Apr. 2019: Managing Executive Officer and General Manager of Kanto Headquarters  
Mar. 2020: Standing Audit & Supervisory Board Member of the Company (present)

**12** Audit & Supervisory Board Member [Outside]  
**Shigeo Hasegawa** [Independent]

As of  
Jul. 1980: Registered as a Certified Public Accountant  
Jan. 2006: Head of Global Service Group of Tohatsu & Co. (presently Deloitte Touche Tohmatsu LLC)  
Jun. 2010: Leader of IFRS Center of Excellence of Deloitte Touche Tohmatsu LLC  
Apr. 2012: Specially-appointed Professor of Chuo Graduate School of Accounting of Professional Graduate School of Chuo University  
Mar. 2014: Standing Audit & Supervisory Board Member of the Company  
Mar. 2018: Audit & Supervisory Board Member (present)

**9** Standing Audit & Supervisory Board Member  
**Masatoshi Tanise**

As of  
Apr. 1984: Entered the Company  
Jul. 2012: Senior General Manager of Consumer Business Promotion Group of Consumer Sales Business Headquarters of Imaging System Company  
Jan. 2020: Principal Staff Manager of Consumer East Japan Sales Group of Consumer Business Unit  
Mar. 2020: Standing Audit & Supervisory Board Member (present)

**8** Standing Audit & Supervisory Board Member  
**Shiro Hamada**

As of  
Apr. 1984: Entered the Company  
Apr. 2011: Deputy Chief Executive of Administrative Headquarters of Canon IT Solutions Inc.  
Jul. 2013: Group Executive of Finance & Accounting Headquarters of the Company  
Mar. 2016: Director  
Mar. 2016: Vice President  
Jan. 2018: Director in charge of Group Finance & Accounting and Group Auditing  
Mar. 2021: Executive Vice President & Director of Canon System & Support Inc.  
Apr. 2021: Director in charge of Audit Office, Planning Headquarters and Administrative Headquarters  
Mar. 2022: Standing Audit & Supervisory Board Member of the Company (present)

**3** Director & Vice President  
**Hatsumi Hirukawa**

As of  
Apr. 1987: Entered the Company  
Jan. 2015: Senior General Manager of Area Business Promotion Group of Area Sales Headquarters of Business Solution Company  
Jul. 2016: Group Executive of Corporate Planning Headquarters  
Apr. 2017: Executive Officer  
Apr. 2019: Vice President (present)  
Jan. 2020: Director in charge of Group Planning and Group Service & Support (present) and Director of Service & Support Headquarters  
Mar. 2020: Director (present)  
Apr. 2020: Director in charge of Group Communication (present)  
Mar. 2021: Director of Business Products Marketing Section of Marketing Headquarters (present)  
Jan. 2022: Director of Marketing Headquarters (present)

**1** President & Representative Director  
**Masachika Adachi**

As of  
Apr. 1982: Entered the Company  
Jul. 2009: Group Executive of MA Sales Headquarters of Business Solution Company  
Mar. 2013: Vice President  
Mar. 2015: Director  
Mar. 2015: Senior Vice President  
Apr. 2015: Company President of Business Solutions Company  
Jan. 2018: Director in charge of BPO Function Unit and Director of Enterprise Business Unit  
Mar. 2018: Director in charge of Group ITS and IT Platform Function Unit  
Mar. 2018: Representative Director, President and Chief Executive Officer of Canon IT Solutions Inc.  
Apr. 2018: President  
Apr. 2019: Senior Managing Vice President of the Company  
Mar. 2021: President & Representative Director (present)  
Executive President (present)

**2** Director & Senior Vice President  
**Minoru Mizoguchi**

As of  
Apr. 1984: Entered the Company  
Apr. 2015: Group Executive of General Administration & Human Resources Management Headquarters (present)  
Apr. 2016: Executive Officer  
Mar. 2018: Vice President  
Apr. 2019: Director in charge of Group General Administration & Human Resources Management (present)  
Jan. 2020: Director in charge of Group Procurement and Group Logistics (present)  
Mar. 2021: Director (present)  
Mar. 2022: Senior Vice President (present) and Director in charge of Group Legal and Intellectual Property (present)

**4** Director & Vice President  
**Tsuyoshi Osato**

As of  
Apr. 1988: Entered the Company  
Apr. 2014: Group Executive of Administrative Headquarters of Canon IT Solutions Inc.  
Mar. 2018: Director & Vice President  
Jul. 2018: Group Executive of Procurement Headquarters of the Company  
Mar. 2021: Vice President (present), Group Executive of Finance & Accounting Headquarters (present), and Director in charge of Group Finance & Accounting and Group Auditing (present)  
Mar. 2022: Director (present) and Director in charge of Group Procurement (present)

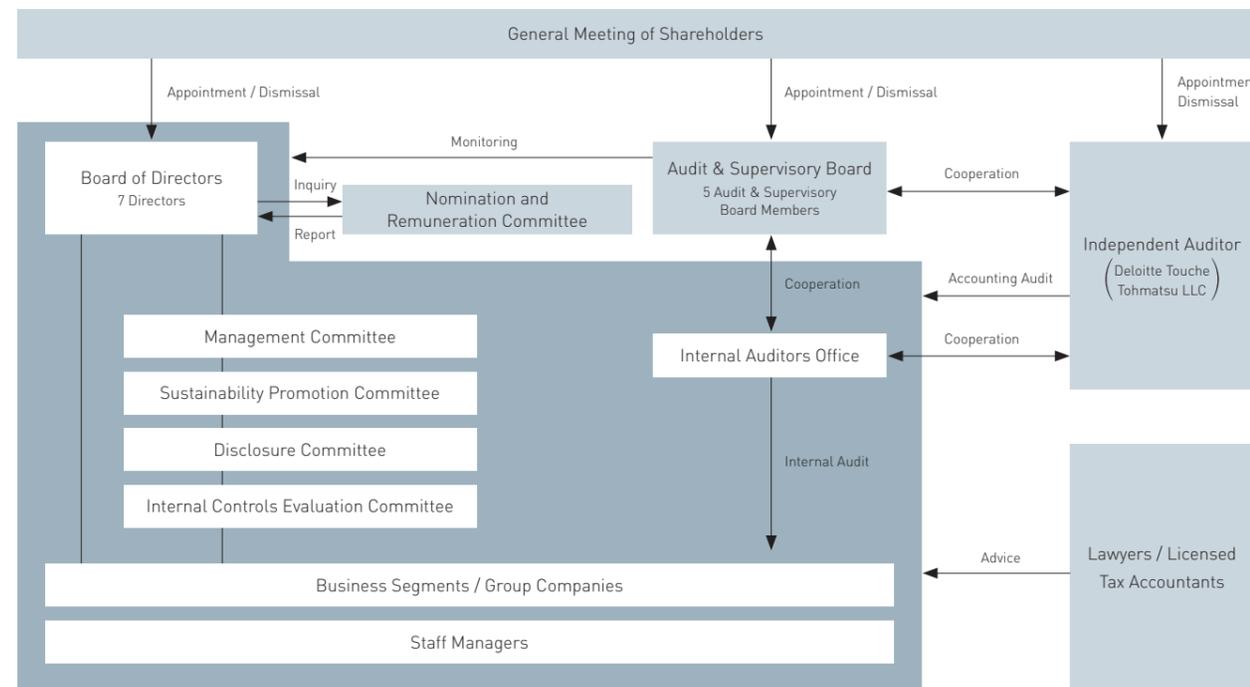
### Basic Stance on Corporate Governance

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.

#### Overview of Corporate Governance

Organizational Format	Company with Audit & Supervisory Board members
Use of Executive Officer System	Yes
Number of Executive Officers	26

### Corporate Governance Organization (As of March 29, 2022)



### Principal Meeting Bodies

**Board of Directors**  
7 in total  
Term of office: 1 year



**16 times**  
held in fiscal 2021

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**  
5 in total  
Term of office: 4 years



**17 times**  
held in fiscal 2021

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.

**Nomination and Remuneration Committee**  
4 in total



The Company maintains a voluntary four-person Nomination and Remuneration Committee comprising the president, one director, and two independent outside directors. This Committee conducts deliberations on the nomination of candidates for director and vice president, as well as considering the appropriateness of remuneration system for directors and executive officers who are vice presidents or above, and reports to the Board of Directors.

**■ Holding of an Executive Officer Meeting attended by all directors, Audit & Supervisory Board members, and executive officers**

This is held twice a year as a venue for focused discussions on issues related to the transformation of the Canon MJ Group over the medium to long term, or on urgent management topics, and is attended by all directors, Audit & Supervisory Board members and executive officers. The meetings are held in an off-site residential format over 1.5 days (\*) to provide an opportunity to foster communication between officers. Sometimes study meetings are held for which lecturers, with expertise matching the meeting theme, are invited from outside the Company. In 2021, the meetings resulted in lively discussion of growth in the IT solutions business, our human resources and investment strategies, and other areas of operations.

\*In 2021, due to the impact of the COVID-19 pandemic, the meeting was held online.

### Status and Skills Matrix of Directors

	Position	Period in Office	Attendance at Board of Directors' Meetings in Fiscal 2021	Skills Matrix					
				Corporate Management	Sales & Marketing	Finance & Accounting	Human Resources	Legal Affairs & Risk Management	IT Solutions & DX
	Masachika Adachi	President & Representative Director	7 years 100% (16/16) ★	●	●			●	●
	Minoru Mizoguchi	Director & Senior Vice President	1 year 92% (11/12)*	●			●	●	
	Hatsumi Hirukawa	Director & Vice President	2 years 100% (16/16)	●	●			●	
	Tsuyoshi Osato	Director & Vice President	- -	●		●		●	
Outside / Independent	Akio Dobashi	Director	6 years 94% (15/16)	●	●				
	Yoshio Osawa	Director	4 years 100% (16/16)	●	●				●
	Toshiharu Hasebe	Director	- -	●	●				●

★: Chairperson \*Attendance at Board of Directors' meetings for Minoru Mizoguchi is for meetings held after he was elected as a Director at the 53rd Ordinary General Meeting of Shareholders convened on March 26, 2021.

### Internal Audit

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

Canon MJ has three 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.

### Analysis and Evaluation of Effectiveness of the Board of Directors

We conducted a questionnaire for directors and Audit & Supervisory Board members about the effectiveness of the Board of Directors, and analyzed and evaluated the effectiveness of the Board of Directors. These talks confirmed the overall effectiveness of the Board of Directors. Going forward, we will work to ensure and improve the effectiveness

even more by further enhancing discussions related to the composition of the Board of Directors, monitoring of important projects, training for management, etc., based on the opinions of directors and Audit & Supervisory Board members that were obtained from the questionnaire.

### Initiatives to Enhance Corporate Governance

2011	Adopts executive officer system	2016	Compliance with Japanese Corporate Governance Code
2014	Appoints one outside director	2018	Sets up Nomination and Remuneration Committee
2016	Increases number of outside directors to two	2021	Compliance with Japanese Corporate Governance Code revisions
2016	Establishes standards for independent outside directors	2022	Increases number of outside directors to three

### Appointment and Nomination Procedures

To nominate director or Audit & Supervisory Board member candidates and appoint vice presidents (including successors and candidates for president and representative director), 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 vice president 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.

### Remuneration for Senior Executives and Directors

#### Policies and Procedures for Determining Remuneration

Nomination and Remuneration Committee verifies the appropriateness of the remuneration system for directors and executive officers who are vice presidents or above, including ideas on calculating basic remunerations and bonuses and the criteria for granting stock compensation-type stock options. 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 stock compensation-type stock options 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 Vice President)
Akio Dobashi	(Outside Director)
Yoshio Osawa	(Outside Director)

#### Composition of Remuneration

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 compensation-type stock options as incentives to promote improvements in medium- to long-term business performances and corporate value. The same applies to remuneration for executive officers, who are vice presidents or above.

Outside directors only receive basic remuneration.

With regard to the proportion of basic remuneration, bonuses, and stock compensation-type stock options, because we believe that it is important to engage with management from the medium- to long-term perspective, our basic approach is to emphasize the level and stability of basic remuneration. At the same time, with the aim of enhancing performance over the course of a single fiscal year, bonuses and stock compensation-type stock options for directors can account for up to 30% and 20% of basic remuneration, respectively.

### Protection of Minority Shareholders in Transactions with the Controlling Shareholder

The Company's controlling shareholder is Canon Inc. Important transactions with Canon Inc., are deliberated, considered and executed by the Board of Directors to ensure that the interests of minority shareholders of the Company are not damaged, after appropriately obtaining from independent outside directors an opinion provided from an objective viewpoint and

rooted in extensive experience and superior knowledge of corporate management and other matters. 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.

## Canon MJ Group's Sustainability

### Corporate Governance

#### 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 needs. 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. 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.

#### Basic Approach to and Preparations for the Exclusion of Antisocial Forces

##### Basic Policy

The Company and Group companies maintain a resolute approach to antisocial forces that threaten the order and safety of civic society, and the basic policy is to block all relationships with antisocial forces.

##### Status of Preparations

- In addition to setting out action guidelines for the blocking of relationships with antisocial forces, the workplace regulations of the Company contain provisions to the same effect, and we work to ensure that employees fully comply with these guidelines and provisions.
- The headquarters general administration department has been designated the Group's control division in charge of responding to antisocial forces. It shares information on antisocial forces with the general administration departments of the respective branches and works to prevent transactions, etc. with antisocial forces before they occur.
- A collaborative structure has been built with the police and external organizations such as lawyers.
- Payments of contributions, etc. are examined in advance in order to confirm that there are no problems of legality or corporate ethics.

#### 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.

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.

#### 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.

#### 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

- Promote teleworking (to limit attendance rate)
- 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
- Promote online meetings with customers, business partners, and employees, and observe the meeting time and ensure thorough ventilation when holding in-person meetings
- Consider caution in holding in-person face events, etc.

##### 3. Measures at Business Sites

- Regularly disinfect office floors and common areas

## TOPIC

### Measures Against COVID-19 in the Employee Cafeteria

At the employee cafeteria in Canon MJ's main office building, in addition to measures such as spacing out seats and prohibiting mask-less conversations while eating, the Company's network cameras are utilized and the status of crowding is streamed via the intranet in order to avoid crowding.

Examining the internal effects of introduction and accumulating solutions and know-how will lead to the development of future solutions.

Status of crowding at cafeteria tables



Level 1 crowding

Level 1 crowding

## Three Way Discussion Among Outside Directors



Toshiharu Hasebe  
Outside Director

Akio Dobashi  
Outside Director

Yoshio Osawa  
Outside Director

The Canon MJ Group is an organization from which you can expect even greater growth, and we will support that growth going forward.

Outside Directors Akio Dobashi and Yoshio Osawa, together with newly appointed director Toshiharu Hasebe, met to discuss the strengths of the Canon MJ Group, its potential for growth, its approach to governance, and the effectiveness of its Board of Directors.

### Our Corporate Culture and Strengths

- What is your perception of the Canon MJ Group's corporate culture and strengths?

**Dobashi:** It has been six years since I was first appointed Outside Director of Canon MJ, and the impression I have formed is that of a company of great seriousness and integrity. When I first came on board, the Group was in the middle of a major project, which was the construction of a data center. This was discussed frequently by the Board of Directors, and I remember being struck by the seriousness and the integrity of the person in charge of negotiations with the general construction company that was the leading candidate to receive this order.

There are also many opportunities for discussion, such as on the Management Committee, the Directors Agenda Meeting, and the Business Report Meeting, and I feel that Canon MJ has a culture of respecting and listening to diverse opinions. I had previously thought that the internal culture was open and encouraged a liberal approach to the exchange of opinions,

but recently I feel that this has been taken a step further.

**Osawa:** I agree with this. Four years have passed since I was appointed to this role, and my impression is that of a company that treats its employees like family, and with kindness. Even during discussions on the Board of Directors, I invariably feel that the Company takes considerate attitude to its employees.

I think the Canon MJ Group has four major strengths. The first is the power of its brand. Based on the global Canon brand, it has been able to build extraordinarily positive relationships of trust with customers and business partners. The second is technological capability. Not only are there approximately 4,000 system engineers in the Canon MJ Group, but also, when problems occur, its nationwide network of service engineers enables personnel to be quickly dispatched to the customer site and resolve the issue. By utilizing the sales network it has established, Canon MJ has a track record of

sales to a variety of customers, from large corporations to small and medium-sized enterprises. The fourth is its financial strength. With its robust financial structure, it is in the position of being able to tackle a variety of challenges at any time. The advantage conveyed by the combination of these four strengths is very significant, and I think that this advantage enabled Canon MJ to post record profits by capturing the changing needs of customers even during the difficult business environment of the COVID-19 pandemic.

**Hasebe:** I have just been appointed to this role, in March 2022, but of the strengths highlighted by Mr. Osawa, I am in particular agreement with him on the sales capabilities of

the Canon MJ Group. With a network that extends nationwide, I feel that in particular this is a company that has the ability to make inroads into the workplaces of small and medium-sized enterprises, to build relationships of trust with customers, and to support customers when problems occur. I would also focus on technological capability. I sense the appeal of its strategy of concentrating on the promotion of security and other IT solutions in recent years. Even when customers find themselves in difficult situations during the COVID-19 crisis, I believe that it is the Company's inherent sales capabilities that enable it to resolve their issues using new technology in IT solutions, including security.

### Future Growth and Issues

- Please share with us your thoughts on the future growth of the Canon MJ Group, and the associated issues that it faces.

**Dobashi:** I have no objection to pursuing new growth by focusing the expansion of operations on the ITS business, and in fact I have high hopes for this course of action. As Mr. Osawa says, the financial base of the Canon MJ Group is sufficiently robust to allow it to be bold in its risk-taking, so in preparation for future expansion, the Group should take an even more active approach to investments for growth than it has in the past. I come from a trading company background, and it is partly because I am informed by that perspective that I have consistently argued for this since I was first appointed Director. I am seeing the Company move in this direction, albeit little by little. I will continue to make this argument going forward.

The issue going forward will be speed. Now in particular, social conditions are changing dramatically and this requires prompt decision-making. I would like to see an emphatic response from the Company on this issue.

**Osawa:** There are certainly plenty of opportunities for discussion, and I am very satisfied with the feedback we have received on business activities and with the proper explanations we have been given ahead of meetings. Nevertheless, when moving forward with efficiency improvements and process modifications, it is also necessary to arrange matters so that resolutions are taken via as simple a procedure as possible. I agree with Mr. Dobashi that speed is of paramount importance.

In addition, the Canon MJ Group is currently promoting a growth strategy that is centered on the shift to a service-based

business model. At this point priority is being given to large corporations, quasi-major and upper medium-sized enterprises, but I am hopeful that the Group will develop its business among small and medium-sized enterprises going forward. I believe it is perfectly feasible for an organization like Canon MJ Group to leverage its natural strengths to change its existing business, which is centered on hardware sales, and I expect that this will open the way to rapid growth in the future.

**Hasebe:** Speaking from my own experience as somebody who has worked in the telecommunications industry for many years, IT solution services is an extraordinary important area, and one to which I feel Japanese companies should devote more resources.

The Canon MJ Group has not only sales capabilities at the national level but also the ability to resolve issues at the customer level, so if it can combine existing fields with the promotion of new security and DX offerings, it should be able to provide packaged services. As Mr. Osawa points out, it is likely that such services will help resolve issues such as the new normal and work practice reforms for small and medium-sized enterprises that emerged during the COVID-19 pandemic.

From the perspective of investments for growth, which Mr. Dobashi mentioned, it is essential that the Group invests in and collaborates with startups and upper medium-sized enterprises. On that point, I hope to leverage my own prior experience to engage actively in discussions aimed at moving forward with a sense of urgency.

## Three Way Discussion Among Outside Directors

### Governance and the Effectiveness of the Board of Directors

- What is your assessment of the governance of the Canon MJ Group, and the effectiveness of the Board of Directors?



**Dobashi:** What I feel as a result of six years of experience in the role of Outside Director is that this is a company group without governance problems. Since being appointed, no serious compliance problems that would be condemned by society have arisen. Even when looking at the results of the questionnaire into the effectiveness of the Board of Directors, I see that this area scores high marks. As for diversity on the Board of Directors, this is an issue that will require continuous consideration going forward, but my perception is that it has ensured effectiveness. Basically, many of the proposals that come before the Board of Directors have already been thoroughly discussed at the Management Committee or other meetings, and so the Board of Directors does not drift into situations where it is unable to come to an opinion. I myself think that is the way the Board of Directors should operate.

**Osawa:** From the perspective of governance, the Company must above all fulfill its responsibility to properly explain the appropriateness of the so-called "listed parent and

subsidiaries" situation. You have Canon MJ, which is a listed subsidiary of Canon Inc., and below that you have various other subsidiaries. The Company must be able to provide proper explanations of why this structure is appropriate to institutional investors and minority shareholders.

I am in agreement with Mr. Dobashi on the effectiveness of the Board of Directors, but more than anything else, by clearly expressing our opinion on proposals that touch upon the appropriateness of having both parent and subsidiary listed, we are working to demonstrate the restraining function of governance.

With regard to agenda items for the Board of Directors, as mentioned by Mr. Dobashi in his comments, discussions are often worked out in advance at the Management Committee, and investment projects are tabled after discussion at the IT investment committee, and so on. However, I believe we must look again at these from the standpoint of Outside Directors and ask ourselves whether an investment is appropriate from the viewpoint of society and the economy, and moreover from



the perspective of ESG and the SDGs. I would like to look more carefully not only at the profit of the Canon MJ Group but also at whether an investment benefits society, share the outcomes, and deepen discussions in the Board of Directors. The opinions of the three Outside Directors sitting here are always respected by the Board of Directors, and I believe that Board of Directors governance is functioning effectively.

**Hasebe:** When I was appointed Outside Director, I received a number of explanations from the person in charge. Even outside the Board of Directors, I was shown the schedules for the holding of gatherings for important discussion and sharing of information, such as the Management Committee and the Business Report Meeting. On the Company's side, the intention is for us Outside Directors to participate as frequently as time allows and to thus deepen our understanding, and this gives me a strong sense of the Company's commitment to sound and transparent management. I myself would like to use the opportunity presented by such gatherings to engage in a variety of discussions.

The Canon MJ Group has devised a course of action for growing in new areas of business such as IT solutions, but there will probably be issues that it will be unable to judge based solely on the experience and knowledge the Group has accumulated so far. In response to any such issues, I myself

intend to actively participate in discussions as an Outside Director, taking past experience into account, and contribute to the forming of a consensus for course of actions over the medium to long term.



### Expectations and Ideas for the Future of the Canon MJ Group

- Finally, please share with us your expectations and ideas for future of the Canon MJ Group.

**Osawa:** I have already mentioned this, but the Canon MJ Group is currently forging ahead with the transformation of its business model with the aim of shifting to the provision of total solution services by making use of IT. I have high hopes that if the Canon MJ Group fully exerts its capabilities, it should be able to achieve further growth. The Board of Directors has discussed various aspects of the issues it will face going forward and how to address them. I would like to continue offering a range of advice as Outside Director with regard to measures to resolve these issues with a greater sense of urgency, including the securing of additional human resources.

**Hasebe:** We are in an era of social upheaval, and customers' businesses are also undergoing tremendous change. The Group has a business model of interacting closely with

customers to provide them with support, and I feel that this approach plays an extremely important role in resolving the issues faced by society and the economy as a whole. This also links to the achieving of Canon MJ Group's 2025 Vision, and furthermore to the Canon Group's corporate philosophy of *Kyosei*, and the Group shows a renewed commitment to future growth.

**Dobashi:** I believe that the sustainability of a company is achieved through continuously doing "good work" and through having that acknowledged by customers. It is important to always take care of the customer, and build up work that benefits the customer, one piece after another. To enable it to continue to be such a company, I intend to diligently fulfill my duties as Outside Director.

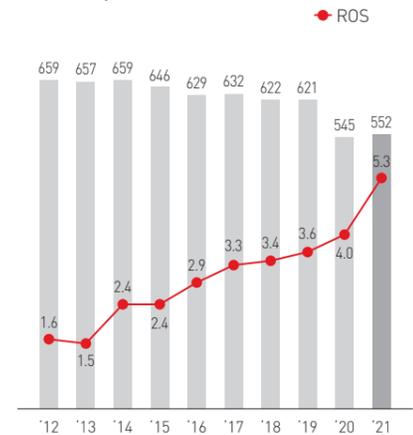
# 10-Year Consolidated Financial Summary

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
	Millions of yen										Thousands of U.S. dollars
	(Note 1)										
<b>For the year:</b>											
Net sales <sup>(Note 4)</sup>	¥ 659,218	¥ 657,215	¥ 659,432	¥ 646,002	¥ 629,313	¥ 632,189	¥ 621,591	¥ 621,134	¥ 545,060	¥ 552,085	\$ 4,800,739
Operating income	16,802	17,012	25,087	26,647	27,676	30,406	28,941	32,439	31,317	39,699	345,209
Net income before income taxes	17,528	17,054	25,858	27,497	28,903	30,918	30,708	33,302	33,463	43,094	374,730
Net income attributable to owners of the parent	10,578	10,167	16,030	15,670	18,161	20,679	20,826	22,250	21,997	29,420	255,826
<b>At year-end:</b>											
Equity	254,088	257,075	270,352	277,438	280,919	297,522	303,570	325,092	346,114	374,676	3,258,052
Total assets	462,574	467,076	479,747	486,502	497,727	510,832	498,790	503,698	506,604	526,418	4,577,548
<b>Cash flows:</b>											
Cash flows from operating activities	33,767	28,780	38,190	29,730	33,306	28,885	16,990	22,052	38,490	32,756	284,835
Cash flows from investing activities	(16,066)	(25,757)	(15,221)	(44,536)	(19,460)	7,963	(10,526)	(94,584)	(26,174)	(15,894)	(138,209)
Cash flows from financing activities	(11,813)	(9,105)	(4,544)	(6,224)	(6,086)	(7,145)	(7,838)	(8,557)	(6,587)	(9,160)	(79,652)
Cash and cash equivalents at end of year	108,259	102,182	120,607	99,573	107,285	136,979	135,571	54,493	60,131	68,028	591,548
<b>Per share of common stock:</b>											
Equity	¥ 1,907.50	¥ 1,980.22	¥ 2,082.60	¥ 2,136.22	¥ 2,162.96	¥ 2,290.70	¥ 2,336.97	¥ 2,502.39	¥ 2,664.20	¥ 2,883.74	\$ 25.08
Net income <sup>(Note 2)</sup>	77.45	76.67	123.62	120.84	140.06	159.48	160.61	171.60	169.65	226.88	1.97
Cash dividends <sup>(Note 3)</sup>	24.00	24.00	40.00	45.00	50.00	60.00	60.00	60.00	60.00	75.00	0.65

Notes: 1. The figures have been presented in U.S. dollars by translating all Japanese yen amounts at ¥115 to U.S.\$1, the prevailing exchange rate as of December 31, 2021.  
 2. Net income per share is based on the weighted-average number of shares of common stock outstanding during the respective fiscal years.  
 3. Cash dividends per share are the amounts applicable to the respective fiscal years, including dividends to be paid after the end of the respective fiscal years.  
 4. Effective fiscal 2013, we have changed to an accounting method that deducts a portion of sales incentives (which had previously been accounted for under selling, general and administrative expenses) from net sales; therefore, the amount of net sales for fiscal 2012 and relevant key management indicators have been adjusted retroactively.

## Net Sales and Return on Sales (ROS)

(Billions of yen / %)



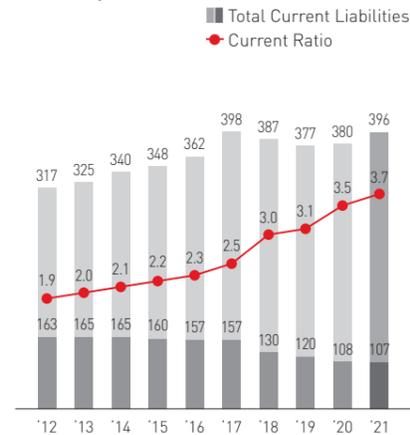
## Operating Income and Operating Margin

(Billions of yen / %)



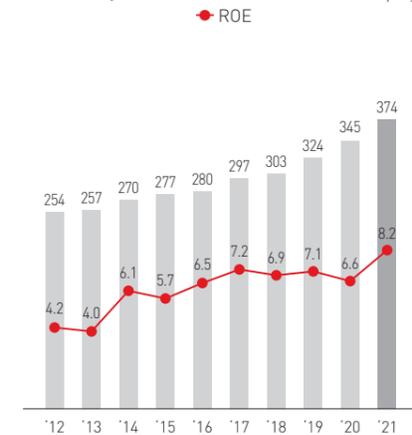
## Working Capital

(Billions of yen / Times)



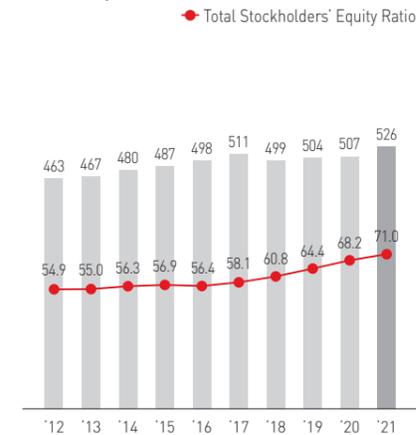
## Total Stockholders' Equity and ROE

(Billions of yen / %)



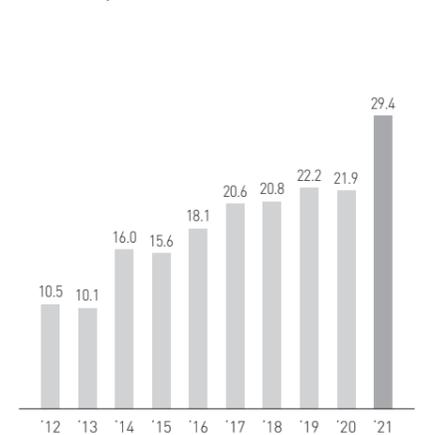
## Total Assets and Total Stockholders' Equity Ratio

(Billions of yen / %)



## Net Income Attributable to Owners of the Parent

(Billions of yen)



## Consolidated Balance Sheet

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
December 31, 2021

[Millions of yen]

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents (Notes 6 and 23)	¥ 68,028	¥ 60,131
Notes and accounts receivable-trade (Notes 7 and 23)	107,367	105,328
Inventories (Note 8)	35,236	27,826
Short-term loans receivable (Note 23)	180,004	180,006
Other current assets	5,469	7,122
Allowance for doubtful receivables	(24)	(66)
Total current assets	396,082	380,349
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Land	28,359	28,359
Buildings and structures	74,945	69,904
Machinery and vehicles	166	166
Furniture and fixtures	16,092	16,266
Rental assets	36,735	38,177
Lease assets	39	78
Construction in progress	2,392	1,577
Total	158,732	154,532
Accumulated depreciation	(73,578)	(70,802)
Net property, plant and equipment	85,154	83,729
<b>INTANGIBLE ASSETS:</b>		
Software	6,226	5,373
Lease assets	—	1
Utilization rights	303	294
Other intangible assets	0	0
Total intangible assets	6,530	5,669
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Investments in securities (Notes 9 and 23)	17,353	11,302
Long-term loans receivable	35	35
Prepaid pension and severance costs (Note 14)	421	415
Lease deposits (Note 10)	2,961	3,427
Deferred tax assets (Notes 3 and 18)	14,974	19,219
Other investments and other assets	2,999	2,659
Allowance for doubtful receivables	(95)	(205)
Total investments and other assets	38,651	36,855
Total assets (Note 28)	¥ 526,418	¥ 506,604

[Millions of yen]

	2021	2020
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Notes and accounts payable-trade (Note 23)	¥ 46,323	¥ 44,107
Current portion of long-term lease obligations (Notes 12 and 23)	52	54
Accrued income taxes (Note 18)	6,954	7,004
Consumption taxes payable	6,089	5,547
Accrued expenses	16,127	16,166
Accrued bonuses	4,148	5,664
Accrued directors' bonuses	98	75
Accrued product warranties	291	453
Accrued loss on contracts (Note 8)	308	8
Other current liabilities	26,715	29,356
Total current liabilities	107,109	108,440
<b>LONG-TERM LIABILITIES:</b>		
Long-term lease obligations (Notes 12 and 23)	81	74
Deferred tax liabilities (Note 18)	—	1
Allowance for long-term continuous service rewards	899	951
Accrued pension and severance cost (Note 14)	40,913	47,883
Other long-term liabilities (Note 12)	2,738	3,139
Total long-term liabilities	44,632	52,049
<b>COMMITMENTS AND CONTINGENT LIABILITIES (Notes 15 and 22)</b>		
<b>EQUITY:</b>		
<b>SHAREHOLDERS' EQUITY (Notes 16 and 17):</b>		
Common stock:		
Authorized 299,500,000 shares; issued 131,079,972 and 131,079,972 as of December 31, 2021 and 2020, respectively	73,303	73,303
Capital surplus	82,824	82,814
Retained earnings	208,824	188,481
Treasury stock, at cost; 1,404,790 shares in 2021 and 1,412,822 shares in 2020	(2,092)	(2,103)
Total shareholders' equity	362,859	342,495
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):</b>		
Unrealized gain (loss) on available-for-sale securities	7,873	4,230
Deferred gain (loss) on derivatives under hedge accounting	22	(29)
Foreign currency-translation adjustments	125	5
Defined retirement benefit plans	3,067	(1,243)
Total accumulated other comprehensive income (loss)	11,089	2,962
<b>NON-CONTROLLING INTERESTS</b>	727	655
Total equity	374,676	346,114
Total liabilities and equity	¥ 526,418	¥ 506,604

• See accompanying notes to consolidated financial statements.

## Consolidated Statement of Income

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
Year Ended December 31, 2021

(Millions of yen)

	2021	2020
<b>NET SALES</b> (Note 28)	¥ 552,085	¥ 545,060
<b>COST OF SALES</b> (Notes 8 and 19):	361,809	361,077
Gross profit	190,276	183,982
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 19 and 20):	150,576	152,665
Operating income (Note 28)	39,699	31,317
<b>OTHER INCOME (EXPENSES):</b>		
Interest and dividend income	558	398
Interest expense	(12)	(12)
Insurance income	506	452
Foreign exchange losses	(6)	(5)
Gain on investments in partnership	278	231
Subsidies for employment adjustment under COVID-19	—	2,744
Gain on sales of long-lived assets (Note 21)	6	283
Insurance income due to disaster (Note 21)	202	—
Gain on sales of investments in securities (Note 9)	1,255	278
Gain on sales of shares of subsidiaries and associates	895	—
Loss on sales of shares of subsidiaries and associates	(40)	(737)
Loss on sales and disposal of long-lived assets (Note 21)	(124)	(1,021)
Loss on disaster (Note 21)	(168)	—
Loss on impairment of investments in securities (Note 9)	(18)	(316)
Loss on COVID-19 (Note 21)	—	(274)
Other, net	63	126
Total other income (expenses)	3,395	2,145
Net income before income taxes	43,094	33,463
<b>INCOME TAXES</b> (Note 18):		
Current	12,971	12,525
Deferred	627	(1,133)
Total income taxes	13,598	11,392
Net income	29,495	22,071
<b>NET INCOME ATTRIBUTABLE TO:</b>		
Non-controlling interests	75	73
Owners of the parent	29,420	21,997
Net income	¥ 29,495	¥ 22,071

(Yen)

<b>PER SHARE DATA</b> (Note 27):		
Net income attributable to owners of the parent		
-Basic	¥ 226.88	¥ 169.65
-Diluted	226.83	169.62
Cash dividends applicable to the year	75.00	60.00

• See accompanying notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
Year Ended December 31, 2021

(Millions of yen)

	2021	2020
<b>NET INCOME</b>	¥ 29,495	¥ 22,071
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b> (Note 26):		
Unrealized gain (loss) on available-for-sale securities	3,643	302
Deferred gain (loss) on derivatives under hedge accounting	51	(40)
Foreign currency-translation adjustments	137	(56)
Defined retirement benefit plans	4,311	5,253
Total other comprehensive income (loss)	8,144	5,459
<b>Comprehensive income</b>	¥ 37,640	¥ 27,530
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>		
Owners of the parent	¥ 37,547	¥ 27,464
Non-controlling interests	93	66

• See accompanying notes to consolidated financial statements.

## Consolidated Statement of Changes in Equity

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
Year Ended December 31, 2021

[Thousands of shares / Millions of yen]

	Shareholders' equity						
	Common stock		Capital surplus	Retained earnings	Treasury stock		Total shareholders' equity
	Shares	Amount			Shares	Amount	
<b>Balance at January 1, 2020</b>	151,079	¥ 73,303	¥ 82,820	¥ 202,783	(21,413)	¥ (31,926)	¥ 326,979
Cash dividends	—	—	—	(6,483)	—	—	(6,483)
Net income attributable to owners of the parent	—	—	—	21,997	—	—	21,997
Purchase of treasury stock	—	—	—	—	(1)	(2)	(2)
Disposition of treasury stock	—	—	1	—	2	3	4
Cancellation of treasury stock	(20,000)	—	(29,822)	—	20,000	29,822	—
Transfer from retained earnings to capital surplus	—	—	29,815	(29,815)	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	—	—
<b>Balance at January 1, 2021</b>	<b>131,079</b>	<b>73,303</b>	<b>82,814</b>	<b>188,481</b>	<b>(1,412)</b>	<b>(2,103)</b>	<b>342,495</b>
Cash dividends	—	—	—	(9,076)	—	—	(9,076)
Net income attributable to owners of the parent	—	—	—	29,420	—	—	29,420
Purchase of treasury stock	—	—	—	—	(1)	(2)	(2)
Disposition of treasury stock	—	—	9	—	9	13	23
Net income attributable to non-controlling interests	—	—	—	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	—	—
<b>Balance at December 31, 2021</b>	<b>131,079</b>	<b>¥ 73,303</b>	<b>¥ 82,824</b>	<b>¥ 208,824</b>	<b>(1,404)</b>	<b>¥ (2,092)</b>	<b>¥ 362,859</b>

[Millions of yen]

	Accumulated other comprehensive income (loss)						
	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency-translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	¥ 3,929	¥ 11	¥ 51	¥ (6,497)	¥ (2,504)	¥ 616	¥ 325,092
Cash dividends	—	—	—	—	—	—	(6,483)
Net income attributable to owners of the parent	—	—	—	—	—	—	21,997
Purchase of treasury stock	—	—	—	—	—	—	(2)
Disposition of treasury stock	—	—	—	—	—	—	4
Cancellation of treasury stock	—	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—
Net income attributable to non-controlling interests	—	—	—	—	—	73	73
Cash dividends paid to non-controlling interests	—	—	—	—	—	(26)	(26)
Net change in the year	301	(40)	(46)	5,253	5,467	(7)	5,459
<b>Balance at January 1, 2021</b>	<b>4,230</b>	<b>(29)</b>	<b>5</b>	<b>(1,243)</b>	<b>2,962</b>	<b>655</b>	<b>346,114</b>
Cash dividends	—	—	—	—	—	—	(9,076)
Net income attributable to owners of the parent	—	—	—	—	—	—	29,420
Purchase of treasury stock	—	—	—	—	—	—	(2)
Disposition of treasury stock	—	—	—	—	—	—	23
Net income attributable to non-controlling interests	—	—	—	—	—	75	75
Cash dividends paid to non-controlling interests	—	—	—	—	—	(21)	(21)
Net change in the year	3,642	51	120	4,311	8,126	17	8,144
<b>Balance at December 31, 2021</b>	<b>¥ 7,873</b>	<b>¥ 22</b>	<b>¥ 125</b>	<b>¥ 3,067</b>	<b>¥ 11,089</b>	<b>¥ 727</b>	<b>¥ 374,676</b>

• See accompanying notes to consolidated financial statements.

## Consolidated Statement of Cash Flows

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
Year Ended December 31, 2021

[Millions of yen]

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income before income taxes	¥ 43,094	¥ 33,463
Depreciation and amortization	10,246	11,253
Increase (decrease) in allowance for doubtful receivables	(242)	(179)
Increase (decrease) in accrued pension and severance costs	(544)	2,028
Decrease (increase) in prepaid pension and severance costs	(45)	(19)
Increase (decrease) in accrued bonuses	(1,486)	2,323
Loss (gain) on sales and disposal of property, plant and equipment, net	111	(150)
Loss (gain) on sales of investments in securities	(1,255)	(278)
Loss on impairment of investments in securities	18	316
Loss (gain) on sales of shares of subsidiaries and associates	(855)	737
Loss (gain) on investments in partnership	(278)	(231)
Decrease (increase) in notes and accounts receivable-trade	(1,987)	5,276
Decrease (increase) in inventories	(7,467)	5,357
Increase (decrease) in notes and accounts payable-trade	2,222	(6,262)
Income taxes paid	(13,103)	(13,574)
Other, net	4,330	(1,571)
Net cash provided by operating activities	32,756	38,490
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for purchases of property, plant and equipment	(14,587)	(14,695)
Proceeds from sales of property, plant and equipment	18	1,010
Payments for purchases of intangible assets	(2,242)	(3,729)
Payments for purchases of investments in securities	(1,089)	(310)
Proceeds from sales of investments in securities	1,893	697
Proceeds from sales of shares of a subsidiary resulting in change in scope of consolidation	847	828
Decrease (increase) in short-term loans receivable, net	2	(9,994)
Other, net	(737)	19
Net cash used in investing activities	(15,894)	(26,174)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of finance lease obligations	(61)	(72)
Payments for purchases of treasury stock	(2)	(2)
Dividends paid	(9,073)	(6,485)
Dividends paid to non-controlling interests	(21)	(26)
Other, net	—	0
Net cash used in financing activities	(9,160)	(6,587)
Effect of exchange rate changes on cash and cash equivalents	195	(91)
Net increase (decrease) in cash and cash equivalents	7,897	5,637
Cash and cash equivalents at beginning of year	60,131	54,493
Cash and cash equivalents at end of year (Note 6)	¥ 68,028	¥ 60,131

• See accompanying notes to consolidated financial statements.

• Certain changes in presentation have been made in the consolidated statement of cash flows of the previous year to conform to the presentation of the current year.

# Notes to Consolidated Financial Statements

Canon Marketing Japan Inc. and Consolidated Subsidiaries  
Year Ended December 31, 2021

## 1 Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of Canon Marketing Japan Inc. (the "Company") and its consolidated subsidiaries (the "Group") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Japanese Financial Instruments and Exchange Act. Certain accounts and items presented in the original consolidated financial statements in Japanese have been reclassified for the convenience of readers outside of Japan.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data, from the beginning of 2021. Accordingly, such change in presentation has also been reflected to the amounts for the year ended December 31, 2020.

## 2 Summary of Significant Accounting Policies

### (a) Principles of Consolidation

The accompanying consolidated financial statements for the year ended December 31, 2021, include the accounts of the Company and all of its 14 (17 in 2020) subsidiaries. The changes include sale of shares in Edifist Learning Inc., sale of equity interests in MAT Vietnam Company Limited and liquidation of ASAHI-M.A.T. Co., LTD. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated. The Company does not have any associated companies accounted for using either equity method or cost method. All consolidated subsidiaries have the same balance sheet date as the consolidated balance sheet date.

### (b) Cash Equivalents

The Company and its consolidated subsidiaries consider all highly liquid investments, including time deposits and certificates of deposit, all of which mature or become due within three months of the date of acquisition, to be cash equivalents.

### (c) Inventories

Merchandise and service parts are valued at cost determined by the monthly moving-average method. The carrying amount in the consolidated balance sheet represents the amount after write-downs due to decreased profitability.

Work in process is valued at cost determined by the specific identification method. Supplies are valued at cost determined by the last-purchase price method. The carrying amount in the consolidated balance sheet represents the amount after write-downs due to decreased profitability.

### (d) Allowance for Doubtful Receivables

To cover possible losses on collection, an allowance for receivables with higher risk of collectability is estimated on an individual basis. For all other receivables, an allowance is calculated based on the past experiences of uncollected amount.

### (e) Property, Plant and Equipment, Excluding Lease Assets

Property, plant and equipment, excluding lease assets, are stated at cost. Depreciation is computed by the declining-balance method for property and equipment, with the exception of items that are depreciated by the straight-line method at rates based on the estimated useful lives of the respective assets. Such items are rental assets, certain assets of consolidated subsidiaries, buildings purchased on or after April 1, 1998, exclusive of building improvements, and building improvements and structures purchased on or after April 1, 2016.

The useful lives are as follows:

Buildings and structures, from 3 years to 75 years; furniture and fixtures, from 2 years to 20 years; and rental assets, 3 years.

### (f) Leases

#### (1) Finance lease transactions—Lessee's accounting

Leases that meet criteria including transfer of ownership is recorded as assets. Such lease transactions mainly involved servers used in the Company's IT system and software.

#### (2) Accounting method for depreciation of lease assets

Lease assets under finance lease contracts are depreciated by the straight-line method over their respective lease contract term with zero residual value.

### (g) Long-Lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

### (h) Intangible Assets, Excluding Lease Assets

Software for sales is depreciated by the amount larger of the depreciation calculated based on the estimated sales quantity or the estimated sales revenue, or the depreciation calculated based on the straight-line method using the estimated effective duration of sales up to 3 years. Internal-use software is depreciated by the straight-line method based on the length of in-house durability of 5 years.

### (i) Investments in Securities

Investments in securities consist of debt and equity securities. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale marketable securities are stated at fair market value, with unrealized gain or loss, net of the applicable taxes, reported as a separate component of equity, and costs of securities sold are determined by the moving-average method. Available-for-sale securities whose fair value is not readily determinable are stated at cost determined by the moving-average method.

### (j) Accrued Bonuses

The estimated payment for current year's portion of employees' bonus is recorded based on the projected payments.

### (k) Accrued Directors' Bonuses

The estimated payment for current year's portion of director's bonus is recorded based on the projected payments.

### (l) Accrued Product Warranties

Costs arising from a one-year free warranty contract for consumer products are recorded based on the past experiences of free repairs. Also, at certain subsidiaries, the future payment for free program maintenance and repairs are estimated and accrued for based on the historical figures.

### (m) Accrued Loss on Contracts

To cover possible future losses on contracts in progress at the end of the current year, if the occurrence of loss is probable and the loss amount can be reasonably estimated as of the end of the year, the amount of losses expected to be incurred in the following year and thereafter is recorded.

### (n) Allowance for Long-Term Continuous Service Rewards

The estimated payment is recorded in order to cover payment of rewards to employees in accordance with internal regulations on long-term continuous service.

### (o) Accounting Method for Retirement Benefits

#### (1) Method of attributing estimated amounts of retirement benefits to periods

In calculating retirement benefit obligations, the estimated amount of retirement benefits attributed to a period up to the current year is primarily determined using the benefit formula basis.

#### (2) Amortization of unrecognized actuarial gains and losses and prior service cost

Unrecognized prior service cost is amortized by the straight-line method over the average remaining service period of the eligible employees for past service when occurred. Unrecognized actuarial gains and losses are amortized from the year following the year in which they arose by the straight-line method over the average remaining service period of the eligible employees.

#### (3) Application of simplified method at smaller-sized companies

Certain consolidated subsidiaries apply the simplified method for calculating accrued pension and severance costs and net periodic benefit costs. Under this method, the payments for voluntary early retirement of all eligible employees at the end of the year are recognized as retirement benefit obligations.

## Notes to Consolidated Financial Statements

**(p) Income Taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

**(q) Translation of Foreign Currency Accounts**

All short-term and long-term receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates in effect at the consolidated balance sheet date except for foreign currency-denominated payables covered by exchange contracts for hedge purpose. The foreign exchange gains and losses on translation are recognized in the accompanying consolidated statement of income.

**(r) Translation of Subsidiaries' Financial Statements Prepared in Foreign Currency**

The consolidated balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rates in effect at the consolidated balance sheet date, except for the components of equity, excluding non-controlling interests, which are translated at their historical exchange rates.

Revenue and expense accounts are translated at the average exchange rates prevailing during the year.

**(s) Per Share Amounts**

Basic earnings (net income attributable to owners of the parent) per share is computed based on the weighted-average number of shares of common stock outstanding during each period. The computation of diluted earnings per share reflects the maximum possible dilution from exercise of option.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the respective years.

**(t) Standards for Recognizing Significant Revenues and Expenses**

The Group adopted Accounting Standards Board of Japan (ASBJ) Statement No. 29, "Accounting Standard for Revenue Recognition", March 30, 2018, and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition", March 30, 2018. The normal timing for recognizing key performance obligations and revenues in core businesses is as follows.

The Group sells and provides services for Canon products. It also provides products and services in the IT solutions and industrial equipment and healthcare fields. For sales of offerings that do not require customer acceptance inspections, customers normally obtain control of products upon delivery. The Group's performance obligations are thereby deemed fulfilled, and revenue is recognized upon product delivery. Services mainly entail maintenance agreements, and revenue is recognized evenly over the lengths of these agreements or, in accordance with the extent of product usage, based on amounts determined in those agreements.

Each reporting segment has unique revenue recognition methods, as outlined below. As the Enterprise and Area segments provide similar products and services, their revenues are stated collectively.

**Consumers segment**

Sales are measured at discounted prices pledged in agreements with customers, net of rebates and other factors in line with sales. Estimates are based on past trends and other known factors at times of sale. Sales are recognized to the extent that significant reversals are unlikely.

**Enterprise and Area segments**

For product repairs and installations and other services, sales are recognized when it is deemed that services have been completed in keeping with performance obligations. Contract development software sales are recognized based on input methods for software for which the progress can be reasonably estimated. If it is not possible to reasonably estimate the progress, sales are recognized based on cost recovery methods for software where costs are incurred in accordance with progress and are assessed as recoverable.

**Professional segment**

Where equipment performance is subject to customer acceptance inspections, sales are recognized upon such acceptance inspections.

**(u) Research and Development Costs**

Research and development costs are charged to income as incurred.

**(v) Key Hedge Accounting Methods****(1) Hedge accounting method**

Accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting.

**(2) Hedging instrument and Hedged item**

Hedging instrument—Forward exchange contracts  
Hedged item—Foreign currency-denominated payables

**(3) Hedging policy**

The Company hedges the risk of changes in foreign currency-denominated payables' Japanese Yen equivalent cash flow attributable to changes in the related foreign currency exchange rates.

**(4) Hedging effectiveness**

The Company does not assess hedge effectiveness at year-end because hedging instrument and hedged item have the same currency, amount, and due date in accordance with the Company's hedging policy.

**(w) Other Significant Matters for Preparing Consolidated Financial Statements****(1) Accounting for consumption taxes**

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes in the consolidated statement of income.

**(2) Application of consolidated taxation system**

The Company and certain consolidated subsidiaries have adopted the consolidated taxation system.

**(3) Application of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system**

The Company plans to shift from current consolidated taxation system to group tax sharing system which is to be established in the near future. With regard to differences under the group tax sharing system established by Act on Partial Revision of the Income Tax Act (Act No. 8, 2020) and differences under the single tax return filing system reexamined together with transition to the group tax sharing system, the Company and certain consolidated subsidiaries calculate the amounts of deferred tax assets and deferred tax liabilities based on the Income Tax Act before the revision, not applying Paragraph 44 of ASBJ Guidance No. 28, "Implementation Guidance on Tax Effect Accounting", February 16, 2018, as permitted by Paragraph 3 of the PITF No. 39, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System", March 31, 2020.

**(x) New Accounting Pronouncements****(Accounting Standard and Implementation Guidance on Revenue Recognition)**

ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition", March 31, 2020  
ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition", March 26, 2021

**(1) Summary**

ASBJ established the requirements for presentation and disclosure related to revenue recognition.

**(2) Scheduled application date**

The Group plans to apply the relevant accounting standards from the beginning of the year ending December 31, 2022.

**(Accounting Standard for Fair Value Measurement and other)**

ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement", July 4, 2019  
ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", July 4, 2019  
ASBJ Statement No. 10, "Accounting Standard for Financial Instruments", July 4, 2019  
ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement", July 4, 2019  
ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments", March 31, 2020

## Notes to Consolidated Financial Statements

## (1) Summary

In order to improve the comparability with the international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" were developed and guidance on fair value measurement was established. The accounting standard and the implementation guidance apply to the fair value of the following items:

- Financial instruments under "Accounting Standard for Financial Instruments"
- Inventories held for trading purposes under "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" was revised and established the principles regarding disclosures such as a breakdown of the fair value of financial instruments by level of the fair value hierarchy.

## (2) Scheduled application date

The Group plans to apply the relevant accounting standards from the beginning of the year ending December 31, 2022.

## (3) Impact of applying relevant accounting standards

The effects on the consolidated financial statements of applying the Accounting Standard for Fair Value Measurement are under evaluation.

**(Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)**

ASBJ PITF No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System", August 12, 2021

## (1) Summary

In conjunction with the shift to the group tax sharing system, the accounting treatment and disclosure of the income taxes and local income taxes and deferred tax accounting when applying the group tax sharing system were established.

## (2) Scheduled application date

The Group plans to apply the ASBJ practical solution from the beginning of the year ending December 31, 2023.

## (3) Impact of applying the ASBJ practical solution

The effects on the consolidated financial statements of applying the ASBJ practical solution are under evaluation.

**3 Significant Accounting Estimates****Recoverability of deferred tax assets**

## (1) Amounts recorded on the consolidated financial statements for the year ended December 31, 2021

	(Millions of yen)
	2021
Deferred tax assets	¥ 14,974

## (2) Information of significant accounting estimate relating to identified items

Because taxable profit was arising in a stable manner for the year ended December 31, 2021 and no significant changes were expected to occur in the business environment in the near future or afterwards as of December 31, 2021, the Group estimates that the deferred tax assets corresponding to deductible temporary differences for which scheduling is possible are recoverable. The Company and some of its domestic consolidated subsidiaries have adopted the consolidated taxation system. The Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System is applied.

The Group determines the estimates for future taxable profit and the circumstances of the business environment based on the management's best estimates and judgments and considers this to be appropriate. However, there is the possibility that these assumptions may be affected by changes in future business plans and economic conditions, or by the amendment or promulgation of related laws and regulations, and if a revision of these assumptions is required, that may affect recognized amounts in the consolidated financial statements in the following year.

**4 Changes in Presentation****(Changes due to the adoption of "Accounting Standard for Disclosure of Accounting Estimates")**

The ASBJ Statement No. 31, "Accounting Standard for Disclosure of Accounting Estimates", March 31, 2020 has been applied to the consolidated financial statements from the end of the year ended December 31, 2021, and the note on significant accounting estimates has been provided in the consolidated financial statements.

However, in this note, information on the year ended December 31, 2020, has not been provided in accordance with the transitional treatment provided for in the provisions to paragraph 11 of this accounting standard.

**5 Business Combination**

The information is omitted as it is immaterial.

**6 Cash and Cash Equivalents**

Cash and cash equivalents as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Cash and deposits	¥ 67,528	¥ 59,631
Certificates of deposit due within three months	500	500
Cash and cash equivalents	¥ 68,028	¥ 60,131

(Millions of yen)

**7 Notes Maturing at the Year-end**

Notes with maturities at year-end were treated as having been settled on the maturity date, although the consolidated balance sheet date fell on a holiday of financial institutions. The amounts of notes matured at the year-end were as follows:

	2021	2020
Notes receivable-trade	¥ 207	¥ 437
Electronically recorded monetary claims-operating	533	500

(Millions of yen)

**8 Inventories**

Inventories as of December 31, 2021 and 2020, were composed of the following:

	2021	2020
Merchandise	¥ 30,656	¥ 23,197
Service parts	3,922	3,893
Work in process	145	103
Supplies	511	631
Total	¥ 35,236	¥ 27,826

(Millions of yen)

Note: For the software development contracts from which contract losses are expected, the inventory related to such contracts and relevant reserves for contract losses do not offset each other and have been recorded in gross amounts in current assets and current liabilities, respectively.

## Notes to Consolidated Financial Statements

Write-downs of inventories for the years ended December 31, 2021 and 2020, net of the amount of the reversal, were included in the following account:

	(Millions of yen)	
	2021	2020
Cost of sales	¥ 1,198	¥ 964

Accrued loss on contracts included in cost of sales was as follows:

	(Millions of yen)	
	2021	2020
Cost of sales	¥ 308	¥ 8

## 9 Investments in Securities

Investments in securities as of December 31, 2021 and 2020, consisted of the following:

	(Millions of yen)	
	2021	2020
Marketable equity securities	¥ 15,687	¥ 9,057
Unlisted equity securities	668	1,380
Investments in investment partnerships	998	864
Total	¥ 17,353	¥ 11,302

Investments in securities as of December 31, 2021 and 2020, were classified and included in the following accounts:

	(Millions of yen)	
	2021	2020
Securities classified as:		
Available-for-sale:		
Investments in securities	¥ 17,353	¥ 11,302
Total	¥ 17,353	¥ 11,302

The carrying amounts and aggregate fair values of marketable equity securities as of December 31, 2021 and 2020, were as follows:

	(Millions of yen)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 4,358	¥ 11,531	¥ (202)	¥ 15,687
Total	¥ 4,358	¥ 11,531	¥ (202)	¥ 15,687

	(Millions of yen)			
	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,992	¥ 6,162	¥ (97)	¥ 9,057
Total	¥ 2,992	¥ 6,162	¥ (97)	¥ 9,057

Available-for-sale securities whose fair value is not readily determinable as of December 31, 2021 and 2020 were as follows:

	(Millions of yen)	
	2021	2020
Available-for-sale:		
Unlisted equity securities	¥ 668	¥ 1,380
Investments in investment partnerships	998	864
Total	¥ 1,666	¥ 2,245

The proceeds, realized gains and realized losses of the available-for-sale securities which were sold during the years ended December 31, 2021 and 2020, were as follows:

	(Millions of yen)					
	2021			2020		
	Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
Available-for-sale:						
Equity securities	¥ 1,553	¥ 1,255	—	¥ 249	¥ 228	¥ 0
Others	—	—	—	93	49	—
Total	¥ 1,553	¥ 1,255	—	¥ 343	¥ 278	¥ 0

Impairment loss of ¥ nil and ¥0 million (rounded) was recorded on listed equity securities for the years ended December 31, 2021 and 2020, respectively.

Impairment loss of ¥18 million and ¥316 million was recorded on unlisted equity securities in the years ended December 31, 2021 and 2020, respectively.

## 10 Asset Retirement Obligations

The Group recognizes restoration obligations under real estate rental agreements of buildings and other real estates as asset retirement obligations.

Instead of recognizing liabilities, the Group reasonably estimates the uncollectible amount of lease deposits related to the real estate rental agreements, and accounts for the portion of such estimated amount attributable to the current year as an expense.

The outstanding balances of lease deposits considered uncollectible as of December 31, 2021 and 2020, were ¥3,507 million and ¥3,194 million, respectively.

### Consolidated Detailed Schedule of Asset Retirement Obligations

Pursuant to the provision of Article 92-2 of the Regulations on Consolidated Financial Statements, the information of consolidated detailed schedule of asset retirement obligations is omitted, because the amounts of asset retirement obligations at the beginning and the end of the year ended December 31, 2021 were not more than 1% of the total of liabilities and equity at the beginning and the end of the year ended December 31, 2021.

## 11 Investment Property

The information is omitted as it is immaterial.

## Notes to Consolidated Financial Statements

**12 Short-term Borrowings, Lease Obligations, and Deposits**

Short-term borrowings, Lease obligations, and deposits included in Other long-term liabilities for the year ended December 31, 2021, were as follows:

Category	Balance at beginning of year (Millions of yen)	Balance at end of year (Millions of yen)	Average interest rate (%)	Payment due
Short-term borrowings	—	—	—	—
Current portion of lease obligations	¥ 54	¥ 52	—	—
Long-term borrowings, excluding current portion	—	—	—	—
Lease obligations, excluding current portion	74	81	—	2023 - 2026
Other interest-bearing liabilities				
Guarantee deposits received	2,967	2,596	0.00%	—
<b>Total</b>	<b>¥ 3,095</b>	<b>¥ 2,729</b>	<b>—</b>	<b>—</b>

Notes: 1. "Average interest rate" represents weighted-average interest rate with respect to the ending balance of borrowings, etc.

2. The average interest rate on lease obligations is not provided because the amount of lease obligations stated in the consolidated balance sheets is the amount before deducting interest equivalents included in the total lease payments.

3. The repayment schedule of lease obligations, excluding current portion, for five years after the consolidated balance sheet date is as follows:

	(Millions of yen)			
	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years
Lease obligations	¥ 37	¥ 22	¥ 14	¥ 5

**13 Corporate Bonds**

Not applicable

**14 Employees' Retirement and Severance Benefits****1. Overview of retirement benefit plans adopted**

The Company has a defined contribution pension plan, a pension plan with a market-based variable accumulation rate - quasi-cash balance plan, and a lump-sum severance payment plan -, and some of its consolidated subsidiaries have defined benefit corporate pension plans, and lump-sum severance payment plans.

**2. Defined benefit plans**

(1) Reconciliation of retirement benefit obligations at beginning and end of year, excluding the simplified method in (3)

	(Millions of yen)	
	2021	2020
Retirement benefit obligations at beginning of year	¥ 213,121	¥ 219,653
Service costs	5,820	6,142
Interest costs	1,095	940
Actuarial (gains) losses	(860)	(3,546)
Benefit paid	(8,925)	(8,163)
Decrease resulting from exclusion of subsidiaries in consolidation	—	(1,904)
Other	—	(0)
<b>Retirement benefit obligations at end of year</b>	<b>¥ 210,250</b>	<b>¥ 213,121</b>

(2) Reconciliation of plan assets at beginning and end of year, excluding the simplified method in (3)

	(Millions of yen)	
	2021	2020
Plan assets at beginning of year	¥ 166,497	¥ 166,870
Expected return on plan assets	4,155	4,126
Actuarial (gains) losses	4,443	1,197
Contributions from the employer	2,990	2,927
Benefit paid	(7,586)	(7,087)
Decrease resulting from exclusion of subsidiaries in consolidation	—	(1,536)
<b>Plan assets at end of year</b>	<b>¥ 170,500</b>	<b>¥ 166,497</b>

(3) Reconciliation of retirement benefit obligations at beginning and end of year for which the simplified method was applied

	(Millions of yen)	
	2021	2020
Accrued pension and severance costs at beginning of year	¥ 844	¥ 780
Net periodic benefit costs	98	115
Benefit paid	(23)	(8)
Contributions to plans	(45)	(42)
Decrease resulting from exclusion of subsidiaries in consolidation	(131)	—
<b>Accrued pension and severance costs at end of year</b>	<b>¥ 742</b>	<b>¥ 844</b>

(4) Reconciliation of retirement benefit obligations and plan assets at year-end and accrued and prepaid pension and severance costs in consolidated balance sheets

	(Millions of yen)	
	2021	2020
Funded retirement benefit obligations	¥ 190,934	¥ 193,609
Plan assets	(170,872)	(166,852)
<b>Net liabilities and assets in consolidated balance sheets</b>	<b>¥ 20,062</b>	<b>¥ 26,756</b>
Unfunded retirement benefit obligations	20,429	20,711
<b>Net liabilities and assets in consolidated balance sheets</b>	<b>¥ 40,492</b>	<b>¥ 47,468</b>
Accrued pension and severance costs	¥ 40,913	¥ 47,883
Prepaid pension and severance costs	(421)	(415)
<b>Net liabilities and assets in consolidated balance sheets</b>	<b>¥ 40,492</b>	<b>¥ 47,468</b>

Note: Plans for which the simplified method was applied were included.

## Notes to Consolidated Financial Statements

## (5) Retirement benefit costs

	(Millions of yen)	
	2021	2020
Service costs	¥ 5,820	¥ 6,142
Interest costs	1,095	940
Expected return on plan assets	(4,155)	(4,126)
Amortization of actuarial (gains) losses	1,249	3,281
Amortization of prior service costs	(301)	(293)
Net periodic benefit costs using the simplified method	98	115
Retirement benefit costs of defined benefit plans	¥ 3,806	¥ 6,060

Note: In addition to the above retirement benefit costs, the Group recorded ¥441 million for extra retirement payments for the year ended December 31, 2020.

## (6) Defined retirement benefit plans before income tax effect adjustment

Changes in unrecognized prior service costs and unrecognized actuarial gains and losses for the years ended December 31, 2021 and 2020, were as follows:

	(Millions of yen)					
			2021			2020
	Unrecognized prior service costs	Unrecognized actuarial gains and losses	Total	Unrecognized prior service costs	Unrecognized actuarial gains and losses	Total
At beginning of year	¥ (1,508)	¥ 3,319	¥ 1,810	¥ (1,802)	¥ 11,234	¥ 9,431
Net change	301	(6,553)	(6,251)	293	(7,915)	(7,621)
At end of year	¥ (1,207)	¥ (3,234)	¥ (4,441)	¥ (1,508)	¥ 3,319	¥ 1,810

## (7) Plan assets

## (i) Main components of plan assets

Ratios for main components of plan assets were as follows:

	2021	2020
Bonds	22%	22%
Stocks	4	3
Pooled funds	52	52
Life insurance company general accounts	16	17
Other	6	6
Total	100%	100%

Note: The composition of pooled funds was 44% in bonds and 56% in stocks as of December 31, 2021, and 47% in bonds and 53% in stocks as of December 31, 2020.

## (ii) Methodology for setting long-term expected rates of return

The long-term expected rate of return on plan assets is determined by considering current and projected plan asset allocations and current and anticipated long-term rates of return from diverse plan assets.

## (8) Actuarial assumptions

The principal actuarial assumptions for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Discount rates	0.24 - 0.60%	0.24 - 0.59%
Long-term expected rates of return on plan assets	2.0 - 2.5%	2.0 - 2.5%
Estimated rates of salary increases	1.9 - 2.6%	1.9 - 2.6%

## 3. Defined contribution plan

The required contributions of the Company and consolidated subsidiaries to defined contribution plans, including employees' pension fund plan in the multiemployer plan which is accounted for in the same manner as the defined contribution plan, totaled ¥1,922 million and ¥1,949 million for the years ended December 31, 2021 and 2020, respectively.

## 15 Contingent Liabilities (Guarantee Obligations)

The Company provides the following guarantee obligations.

	(Millions of yen)	
	2021	2020
Guarantees for employees' housing loans	¥ 4	¥ 5

## 16 Shareholders' Equity

The Companies Act of Japan went into effect on May 1, 2006, replacing the Commercial Code. It is applicable to events or transactions of companies in Japan occurring on or after May 1, 2006, and for the years ending on or after May 1, 2006.

The Companies Act stipulates that the amounts actually paid in or provided in consideration for newly issued stock shall be recorded as common stock. However, it also allows 50% or less of such amounts to be recorded as additional paid-in capital.

Under the Companies Act, a company that meets certain criteria can establish its Articles of Incorporation so that dividends can be paid to its existing shareholders by resolution of the Board of Directors, without requiring the approval of a resolution at a General Meeting of Shareholders. The Company has met said criteria and amended its Articles of Incorporation at the annual General Meeting of Shareholders for the year ended December 31, 2006. The Companies Act provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus other than the capital reserve and retained earnings other than the legal reserve be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. However, such appropriation cannot be made if the aggregate amount of the legal reserve exceeds 25% of common stock (i.e., the aggregate amount of the Company's legal reserve has already reached 25% of its common stock).

## Notes to Consolidated Financial Statements

## 17 Common Stock and Dividends

1. The following table shows the movement of number of common stock for the years ended December 31, 2021 and 2020.

(Thousands of shares)

	As of January 1, 2020	Increase or purchase	Decrease or sale	As of December 31, 2020	Increase or purchase	Decrease or sale	As of December 31, 2021
Issued stock							
Common stock	151,079	—	20,000	131,079	—	—	131,079
Treasury stock							
Common stock	21,413	1	20,002	1,412	1	9	1,404

- Notes: 1. The decrease of issued stock of 20,000 thousand shares for the year ended December 31, 2020, was due to the cancellation of treasury stock.  
 2. The increase of treasury stock of 1 thousand shares and 1 thousand shares for the years ended December 31, 2021 and 2020, respectively, was due to the purchase of fractional stock.  
 3. The decrease of treasury stock of 20,002 thousand shares for the year ended December 31, 2020, was due to the cancellation of treasury stock, the disposal of performance-linked stock incentives, and the sale of fractional stock.  
 4. The decrease of treasury stock of 9 thousand shares for the year ended December 31, 2021, was due to the disposal of performance-linked stock incentives.

## 2. Matters regarding dividends

The Company distributes a semiannual interim dividend by resolution of the Board of Directors and annual dividend by resolution of the General Meeting of Shareholders.

Semiannual interim dividends is paid to the common shareholders of the Company as of semiannual period-end and annual dividend is paid to the common shareholders of the Company as of year-end.

Resolution date, total dividends, and dividend per share for the years ended December 31, 2021 and 2020, were as follows:

	2021			2020		
	Resolution date	Total dividends (Millions of yen)	Dividend per share (yen)	Resolution date	Total dividends (Millions of yen)	Dividend per share (yen)
Annual dividend	March 26, 2021	¥ 5,186	¥ 40	March 26, 2020	¥ 3,889	¥ 30
Interim dividend	July 27, 2021	¥ 3,890	¥ 30	July 27, 2020	¥ 2,593	¥ 20

Annual dividend of ¥5,835 million (¥45 dividend per share) was resolved by the General Meeting of Shareholders held on March 29, 2022.

Total dividend per share was ¥75 and ¥60 for the years ended December 31, 2021 and 2020, respectively.

## 18 Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a statutory income tax rate of approximately 31% for the years ended December 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at December 31, 2021 and 2020, are as follows:

(Millions of yen)

	2021	2020
<b>DEFERRED TAX ASSETS:</b>		
Accrued pension and severance costs	¥ 12,731	¥ 14,882
Accrued bonuses	1,399	1,953
Accrued business tax and business office tax	765	711
Excess depreciation of long-lived assets	758	839
Recording of estimated future variable consideration	732	726
Asset retirement obligations	691	607
Excess amortization of software	687	676
Loss on impairment of investments in securities	568	565
Loss on disposal and devaluation of inventories	506	431
Allowance for long-term continuous service rewards	279	295
Loss on valuation of golf club membership	97	102
Accrued product warranties	90	140
Tax loss carryforwards (Note)	57	91
Lump-sum depreciable assets	53	68
Loss on impairment of long-lived assets	31	32
Other	1,254	1,214
Gross deferred tax assets	20,705	23,339
Less: valuation allowance	(802)	(855)
Total deferred tax assets	¥ 19,903	¥ 22,483
<b>DEFERRED TAX LIABILITIES:</b>		
Unrealized gain (loss) on available-for-sale securities	¥ 3,526	¥ 1,888
Deferred capital gain	1,279	1,279
Other	122	96
Total deferred tax liabilities	¥ 4,928	¥ 3,264
Net deferred tax assets	¥ 14,974	¥ 19,218

Note: Information regarding the amounts of tax loss carryforwards and related deferred tax assets by expiration of carryforwards is omitted as the tax loss carryforwards are immaterial.

Net deferred tax assets as of December 31, 2021 and 2020, are reflected in the following accounts in the consolidated balance sheet:

(Millions of yen)

	2021	2020
Investments and other assets—deferred tax assets	¥ 14,974	¥ 19,219
Long-term liabilities—deferred tax liabilities	—	(1)
Net deferred tax assets	¥ 14,974	¥ 19,218

## Notes to Consolidated Financial Statements

A reconciliation between the statutory income tax rate and the effective income tax rate as of December 31, 2021 and 2020, was as follows:

	2021	2020
Statutory income tax rate	—	31.0%
(Reconciliation)		
Entertainment and other expenses permanently not deductible for tax purposes	—	0.3
Per-capita levy of inhabitants' taxes	—	0.9
Dividend income not taxable	—	(0.1)
Adjustment of book value of stocks of subsidiary for consolidated tax payment system	—	2.4
Other	—	(0.5)
Effective income tax rate	—	34.0%

Note: The reconciliation as of December 31, 2021 was omitted because the difference between the statutory income tax rate and the effective income tax rate was 5% or less of the statutory income tax rate.

## 19 Research and Development Costs

Total research and development costs included in selling, general and administrative expenses and cost of sales for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Research and development costs	¥ 402	¥ 426

## 20 Selling, General and Administrative Expenses

The primary components of "Selling, general and administrative expenses" for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Salaries and allowances	¥ 71,461	¥ 69,827
Accrued bonuses	3,536	4,988
Accrued directors' bonuses	97	74
Provision of allowance for long-term continuous service rewards	356	368
Net periodic retirement benefit costs	5,052	7,118
Accrued product warranties	288	446
Provision of allowance for doubtful receivables	(48)	3

## 21 Other Income (Expenses)

The components of "Gain on sales of long-lived assets" for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Buildings and structures	—	¥ 103
Machinery and vehicles	¥ 4	1
Furniture and fixtures	1	1
Rental assets	—	1
Land	—	175
Software	0	0
Total	¥ 6	¥ 283

The components of "Loss on sales and disposal of long-lived assets" for the years ended December 31, 2021 and 2020, were as follows:

	2021	2020
Buildings and structures	—	¥ 0
Furniture and fixtures	¥ 1	1
Total	¥ 1	¥ 1

The components of "Loss on disposal of long-lived assets"

	2021	2020
Buildings and structures	¥ 34	¥ 26
Furniture and fixtures	23	34
Rental assets	57	62
Software	6	888
Other	0	8
Total	¥ 122	¥ 1,020

The details of "Insurance income due to disaster" and "Loss on disaster" were as follows:

For the year ended December 31, 2021, loss on disaster of ¥168 million was recorded as cost of restoration of assets associated with damage from typhoons, etc. In addition, insurance claim income received from the associated insurance claim of ¥202 million was recorded as insurance income due to disaster.

The details of "Loss on COVID-19" were as follows:

For the year ended December 31, 2020, loss on COVID-19 mainly related to event cancellation fees, resulted from the government's restrictions on events and outdoor gatherings in response to the outbreak of COVID-19.

## 22 Lease Transactions

### Operating lease transactions

#### 1. Lessees' accounting

The following table shows future minimum lease payments subsequent to December 31, 2021 and 2020, for noncancelable operating leases:

	2021	2020
Due within one year	¥ 2,223	¥ 2,611
Due after one year	6,255	8,478
Total	¥ 8,478	¥ 11,089

#### 2. Lessors' accounting

The following table shows future minimum lease income subsequent to December 31, 2021 and 2020, for noncancelable operating leases:

	2021	2020
Due within one year	¥ 1,891	¥ 1,819
Due after one year	8,998	2,997
Total	¥ 10,890	¥ 4,816

## Notes to Consolidated Financial Statements

## 23 Financial Instruments

## 1. Information on financial instruments

## (1) Policies for financial instruments

The Group limits its asset management to financial instruments characterized as low default risk and believes that financing should mainly be conducted through the use of Group finances whenever necessary. The Company enters into derivative transactions to hedge against foreign exchange fluctuation risks and not for speculative purposes.

## (2) Types and risks of financial instruments and systems to control those risks

Operating receivables, consisting of notes and accounts receivable-trade, are exposed to credit risks of customers. The Group strives to mitigate these risks by strict credit control utilizing credit information provided by external credit agencies, as well as by credit insurance and other risk-hedging means.

Short-term loans receivable are mainly the loans to the parent company by the Company, rendered in compliance with the internal regulations for investment and management of funds.

Investments in securities consist primarily of held-to-maturity debt securities and equity securities issued by business counterparties of the Group, and are exposed to market price fluctuation risk. Regarding this risk, the Group periodically monitors the fair values of the securities and the financial condition of their issuers, i.e., business counterparties. In addition, for securities other than held-to-maturity debt securities, the Group continuously reviews the status of security holdings, taking market conditions and relationships with business counterparties into consideration.

Trade payables, consisting of notes and accounts payable-trade, are mainly those due within six months.

Derivative transactions consist of forward exchange contracts to hedge against the risks of fluctuations in foreign currency-denominated trade payables. Hedge accounting methods are described in "(v) Key Hedge Accounting Methods" of "2 Summary of Significant Accounting Policies."

## (3) Supplementary explanation on fair values of financial instruments

The fair values of financial instruments include not only values based on market quotations, but also values calculated based on assumptions that management believes reasonable in cases where market quotations are not available. Such values may vary depending on different assumptions, as variables are factored into the calculation of such values.

## 2. Fair values of financial instruments

The book values of financial instruments in the consolidated balance sheets as of December 31, 2021 and 2020, their fair values, and the differences between the two are as follows. The table below, however, excludes the financial instruments whose fair values are not readily determinable (see Note 2. below).

## As of December 31, 2021

	(Millions of yen)		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 68,028	¥ 68,028	—
(2) Notes and accounts receivable-trade	107,367		
Allowance for doubtful receivables (*1)	(24)		
Notes and accounts receivable-trade, net	107,343	107,343	—
(3) Investments in securities	15,687	15,687	—
(4) Short-term loans receivable	180,004	180,004	—
Total assets	¥ 371,063	¥ 371,063	—
(5) Notes and accounts payable-trade	¥ 46,323	¥ 46,323	—
Total liabilities	¥ 46,323	¥ 46,323	—

(\*1) Allowance for doubtful receivables corresponding to notes and accounts receivable-trade are deducted from the values.

## As of December 31, 2020

	(Millions of yen)		
	Book value	Fair value	Difference
(1) Cash and cash equivalents	¥ 60,131	¥ 60,131	—
(2) Notes and accounts receivable-trade	105,328		
Allowance for doubtful receivables (*1)	(66)		
Notes and accounts receivable-trade, net	105,261	105,261	—
(3) Investments in securities	9,057	9,057	—
(4) Short-term loans receivable	180,006	180,006	—
Total assets	¥ 354,457	¥ 354,457	—
(5) Notes and accounts payable-trade	¥ 44,107	¥ 44,107	—
Total liabilities	¥ 44,107	¥ 44,107	—

(\*1) Allowance for doubtful receivables corresponding to notes and accounts receivable-trade are deducted from the values.

Notes: 1. Calculation methods of fair values of financial instruments and other matters related to securities and derivatives are as below:

**Assets**

(1) Cash and cash equivalents, (2) Notes and accounts receivable-trade, and (4) Short-term loans receivable

The book values of these assets are used as their fair values, since they are to be settled in the short term and, accordingly, their book values approximate their fair values.

(3) Investments in securities

The fair values of equity securities are based on the prices at the security exchanges, and those of debt securities are based on the prices at the security exchanges or quotations obtained from counterparty financial institutions. Details of securities by holding objectives are described in the notes on "Investments in Securities."

**Liabilities**

(5) Notes and accounts payable-trade

The book values of these liabilities are used as their fair values, since they are to be settled in the short term and, accordingly, their book values approximate their fair values.

2. The book values of financial instruments whose fair values are not readily determinable as of December 31, 2021 and 2020, were as follows:

	(Millions of yen)	
Category	2021	2020
Unlisted equity securities	¥ 668	¥ 1,380
Investments in investment partnerships	998	864

These financial instruments are not included in (3) Investments in securities in the preceding table of fair values, since they do not have market prices and, therefore, their fair values are not readily determinable.

Impairment loss of ¥18 million was recorded for unlisted equity securities in the year ended December 31, 2021.

Impairment loss of ¥316 million was recorded for unlisted equity securities in the year ended December 31, 2020.

3. The redemption schedule of monetary claims and securities with maturities as of December 31, 2021 and 2020, were summarized as follows:

	2021				2020	
	Due within 1 year	1 year to 5 years	Due within 1 year	1 year to 5 years		
Cash and cash equivalents	¥ 68,028	—	¥ 60,131	—		
Notes and accounts receivable-trade	107,367	—	105,328	—		
Short-term loans receivable	180,004	—	180,006	—		
Total	¥ 355,400	—	¥ 345,466	—		

4. The repayment schedule of lease obligations as of December 31, 2021 and 2020, was as follows:

	2021					2020				
	Due within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Due within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years
Lease obligations	¥ 52	¥ 37	¥ 22	¥ 14	¥ 5	¥ 54	¥ 38	¥ 23	¥ 9	¥ 1

## Notes to Consolidated Financial Statements

## 24 Derivatives

The information is omitted as it is immaterial.

## 25 Related Party Information

## 1. Related party transactions

(1) Transaction conditions and policies for deciding transaction conditions with related party

- (a) Purchases of products are decided based on price negotiations each year, after considering market prices and the Company's proposals regarding desired prices.
- (b) Sales of office equipment, consumables, and other inventories are subject to similar conditions as general transactions.
- (c) With regard to loans of capital, interest rates on loans are decided rationally after considering market interest rates. Furthermore, collateral is not accepted.

Transaction with major corporate stockholders for the year ended December 31, 2021, and related balance as of December 31, 2021, were as follows:

Category	Name of company	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents	Contents of transactions	Transaction amount (Millions of yen)	Accounts	Balance at end of year (Millions of yen)
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥ 174,761	Development and manufacturing in the office, imaging system, and industrial equipment areas	(Ownership) Direct 58.5% Indirect 0.0%	Manufacture of products sold by Canon MJ	Purchases of products	¥ 148,759	Accounts payable-trade	¥ 16,154
							Sales of office equipment and consumables, and other inventories	¥ 4,073	Accounts receivable-trade and others	¥ 1,203
							Loans of capital	—	Short-term loans receivable	¥ 180,000

Note: Transaction amounts do not include consumption tax or other taxes, however, the account balances include consumption tax.

Transaction with major corporate stockholders for the year ended December 31, 2020, and related balance as of December 31, 2020, were as follows:

Category	Name of company	Address	Capital or investment capital (Millions of yen)	Business contents or occupation	Percentage possession of voting rights (Ownership) (%)	Related contents	Contents of transactions	Transaction amount (Millions of yen)	Accounts	Balance at end of year (Millions of yen)
Parent company	Canon Inc.	Ohta-ku, Tokyo	¥ 174,761	Development and manufacturing in the office, imaging system, and industrial equipment areas	(Ownership) Direct 58.5% Indirect 0.0%	Manufacture of products sold by Canon MJ	Purchases of products	¥ 144,942	Accounts payable-trade	¥ 17,301
							Sales of office equipment and consumables, and other inventories	¥ 3,479	Accounts receivable-trade and others	¥ 1,848
							Loans of capital	¥ 10,000	Short-term loans receivable	¥ 180,000

Note: Transaction amounts do not include consumption tax or other taxes, however, the account balances include consumption tax.

(2) Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties  
The information is omitted as it is immaterial.

## 2. Notes on the parent company and significant associates

Parent company information

Canon Inc. listed on the Tokyo, Nagoya, Fukuoka, Sapporo and New York stock exchanges

## 26 Other Comprehensive Income (Loss)

The following table shows amounts arising during the year, reclassification adjustments, pre-tax amount, tax effect, and net-of-tax amount for each component of other comprehensive income (loss) for the years ended December 31, 2021 and 2020:

	2021	2020
(Millions of yen)		
<b>Unrealized gain (loss) on available-for-sale securities:</b>		
Amount arising during the year	¥ 6,537	¥ 667
Reclassification adjustments	(1,255)	(220)
Pre-tax amount	5,281	446
Tax effect	(1,637)	(143)
Net-of-tax amount	3,643	302
<b>Deferred gain (loss) on derivatives under hedge accounting:</b>		
Amount arising during the year	75	(58)
Pre-tax amount	75	(58)
Tax effect	(23)	18
Net-of-tax amount	51	(40)
<b>Foreign currency-translation adjustments:</b>		
Amount arising during the year	129	(56)
Reclassification adjustments	7	—
Pre-tax amount	137	(56)
Tax effect	—	—
Net-of-tax amount	137	(56)
<b>Defined retirement benefit plans:</b>		
Amount arising during the year	5,304	4,744
Reclassification adjustments	947	2,877
Pre-tax amount	6,251	7,621
Tax effect	(1,940)	(2,367)
Net-of-tax amount	4,311	5,253
Total other comprehensive income (loss)	¥ 8,144	¥ 5,459

## Notes to Consolidated Financial Statements

## 27 Per Share Data

(Yen)		
Item	2021	2020
Shareholders' equity per share	¥ 2,883.74	¥ 2,664.20
Basic earnings per share	226.88	169.65
Diluted earnings per share	226.83	169.62

Notes: 1. The bases for calculating shareholders' equity per share are as follows:

(Millions of yen)		
Item	2021	2020
Total equity at end of year	¥ 374,676	¥ 346,114
Amount deducted from total equity at end of year		
Non-controlling interests	727	655
Total equity pertaining to common stock at end of year	¥ 373,949	¥ 345,458
No. of shares at the end of the year (Thousands of shares)	129,675	129,667

2. The bases for calculating basic and diluted earnings per share are as follows:

(Millions of yen)		
Item	2021	2020
Basic earnings per share		
Net income attributable to owners of the parent	¥ 29,420	¥ 21,997
Net income (loss) not attributable to common shareholders	—	—
Net income attributable to owners of the parent pertaining to common stock	¥ 29,420	¥ 21,997
Weighted-average number of shares of common stock outstanding during the period (Thousands of shares)	129,673	129,667
Diluted earnings per share		
Adjustment to net income attributable to owners of the parent	—	—
Increase in number of shares of common stock (Thousands of shares)	28	22
Overview of potential shares that were not included in calculating diluted earnings per share because they have no dilutive effects	—	—

Note: The increase of common stock of 28 thousand shares and 22 thousand shares for the years ended December 31, 2021 and 2020, respectively, were due to the grants of performance-linked stock incentives.

## 28 Segment Information

## Segment information

## 1. Description of reportable segments

Reportable segments are constituent units of the Group for which separate financial information is available and they are subject to periodic reviews by the Board of Directors to determine the allocation of management resources and assess their respective operating results.

In addition, starting from the current year, part of the organization conducting direct sales to upper medium-sized and quasi-major customers in the Area segment was transferred to the Enterprise segment.

Segment information presented for the previous year has been prepared according to the classification method after the changes.

## (Major business areas and main Group companies in each reportable segment)

Reportable segment	Major business areas and Group companies
Consumers	Sells products such as digital cameras and inkjet printers primarily to individual customers.
Enterprise	Sells Canon input and output devices and provides solutions that contribute to solving business problems in each industry primarily for large corporations, quasi-major and upper medium-sized enterprises. [Major Group company] Canon IT Solutions Inc.
Area	Sells Canon input and output devices and provides solutions that help customers solve business problems primarily for small and medium-sized enterprises in Japan. [Major Group company] Canon System & Support Inc.
Professional	Provides solutions for customers in each area. • Production Printing Provides high-speed continuous feed printers and high-speed cut sheet printers to the printing industry. [Major Group company] Canon Production Printing Systems Inc. • Industrial Equipment Provides products such as semiconductor manufacturing systems and inspection and measurement devices mainly to semiconductor manufacturers and other electronics device manufacturers. • Healthcare Provides IT solutions, system development, network construction, and hardware mainly for the medical and healthcare field. [Major Group company] Canon ITS Medical Inc.

## 2. Methods of measurement for sales, segment income (loss), assets, and other items for reportable segments

Accounting methods for reportable segments are the same as the accounting methods described in the notes on "Summary of Significant Accounting Policies." Segment income (loss) is measured based on the amount of operating income. Intersegment sales and transfers are based on market prices.

## Notes to Consolidated Financial Statements

## 3. Information by reportable segment for the years ended December 31, 2021 and 2020, was as follows:

## Year ended December 31, 2021

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Consumers	Enterprise	Area	Professional				
<b>Net sales:</b>								
External customers	¥ 129,432	¥ 180,042	¥ 209,198	¥ 30,059	¥ 3,351	¥ 552,085	—	¥ 552,085
Intersegment	38	10,552	11,627	1,476	7,886	31,581	¥ (31,581)	—
Total	¥ 129,471	¥ 190,594	¥ 220,826	¥ 31,536	¥ 11,238	¥ 583,667	¥ (31,581)	¥ 552,085
Segment income (loss)	¥ 13,572	¥ 13,856	¥ 12,045	¥ 2,488	¥ (2,266)	¥ 39,696	¥ 3	¥ 39,699
Segment assets	45,913	110,214	67,621	20,157	2,220	246,128	280,289	526,418
<b>Other items:</b>								
Depreciation and amortization	468	7,176	1,923	296	27	9,892	354	10,246
Changes in the amount of property, plant and equipment and intangible assets	858	9,493	2,023	135	55	12,566	68	12,634

Notes: 1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

(1) Adjustment of segment income (loss) eliminates intersegment transactions.

(2) Adjustment of segment assets is for corporate assets that do not belong to reportable segments. The corporate assets are comprised of surplus funds, such as cash and investment in securities, assets related to head office land, buildings, and head office administrative units.

(3) Adjustment of depreciation and amortization is for head office building expenses that do not belong to reportable segments.

(4) Adjustment of increase of property, plant and equipment and intangible assets consists of capital investments in head office buildings that do not belong to reportable segments.

3. Total segment income (loss) after adjustments for reportable and other business segments equals operating income in the consolidated statement of income.

## Year ended December 31, 2020

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
	Consumers	Enterprise	Area	Professional				
<b>Net sales:</b>								
External customers	¥ 124,695	¥ 174,447	¥ 213,830	¥ 29,193	¥ 2,893	¥ 545,060	—	¥ 545,060
Intersegment	44	10,136	9,831	1,515	6,297	27,824	¥ (27,824)	—
Total	¥ 124,739	¥ 184,583	¥ 223,662	¥ 30,708	¥ 9,191	¥ 572,884	¥ (27,824)	¥ 545,060
Segment income (loss)	¥ 12,287	¥ 9,429	¥ 8,984	¥ 1,902	¥ (1,252)	¥ 31,350	¥ (33)	¥ 31,317
Segment assets	44,100	98,152	68,943	14,955	2,814	228,965	277,639	506,604
<b>Other items:</b>								
Depreciation and amortization	569	7,190	2,745	338	27	10,871	382	11,253
Changes in the amount of property, plant and equipment and intangible assets	1,355	11,746	2,839	338	39	16,319	32	16,351

Notes: 1. "Other" includes call center business and BPO service business, which are not included in reportable segments.

2. Adjustments are as follows:

(1) Adjustment of segment income (loss) eliminates intersegment transactions.

(2) Adjustment of segment assets is for corporate assets that do not belong to reportable segments. The corporate assets are comprised of surplus funds, such as cash and investment in securities, assets related to head office land, buildings, and head office administrative units.

(3) Adjustment of depreciation and amortization is for head office building expenses that do not belong to reportable segments.

(4) Adjustment of increase of property, plant and equipment and intangible assets consists of capital investments in head office buildings that do not belong to reportable segments.

3. Total segment income (loss) after adjustments for reportable and other business segments equals operating income in the consolidated statement of income.

## Related information

Years ended December 31, 2021 and 2020

## 1. Information by product and service

Disclosure of information by product and service is omitted since the segment information contains the same information.

## 2. Information by geographical area

(1) Sales

Disclosure of information on sales by geographical area is omitted since sales to domestic external customers account for more than 90% of consolidated net sales.

(2) Property, plant and equipment

Disclosure of information on property, plant and equipment by geographical area is omitted since the amount of domestic property, plant and equipment accounts for more than 90% of total property, plant and equipment recorded in the consolidated balance sheets.

## 3. Information by major customers

Disclosure of information by major customers is omitted since no customer accounts for 10% or more of consolidated net sales.

# Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Canon Marketing Japan Inc.:

### Opinion

We have audited the consolidated financial statements of Canon Marketing Japan Inc. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Member of  
 Deloitte Touche Tohmatsu Limited

Reliability of IT systems in relation to revenue recognition from maintenance services	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>Revenue from sales of business equipment and other products included in the Enterprise and Area segments for the year ended December 31, 2021, was 220,737 million yen in total, which mainly consisted of the sales of office Multifunctional Printers, "office MFPs," laser printers and related maintenance services. As such, the maintenance service is considered as one of the major business areas in the Enterprise and Area segments.</p> <p>The service fees under maintenance service contracts for the office MFPs are calculated primarily based on the unit prices prescribed in the contracts and the number of sheets—either copied or printed—during specified periods of time. The service fees under these contracts include rental fees for drum units, toners and consumable parts as well as technical fees for the Group's service engineers.</p> <p>The number of sheets copied or printed is automatically tabulated by counters installed within each office MFP, and the count data is transmitted via network, and aggregated in the contract management system. The contract management system then automatically calculates the service fees based on the customer data and unit prices registered in the contract management system.</p> <p>As such, revenue recognition processes, such as data count, data transfer and aggregation, fee calculation, and interface of relevant revenue data to the accounting system, are heavily dependent on the effectiveness of internal controls over IT systems.</p> <p>Given that revenue from maintenance services for the office MFPs is quantitatively material and that the design and operating effectiveness of internal controls over the relevant IT systems is essential to the accurate calculation of customer billing and revenue recognition, we identified the effectiveness of controls over the IT systems as a key audit matter.</p>	<p>To address the key audit matter, we performed the following procedures, among others, to test internal controls with the assistance of our IT specialists:</p> <ul style="list-style-type: none"> <li>We tested the accuracy of the automatic sheet counting function of the office MFPs by comparing the actual number of sheets copied or printed against the count data stored within the office MFPs.</li> <li>We tested the interface of the count data between the office MFPs and the contract management system by comparing the count data stored in the office MFPs against the count data recorded in the contract management system. In addition, we tested internal controls that monitor the status over the collection of the count data from the office MFPs.</li> <li>We tested the accuracy of the automated calculation of the maintenance service fees in the contract management system, by independently recalculating the fees using the count data and the contract unit prices, as prescribed in the contract terms, registered in the contract management system, and compared them with the fees recognized in the contract management system.</li> <li>We tested the interface of relevant data between the contract management system and the accounting system by comparing the number and amount of maintenance service transactions between both systems.</li> <li>We tested the design and operating effectiveness of general IT controls, including user access controls, change management controls and system operations controls, over the aforementioned IT systems relevant to automated counts, data interface, data aggregation and automated calculation, by performing inquiries of the Group's system administrators and inspection of relevant supporting documents.</li> </ul>

#### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

March 28, 2022

## ESG Data

ENVIRONMENT	2017	2018	2019	2020	2021
GHG emissions at domestic business sites [Scope 1 and 2] (t-CO <sub>2</sub> ) <sup>(Note 1)</sup>					
Scope 1 <sup>(Note 2)</sup>	8,339	7,864	7,275	5,765	5,800
Scope 2 <sup>(Note 3)</sup>	33,535	40,922	43,501	45,733	51,952
Total	41,874	48,786	50,776	51,498	57,752
GHG emissions of domestic business sites [Scope 3] (t-CO <sub>2</sub> ) <sup>(Note 4)</sup>					
Category 1. Purchased goods and services <sup>(Note 5)</sup>	298,448	236,406	313,133	284,892	282,278
Category 2. Capital goods <sup>(Note 6)</sup>	40,292	27,726	65,341	41,807	10,403
Category 3. Fuel- and energy-related activities not included in Scope 1 or 2 <sup>(Note 7)</sup>	4,012	4,601	8,993	9,061	11,307
Category 4. Upstream transportation and distribution <sup>(Note 8)</sup>	5,205	4,039	4,175	3,785	3,209
Category 5. Waste generated in operations <sup>(Note 9)</sup>	90	137	153	93	64
Category 6. Business travel <sup>(Note 10)</sup>	9,918	9,048	12,032	6,119	7,164
Category 7. Employee commuting <sup>(Note 11)</sup>	5,154	5,401	6,915	7,445	6,411
Category 8. Upstream leased assets <sup>(Note 12)</sup>	0	0	0	0	0
Category 9. Downstream transportation and distribution <sup>(Note 13)</sup>	2,444	1,122	1,073	967	917
Category 10. Processing of sold products	0	0	0	0	0
Category 11. Use of sold products <sup>(Note 14)</sup>	97,436	88,590	86,309	83,331	84,560
Category 12. End-of-life treatment of sold products <sup>(Note 15)</sup>	33,509	15,749	15,118	16,269	13,951
Category 13. Downstream leased assets <sup>(Note 16)</sup>	222	219	461	518	291
Category 14. Franchises	0	0	0	0	0
Category 15. Investments	0	0	0	0	0
Total	496,730	393,038	513,703	454,287	420,555
Water consumption by source of domestic business sites (m <sup>3</sup> ) <sup>(Note 17)</sup>					
Tap water	148,857	154,283	161,912	160,884	165,359
Groundwater	19,943	21,438	21,895	22,001	19,750
Industrial water	0	0	0	0	0
Total	168,800	175,721	183,807	182,885	185,109
Waste emissions of domestic business sites <sup>(Note 18)</sup>					
Total emissions (metric tons)	21,244	18,635	21,098	15,670	14,075
Sales units (metric tons per million yen) <sup>(Note 19)</sup>	0.034	0.030	0.034	0.029	0.025
Recycled amount of domestic business sites					
Total volume of products recovered and processed from marketplace (metric tons)	13,777	14,109	14,840	12,015	10,892
Amounts recycled (metric tons) <sup>(Note 20)</sup>	13,773	14,108	14,839	12,015	10,892
Recycling rate (%) <sup>(Note 21)</sup>	99.97	99.99	99.99	99.99	99.99

## ESG Data Notes

Note 1. Scope of data aggregation covers ISO14001:2015 certified sites as of August 17, 2021.

Note 2. Scope 1: Direct emissions (town gas, LPG, diesel, kerosene, gasoline, etc.)

Note 3. Scope 2: Intermediate emissions (electricity, steam, etc.)

Note 4. Scope of data aggregation for Category 1, 4, 9, 11, 12, and 13 covers purchased goods from Canon Inc. and each company in the Canon Group, externally manufactured products under contract by Canon MJ original planning, and products purchased from other manufacturers. Scope of data aggregation for Category 2, 3, 5, 6, 7 and 8 covers ISO14001:2015 certified sites as of August 17, 2021.

Note 5. For main Canon products, calculated by adding the direct emissions and intermediate emissions from manufacturing to the number obtained by multiplying weights of product input raw materials by materials and process units, and externally purchased personal computers, servers etc. are calculated by adding the typical model product weight obtained by referencing the CFP value of the other company's server, and other products are calculated by multiplying the sales amount ratio to the main Canon product.

Note 6. Calculated by multiplying totals for each capital goods purchases category by category units

Note 7. Total fuel and power consumed at each site totaled and multiplied by units from fuel extraction through combustion/power generation

Note 8. For distribution arranged by Canon MJ from the warehouse to the business partner/end user, the figure is calculated by multiplying the distance traveled obtained by aggregating each delivery step by the respective environmental load conversion coefficient.

Note 9. Materials-specific waste amounts at each site added, multiplied by materials waste disposal units

Note 10. Total payments per transportation mode multiplied by units per mode. For accommodations, total amounts paid converted into average number of nights, for multiplying by accommodation units.

Note 11. Total payments per transportation mode multiplied by units per mode. In the case of private car commuting, after converting the total mileage associated with commuting to fuel usage, add by multiplying the unit of fuel combustion.

Note 12. Encompassing leased buildings and vehicles and included in Scope 1 and 2

Note 13. Calculated by determining average transportation distances and weights of distributed products multiplied by transportation units

Note 14. Main Canon products are calculated by determining the lifetime power consumption for each product, multiplied by average electric power units, and externally purchased personal computers, servers etc. are calculated by determining the typical model lifetime power consumption, and other products are calculated by multiplying the sales amount ratio to the main Canon product.

Note 15. Main Canon products are calculated by classifying the sold products into material categories, and multiplying each material weight by the waste process units, and externally purchased personal computers, servers etc. are calculated by converting to the typical model product weight obtained by referencing the CFP value of the other company's server, and other products are calculated by multiplying the sales amount ratio to the main Canon product.

Note 16. Calculated by determining annual power consumption of each leased product multiplied by average power consumption units

Note 17. Scope of data aggregation covers ISO14001:2015 certified sites as of August 17, 2021.

Note 18. Scope of data aggregation covers all Canon MJ Group companies (domestic only) as of December 31, 2021.

Note 19. Sales unit = Total emissions ÷ Externally announced figure of consolidated net sales

Note 20. Total weight after excluding simple incineration and landfill disposal from total volumes of products recovered and processed from marketplace

Note 21. Amounts recycled divided by total volume of products recovered and processed from marketplace

Note 22. The figure in parentheses indicates the number of males.

Note 23. The figure in parentheses indicates the percentage of returning to work that were male.

Note 24. Averages for directors and Audit & Supervisory Board members

Note 25. At December 31 each year

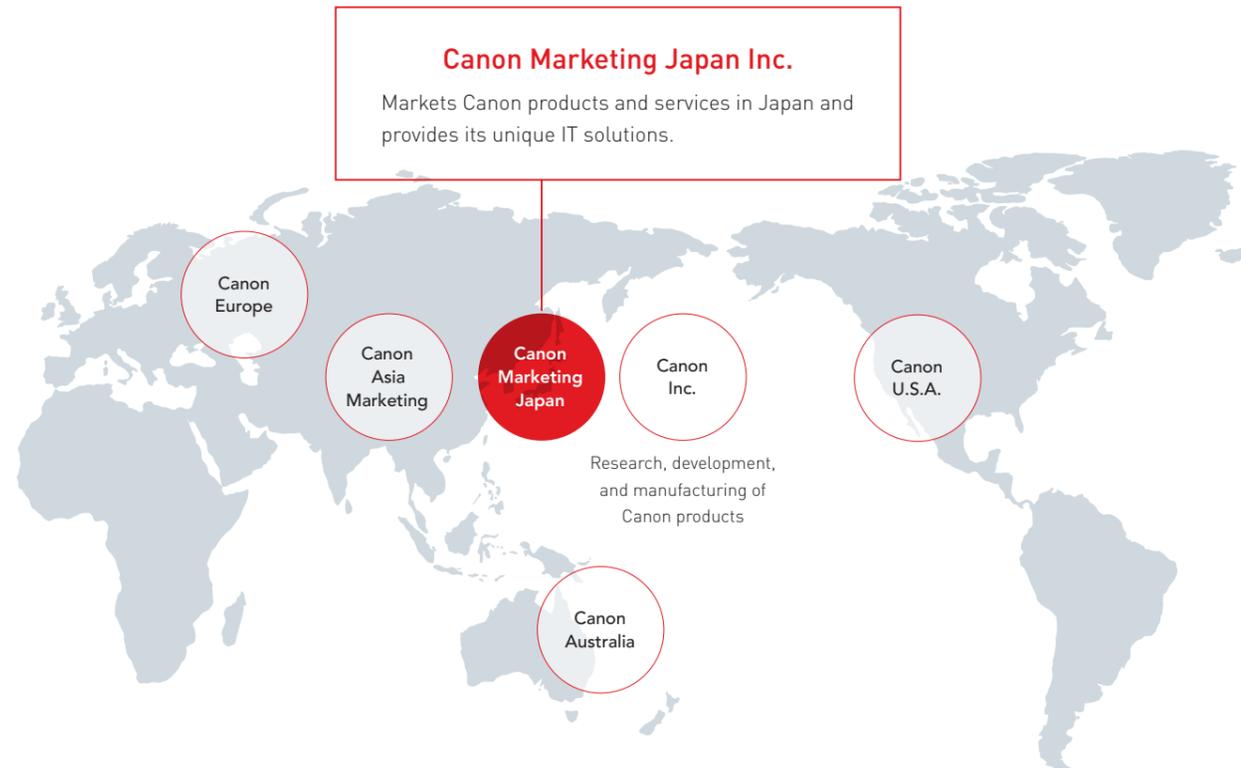
SOCIETY	2017	2018	2019	2020	2021
Group employees					
Number of men	14,502	14,202	13,890	13,385	13,007
Number of women	3,150	3,078	3,110	3,159	3,213
Total	17,652	17,280	17,000	16,544	16,220
Group management					
Number of men	3,228	3,131	3,037	2,898	2,785
Number of women	85	92	97	106	108
Total	3,313	3,223	3,134	3,004	2,893
Percentage of Group employees taking paid leave (%)	60.7	68.3	74.5	64.5	63.6
Number of Group employees taking childcare and family care leave <sup>(Note 22)</sup>					
Childcare leave	140	202(15)	144(18)	143(26)	136(43)
Family care leave	7	9(4)	4(0)	9(5)	3(3)
Percentage of Group employees returning to work after taking childcare and family care leave (%) <sup>(Note 23)</sup>					
Childcare leave	98.7	97.1(100.0)	82.4(100.0)	95.6(100.0)	95.8(100.0)
Family care leave	100.0	87.5(100.0)	75.0(-)	100.0(100.0)	100.0(100.0)
Number of Group retirees and reemployed workers					
Number of retirees	288	290	319	304	469
Number of reemployed workers	189	175	163	192	239
Average age of Group employees	44.3	44.6	44.7	44.8	45.5
Average number of years of service of Group employees	18.7	18.9	19.6	19.6	19.5
Number of employees with disabilities (non-consolidated)					
Number of employees	150	150.5	149.5	142.0	147.5
Percentage of employees (%)	2.1	2.15	2.19	2.15	2.32

GOVERNANCE	2017	2018	2019	2020	2021
Number of directors					
In-house (men)	8	5	4	4	4
In-house (women)	0	0	0	0	0
In-house total	8	5	4	4	4
Outside (men)	2	2	2	2	2
Outside (women)	0	0	0	0	0
Outside total	2	2	2	2	2
Total	10	7	6	6	6
Number of Audit & Supervisory Board members					
In-house (men)	2	2	2	2	2
In-house (women)	0	0	0	0	0
In-house total	2	2	2	2	2
Outside (men)	3	3	3	3	3
Outside (women)	0	0	0	0	0
Outside total	3	3	3	3	3
Total	5	5	5	5	5
Average age of corporate officers <sup>(Notes 24 and 25)</sup>	63.9	62.6	63.4	62.3	62.6
Number of Board of Directors' and Audit & Supervisory Board meetings					
Number of Board of Directors' meetings	17	15	16	18	16
Number of Audit & Supervisory Board meetings	18	18	20	17	17
Number of executive officers	23	23	23	23	26

# Canon MJ Group

As of December 31, 2021

## Position within the Canon Group



Segment	Company name
<b>Enterprise BU</b>	Canon IT Solutions Inc., SuperStream Inc., Qualysite Technologies Inc., Canon Software America, Inc., Canon Information Systems (Shanghai) Inc., Canon IT Solutions (Thailand) Co., Ltd., Material Automation (Thailand) Co., Ltd.
<b>Area BU</b>	Canon System & Support Inc., A&A Co., Ltd.
<b>Professional BU</b>	Production Printing Canon Production Printing Systems Inc.
	Healthcare Canon ITS Medical Inc.
<b>BPO Services</b>	Canon BizAttenda Inc., Canon Business Support Inc.
<b>Service &amp; Support</b>	Canon Customer Support Inc.

The Group comprises 14 consolidated subsidiaries.

## Third-Party Assessments / Awards Received

Canon MJ has been selected in the FTSE4Good Index Series for 18 consecutive years since fiscal 2004, and in the FTSE Blossom Japan Index for five consecutive years since fiscal 2017.

In addition, we have been included in numerous indexes, such as being selected in the SOMPO Sustainability Index for 11 consecutive years since 2012, and in the MSCI Japan ESG Select Leaders Index, a general ESG index developed by MSCI Inc., for four consecutive years since 2018.



### Selected as “DX-certified operator” by Ministry of Economy, Trade and Industry

In June 2021, we acquired certification as a “DX-certified operator” under the DX (digital transformation) certification program established by the Ministry of Economy, Trade and Industry. Canon MJ is making changes to its business portfolio to make IT solutions the core business as set forth in the Medium-Term Management Plan that has been underway since 2021.



### Received “Excellent” rating in the Information Technology Federation of Japan Cyber Index Corporate Survey 2021

In November 2021, the Information Technology Federation of Japan, which is an IT industrial association with approximately 5,000 member companies, announced the results of its assessments in its survey into initiatives for cyber security, etc. by companies included in the Nikkei 500 stock average. We were ranked 42nd out of the surveyed companies, which was within the top 10%, and earned the assessment of “Excellent.”

### Acquired first place in Nikkei Computer’s Partner Satisfaction Survey 2021 and Customer Satisfaction Survey 2021-2022

For the ninth consecutive year, we acquired first place in the security products division in the Nikkei Computer Customer Satisfaction Survey 2021-2022. Also for the second consecutive year, we acquired first place in the security threat products / services division in the Nikkei Computer Partner Satisfaction Survey 2021.

### Acquired silver medal in the Japan Patent Office’s first AI competition

At the Japan Patent Office’s first machine learning competition “AI x Trademark: Image Search Competition (to detect similar trademark images),” which was held over two months from November 2021, the team of Advanced Technology Development Division of Canon IT Solutions R&D Headquarters was awarded 13th place and received a silver medal. (Among the participating teams, the top 10% received gold medals, then those between 10% and 20% received silver medals and those between 20% and 40% received bronze medals.)

# Corporate Information

As of December 31, 2021

<b>Trade Name</b>	Canon Marketing Japan Inc.
<b>Date of Establishment</b>	February 1, 1968
<b>Common Stock</b>	¥73,303 million
<b>Headquarters</b>	16-6, Konan 2-chome, Minato-ku, Tokyo 108-8011, Japan



<b>Description of Business</b>	Domestic marketing of Canon products and related solutions
<b>Number of Employees</b>	Consolidated: 16,220 Non-consolidated: 4,787
<b>Main Locations of Operations</b>	Headquarters, Konan office, Makuohri office and branches (Sapporo, Sendai, Nagoya, Osaka, Hiroshima, and Fukuoka)
<b>Stock Listing</b>	The Tokyo Stock Exchange, the Prime Market (from April 4, 2022) Securities code: 8060

## Major Shareholders

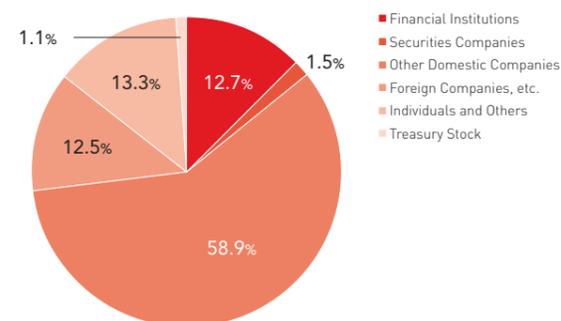
Name of shareholder	Number of shares held (Thousands)	Percentage of ownership (%)
Canon Inc.	75,708	58.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,760	6.0
Canon Marketing Japan Group Employee Stock Ownership Association	5,843	4.5
Custody Bank of Japan, Ltd. (Trust Account)	2,742	2.1
STATE STREET BANK AND TRUST COMPANY 505001	1,563	1.2
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,417	1.1
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,247	1.0
SMBC Nikko Securities Inc.	1,008	0.8
Mizuho Bank, Ltd.	1,001	0.8
Custody Bank of Japan, Ltd. (Trust Account 9)	975	0.8

\* The Company possesses 1,404,790 shares of its treasury shares (1.1% of the total number of issued shares).  
\* The percentage of ownership is calculated by deducting the number of treasury shares from the total number of issued shares.

## Status of Shares

Total number of shares authorized	299,500,000 shares
Number of shares issued	131,079,972 shares
Number of shareholders	11,747

## Shareholder Composition



## Stock Price Range and Trading Volume



## IR Activities

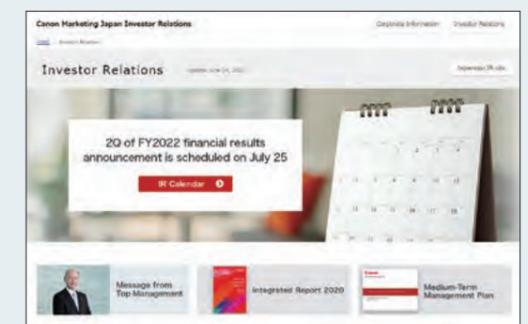
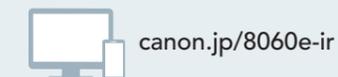
The Company aims to build long-term relationships of trust with everyone participating in capital markets and acquire suitable appraisals by making timely, appropriate and fair disclosure of not only financial information but also non-financial information, and by enhancing opportunities for dialogue. In addition, we strive to report insights and assessments brought to light through dialogue to the Board of Directors and the Management Committee, etc. and reflect them in the Company's management in order to achieve improvements in corporate value over the medium to long term. We have established the Canon MJ IR Policy to clarify our stance to IR disclosure, which is disclosed on the investor relations (IR) website.

Scope	Results of Activities in Fiscal 2021
Individual investors	<ul style="list-style-type: none"> <li>Company briefings (online) are held twice by the managing executive officer overseeing IR or other executives</li> <li>Renewal of website for individual investors</li> <li>Distribution of email newsletter by personnel in charge of IR</li> </ul>
Securities analysts Institutional investors (Japanese and overseas)	<ul style="list-style-type: none"> <li>Holding of medium- and long-term management plan briefing by the Representative Director (held online)</li> <li>Holding of financial results briefing by the managing executive officer overseeing IR (held online)</li> <li>Holding of individualized IR information sessions</li> <li>Holding of small theme-specific meetings</li> </ul>

### Canon MJ Investor Relations Website

Canon MJ maintains a comprehensive investor relations (IR) website to further facilitate communication with shareholders. The website contains:

- News for investors
- IR calendar
- Financial results and other financial information
- Information on Long-Term Management Objectives (2021-2025) and Medium-Term Management Plan (2022-2025)
- Stock information
- Integrated reports



## Editors' postscript



Editors of Integrated Report 2021

Thank you for reading the Integrated Report 2021. This year's report is the Canon MJ Group's third integrated report. It presents two themes: "visualization of growth stories" and "personnel for realizing growth."

In our first theme, we aim to communicate the Company's growth story with a focus on finding solutions to social issues not only through the Canon product business that constitutes the revenue base, but also through expanding the IT solutions business that we position as our growth area.

In our second theme, we discuss our personnel, which supports such growth, and we strive to build understanding on how best to maximize the value of human capital by explaining systems and initiatives of the Canon MJ Group.

In addition, we have been steadily developing the foundations for promoting sustainability management, through such measures as establishing the Sustainability Promotion Committee, endorsing the TCFD, and providing disclosure of materiality. We will further strengthen initiatives to present non-financial information so that it can be viewed as a story that shows how such activities can have an effect on future and present corporate value.

We will continue to treat opportunities for dialogue with our stakeholders as very important going forward, and invite you to share your unreserved opinions and impressions with us.

**Takuya Joshin** Group Executive of Corporate Planning Headquarters