Marketing / Service & Support

At Canon MJ, our marketing functions consist of Canon product, IT product, and business innovation functions. We also offer service and support capabilities that support these functions, rapidly enhancing the quality of products and services and maximizing productivity across the value chain.

Yasukazu Sawada
Group Executive of
Business Products Marketing Section

Shinya Kondo
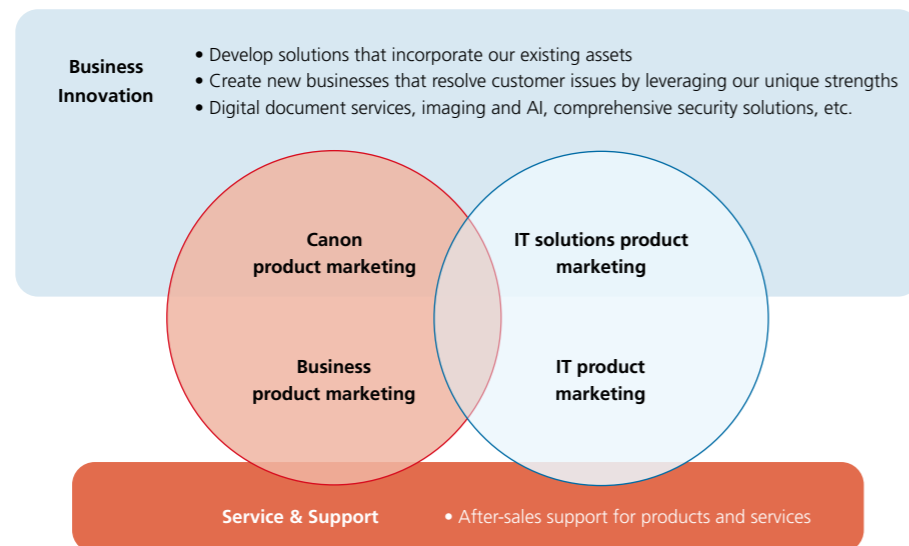Group Executive of
IT Products Marketing Section

Ryuji Nakata
Group Executive of
Business Innovation Section

Hiroshi Kashihara
Group Executive of
Service & Support Section

Structure

Our customers' business environment has undergone drastic changes in recent years, including the increasing speed of technological developments, and they are striving to enhance their competitiveness in accordance with these changes. We believe that in order to meet our customers' expectations, it is essential that we create highly competitive products, solutions, and services in the most efficient manner by adopting new technologies ahead of our customers, calmly analyzing the rapid and complex changes in markets, and exploring and developing growth markets.

In 2018, the Company reorganized its business units from a structure based on product and sales channels to one based on markets and customers. At the same time, in order to support our business units more efficiently, we established an organization that integrated the product planning functions and service and support functions throughout the Company. We have since reshaped the organization, and our business units are now underpinned by four sections: the Business Product Marketing Section, the IT Product Marketing Section, the Business Innovation Section, and the Service & Support Section.

Business Innovation
- Develop solutions that incorporate our existing assets
- Create new businesses that resolve customer issues by leveraging our unique strengths
- Digital document services, imaging and AI, comprehensive security solutions, etc.

Canon product marketing

Business product marketing

IT solutions product marketing

IT product marketing

Service & Support   • After-sales support for products and services

Canon Product Marketing

Yasukazu Sawada
Group Executive of
Business Products Marketing Section

The role of the Business Products Marketing Section is to resolve the document-related issues of our customers and help them focus on their core operations by providing high-quality Canon products and solutions that are easy to use as well as services that ensure these products and solutions are utilized in a safe and secure manner.

To that end, we share the feedback we receive from customers regarding their expectations, requests, and other matters with Canon Inc. to develop and supply products and solutions of superior value, which is another key role of the Business Products Marketing Section. Moreover, to enhance profitability throughout the value chain, we continue to promote measures to improve quality and minimize costs in all of our business activities, from product manufacturing to product delivery and after-sales support.

We will continue to provide value through our products and services in response to the ever-changing needs of our customers so that we continue to be the company of choice for many customers and connect closely with them.

Business Innovation

Ryuji Nakata
Group Executive of
Business Innovation Section

In addition to strengthening our specific product businesses, the Business Innovation Section was established to develop solutions incorporating our existing assets and to create new businesses that resolve customer issues by leveraging our unique strengths.

We are focused on developing new solutions based on our digital document services and imaging solutions.

In the area of security solutions, we are working to enhance our value proposition by expanding our line of services that offer comprehensive solutions to customers' issues from both a cybersecurity and physical security perspective through the combination of Canon products and IT solutions.

In order to enhance the productivity of our customers' operations, which are optimized according to the individual needs of each business, from the viewpoint of overall optimization, a new mechanism is required, such as an integrated DX platform tailored to the value chain of our customers' operations. With this in mind, in 2023 we began conducting a process in which we develop leaders to promote this field by incorporating graduate school learning and putting it into practice.

IT Product Marketing

Shinya Kondo
Group Executive of
IT Products Marketing Section

The need for cutting-edge information and communication technology (ICT) solutions continues to grow due to advances in cloud computing, qualitative changes in business through AI, and increasing concerns for security in business environments. We provide such solutions with the aim of supporting the digital transformation (DX) activities of our customers. In the digital security business, we are conducting research and development in the field of cybersecurity with Canon IT Solutions Inc. to deliver solutions in accordance with the size of our customers' businesses in the hope that the Canon MJ Group comes to be associated with security solutions.

By providing customers with Canon products in combination with external IT products, we have developed a system that can help optimize a wide range of business environments.

We are also expanding the areas in which we contribute to creating new value, such as the provision of card readers with facial recognition used to verify the status of qualifications online, a new field in the medical domain, and continue to strive toward realizing profitable growth and improvements in the IT solutions business with an eye on achieving ¥300.0 billion in segment sales by fiscal 2025.

Service & Support

Hiroshi Kashihara
Group Executive of
Service & Support Section

To ensure our customers are able to use our products and services safely and with peace of mind, the Service & Support Section is responsible for the planning of after-sales support and quality assurance. Each member of our department is working to improve their expertise in this business and carrying out basic strategies to enhance quality, productivity, and customer satisfaction.

At our Group companies and the companies of our business partners, we are promoting greater use of the Internet of Things to enhance their capacity to provide after-sales support for Canon products. We use *NETEYE*,* a remote monitoring service, to monitor the status of our customers' equipment in real time while conducting remote monitoring via a call center and providing periodic maintenance through the services of engineers, thereby reducing administrative workload and ensuring a comfortable operating environment for our customers.

As for our quality assurance system, we have strengthened our framework for assessing combinations of Canon products and externally sourced products in line with the expansion of IT solutions as a part of our efforts to ensure that they continue to be used in a safe and secure manner.

* An online support service that monitors the conditions of equipment using the internet to ensure comfortable operating environments

Group IT Strategy

In the IT division, we play a key role in the transformation and growth of the Canon MJ Group by making full use of our knowledge and experience in ICT and a wide range of businesses, projects, and operations while working alongside the other business divisions.
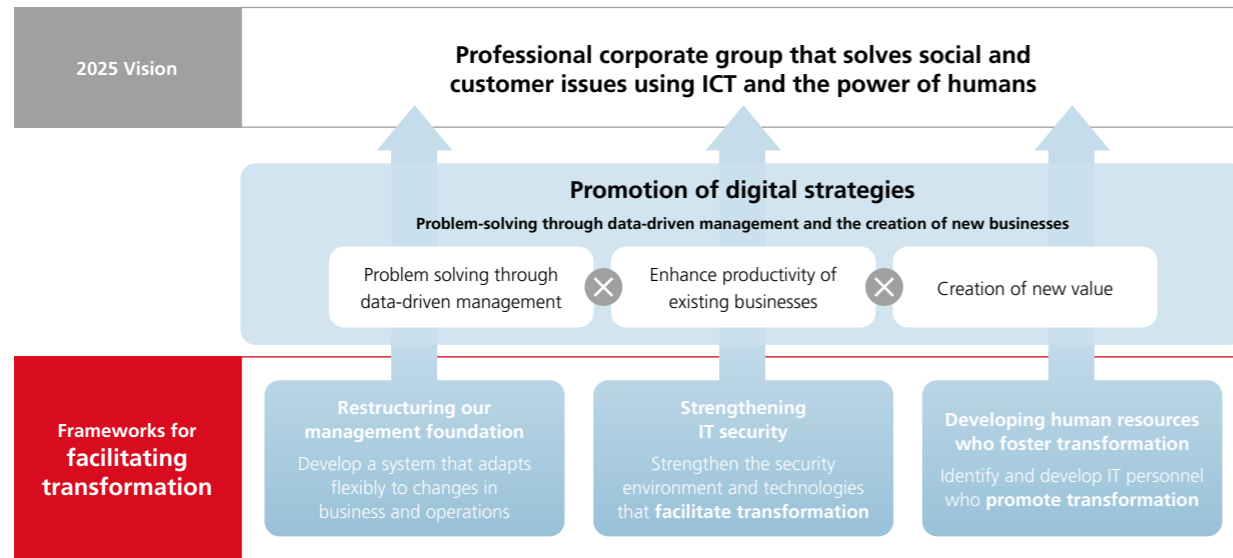
Yukihiro Sasabe
Senior Vice President
In charge of Group IT, Business Process Innovation Project

Staying true to our 2025 Vision of becoming a "professional corporate group that solves social and customer issues using ICT and the power of humans," we at the Canon MJ Group are aiming to proceed even further ahead with our digital transformation and the creation of new businesses and services and to incorporate the skills and know-how acquired through these efforts into reforming our customers' businesses.

As an internal co-creation partner that promotes the digital transformation of the Group's business divisions and headquarters, the IT division is implementing this strategies and strengthening its three frameworks for facilitating this transformation, which serve as the foundation of these strategies, based on three themes: problem-solving through data-driven management, the enhanced productivity of existing businesses, and the creation of new value.

■ Our Vision and Basic IT Strategies for Enhancing Corporate Value

2025 Vision	**Professional corporate group that solves social and customer issues using ICT and the power of humans**

Promotion of digital strategies
Problem-solving through data-driven management and the creation of new businesses

| Problem solving through data-driven management | ✕ | Enhance productivity of existing businesses | ✕ | Creation of new value |

| **Frameworks for facilitating transformation** | **Restructuring our management foundation** Develop a system that adapts flexibly to changes in business and operations | **Strengthening IT security** Strengthen the security environment and technologies that **facilitate transformation** | **Developing human resources who foster transformation** Identify and develop IT personnel who **promote transformation** |

To ensure the Group's transformation, we are implementing digital strategies in cooperation with each business division. As frameworks for facilitating transformation, which will serve as the platform for promoting our digital strategies, we are proceeding with three initiatives: restructuring our management foundation, strengthening IT security, and developing human resources who foster transformation.

① Restructuring our management foundation

We are transforming our business portfolio into one in which the IT solutions business will drive the growth of our business as well as restructuring our management foundation to facilitate this transformation. We are also developing a new system infrastructure that enables the creation of new services for each business in a rapid, flexible, and cost-effective manner.

② Strengthening IT security

We have established a security promotion system that is conducive to formulating policies and strategies in response to changes in our business environment and risks, based on which we are working to strengthen security through the incorporation of new technologies. Through these measures, we have established an IT security environment that is tailored to increasingly sophisticated cyberattacks, digitalization, and changes in working conditions.

③ Developing human resources who foster transformation

Together with the Human Resources Department, we are working to enhance the digital literacy of all employees, managers, and specifically designated employees according to their positions. Following the digital literacy training held in 2022, we held our digital marketing training in 2023, gradually promoting measures to develop human resources who will strengthen our data-driven management.

Promotion of Digital Strategies

To achieve our 2025 Vision, we are working with each business division on three themes to promote our digital strategies, along with developing a digital business infrastructure that will facilitate the creation of new services and businesses. Through such efforts, we aim to achieve a 25% increase in per-employee productivity* by 2025 by providing each business division with a framework for monitoring and forecasting the status of businesses and customers using data, efficiently attracting customers, and strengthening relationships with them.
* Gross profit (value added) per employee compared with 2021 standards

❶ Problem Solving through Data-Driven Management

We are developing a data service infrastructure that will serve as the starting point for management, businesses, and service offerings by accumulating the data generated from the Group's diverse network of customer contact points. Moreover, to encourage greater use of data on the front lines, we conduct workshops for specifically designated employees and are working to develop data analysts who are experts in the use of data in each business division and who understand the issues specific to their division.

❷ Enhance Productivity of Existing Businesses

The development of a new data infrastructure will not lead to greater productivity or business growth unless it is used in actual business. To ensure that they cater to the specific value proposition process of each business, digital measures are implemented in an agile manner through a repeated cycle of hypothesis, prototype, analysis, assessment, and release.

As an example of our efforts, we created a dashboard for the sales division that analyzes and visualizes around 30 types of data. It enables highly objective decision-making and streamlines sales activities by predicting potential customers for each product and notifying sales representatives.

❸ Creation of New Value

We aim to create new value for our customers by incorporating our experience and know-how in data utilization and digital marketing accumulated in-house into our service-based business model. Moreover, the knowledge acquired through the services we provide will be reincorporated into our services in the form of added value.

As an example of our efforts, the direct-sales e-commerce site we established with a partner manufacturer based on the Group's know-how as a distributor and its expertise in utilizing and managing data on its e-commerce site has helped expand our sales channels and boost sales, which grew 15% in 2022 from the previous year.

Restructuring Our Management Foundation: Reforming Our Business Processes and Mission-Critical System

In order to create an environment conducive to implementing the strategies of each business unit and strengthening their competitiveness, we developed the Business Process Innovation Project and are reforming our business processes and mission-critical system. We have defined the back-office and after-sales support functions as the main areas of focus for our business process reform and are developing a composable mission-critical system that combines cloud services and packaged software.
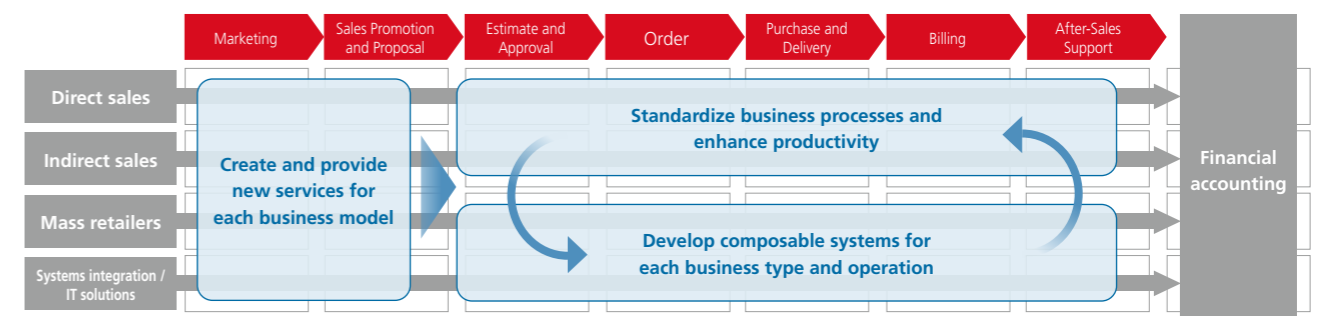
Standardizing and Simplifying Our Business Processes

We are radically standardizing and simplifying the identical business processes present throughout the Group's various business formats. We are working to establish a system that continuously increases the value we provide to our customers and business partners by eliminating variations in back-office operations and enhancing productivity as well as streamlining the entire value chain.

Reforming Our Mission-Critical System

By combining the most optimal cloud services and packaged software for each business type and function, we are reforming our mission-critical system into one that is highly agile, flexible, and scalable.

We launched a new system for the financial accounting sector in January 2022 and are currently renewing the system for the IT service business domain. Going forward, we will renew other systems in sequence to optimize them for each business type and function.

	Marketing	Sales Promotion and Proposal	Estimate and Approval	Order	Purchase and Delivery	Billing	After-Sales Support	
Direct sales								
Indirect sales	Create and provide new services for each business model	Standardize business processes and enhance productivity						Financial accounting
Mass retailers		Develop composable systems for each business type and operation						
Systems integration / IT solutions								

Intellectual Property Strategy

The Canon MJ Group is formulating and implementing intellectual property strategies that contribute to improvements in corporate value by strengthening the intellectual creation cycle, in which intellectual and human assets are used to expand and create businesses.

Hirokazu Uchio
Senior General Manager of
Legal and Intellectual Property Headquarters

The Canon MJ Group's intellectual property activities are defined by their multifaceted nature. In order to establish and grow new businesses, alongside existing ones, we must consider a variety of factors, such as technological trends, markets, and legal aspects, in addition to intellectual property rights. The Group will continue to pursue new businesses by capitalizing on the intellectual and human assets that it has accumulated to date.

A variety of customers count on the Canon MJ Group to provide safe, secure, and high-quality products and services. In order to meet

these expectations, we are firmly protecting our technologies through intellectual property rights and strengthening our intellectual property governance. In addition, the Legal and Intellectual Property Headquarters provides a one-stop service that integrates intellectual property activities across the Group.

We are committed to supporting the present and carving the future of the Canon MJ Group through our intellectual property strategies.

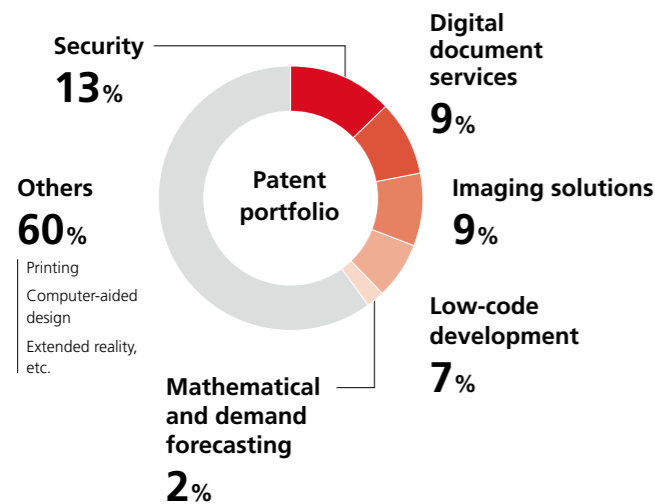## Creating a Patent Portfolio to Protect Our Business

At the Canon MJ Group, new ideas emerge not only from our research and development and product development divisions but also from our sales divisions, where we engage directly with customers. We treat these ideas as inventions and create a patent portfolio to protect our businesses by obtaining patents on them.

Utilizing Our Patent Portfolio as a Barrier to Entry of Competitors

When developing new products or updating existing ones, we assume that functions to be developed will be identified and patents will be filed without omission prior to releasing the product.

Around 40% of the Canon MJ Group's patent portfolio, which was developed through such efforts, consists of patents in security and four areas of edge solutions: digital document services, imaging solutions, low-code development, and mathematical and demand forecasting.

This patent portfolio is expected to prevent competitors from entering the businesses fields that will contribute to the further growth of the Canon MJ Group going forward.

Patent portfolio

- Security **13**%
- Digital document services **9**%
- Imaging solutions **9**%
- Low-code development **7**%
- Mathematical and demand forecasting **2**%
- Others **60**%
  - Printing
  - Computer-aided design
  - Extended reality, etc.

Case Study

▶ Patenting Activity for WebPerformer-NX

Because *WebPerformer-NX* is a new product concept, we actively engaged in patent application activities and filed for more than 10 patents before the product was released in 2023.

Over the course of nearly 10 months, the development and intellectual property divisions worked closely together to prepare the application. Upon receiving explanations from the development division on how *WebPerformer-NX* differed from conventional products and the areas in which it differs from our competitors' products, as well as confirming which aspects should be protected by patents, we identified 56 prospective functions for application. For each of these 56 items, we conducted a prior art search to verify whether the functions were patentable and after considering the product concept and the significance of each function, we narrowed down the list of patent applications to 15 functions. Through a series of meetings with each developer, the issues, composition, and effects were compiled and the claims that would protect the product concept were examined, upon which a highly dedicated patent specification was drafted.

In these ways, by obtaining patents to protect *WebPerformer-NX* technology, we believe we were able to provide customers with a high-value-added product that offers unrivaled and unique functions.

## The Canon MJ Group's Innovative Personnel

Through patent application activities and intellectual property training, the Canon MJ Group nurtures innovative personnel with the desire and skills to create inventions who are considered valuable human assets. In the Canon MJ Group, there are around 20 employees who have filed for more than 20 patents. These particularly innovative and highly experienced personnel play a leading role in the patent activities of their respective divisions and are contributing to developing the next generation of innovative personnel by serving as mentors.

Moreover, in the past, around 20% of patents filed by the Canon MJ Group were invented by employees who did not belong to the

development division, such as members of the sales and marketing divisions. This attests to the fact that inventors from all areas of the Canon MJ Group, from the front lines of the sales divisions to the development divisions, are constantly engaging in technological creation activities to meet the expectations of our customers.

Over the years, our innovative personnel have played a major role in the growth of the Canon MJ Group. Going forward, we will continue to follow this path by creating and providing new value to our customers.

Percentage of Patent Inventors from Development and Non-Development Divisions

(%)

- 2018
- 2019
- 2020
- 2021
- 2022

0   20   40   60   80   100

■ Non-development divisions   ■ Development division
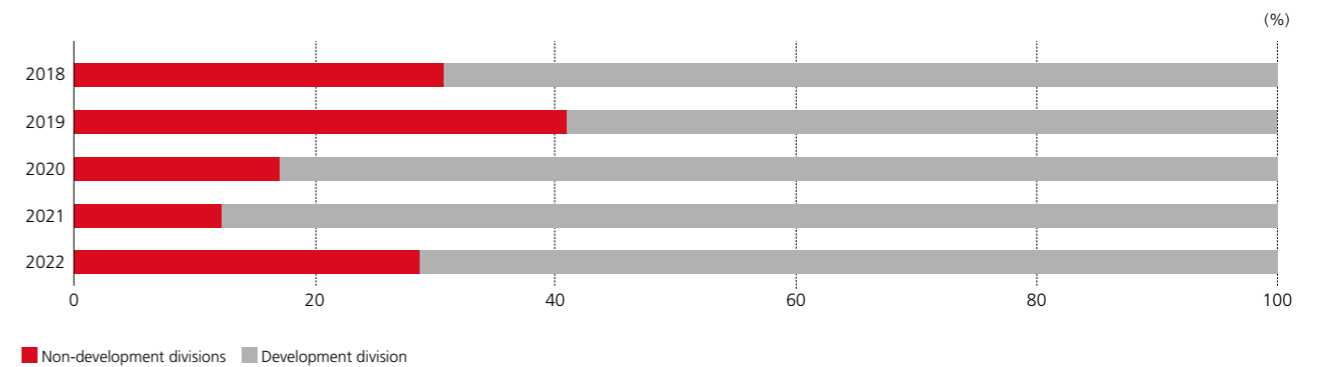
Note: The graph shows the number of patent inventors from the development division and non-development divisions as a percentage of the total number of employees who invented patents (100%).

Example Invention

Patent Invention by the Marketing Division

We obtained patents for ideas brought forth by the marketing division to resolve issues it had identified from a customer perspective concerning the management of images from the many network cameras installed for security and disaster detection purposes.

This invention shows the location of network cameras on a displayed map and shows images from network cameras that have been installed within the map area. When the displayed map area is changed, the images displayed from the network cameras also change to those of the cameras placed within the adjusted map area, enabling users to check each image through a simple operation.

Position A

Position B

Position C

Patent number: 7125615
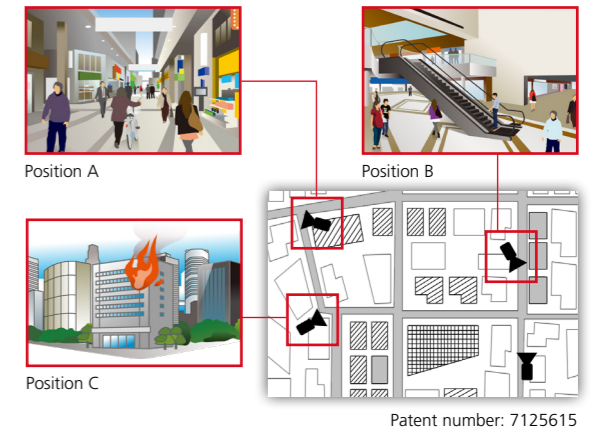
Intellectual Property Governance

The Canon MJ Group has established a governance system that protects the intellectual property of its products and services while respecting the rights of other entities.

For example, we have established an environment that enables us to take firm action against counterfeit batteries that may cause serious accidents and provide safe Canon products to customers. Moreover,

we have realized complex and sophisticated intellectual property governance for the products and services we provide, such as research into the patents and trademarks of other entities, the appropriate use of copyrighted materials, and compliance with licensing terms when using open source software.

Sustainability Management

We will accelerate our sustainability management initiatives toward the development of a sustainable society with all of our stakeholders.

Hatsumi Hirukawa
Vice-Chair of
Sustainability Promotion Committee

Looking Back on Our Sustainability Efforts to Date

Two years have passed since the Sustainability Promotion Committee was established in February 2021 as a forum for examining our approach to realizing the sustainable development of both society and the Canon MJ Group. In 2022, the committee convened a total of five times, an increase over its first year, to discuss and take various actions to address a wide range of topics, including reports on the progress and measures of our medium-term environmental targets, improvements to our measures based on the TCFD recommendations, updates with regard to information disclosure, participation in various initiatives, and human rights measures.

Moreover, matters to be discussed and resolved by the Sustainability Promotion Committee are important topics that relate to the core aspects of management and are cross-organizational themes that involve multiple other committees and divisions. Therefore, we determined that a system in which the committee operates under the direct supervision of the Board of Directors was necessary, and on April 1, 2023, we transitioned from a system in which the Sustainability Promotion Committee operates under the Management Committee to a system in which the committee operates under the Board of Directors. Accordingly, we have clarified the matters to be resolved by the committee and defined those to be
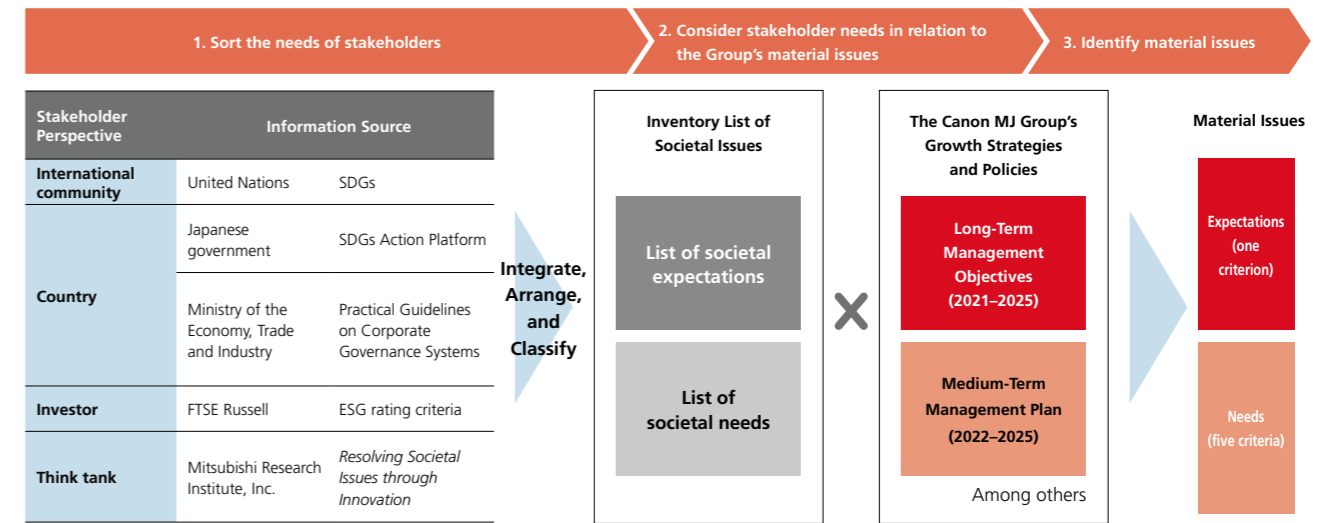
reported for discussion and approval by the Board of Directors.

In January 2023, we added four new members and enhanced the structure of the Sustainability Promotion Committee, which has taken the lead in promoting sustainability management initiatives throughout the Canon MJ Group. Also, due to the fact that sustainability management and the external disclosure of such matters are closely related to our communication strategies, the Sustainability Promotion Committee has convened alongside the Brand Strategy Committee since the latter-half of fiscal 2022.

```
Board of Directors
        |
Sustainability Promotion      Secretariat: Sustainability
Committee                     Promotion Division
```

Committee chair: President
Committee vice-chair: Executive officer in charge of planning
Committee members: Directors, directors of business units, presidents of major
　　　　　　　　　　Group companies, and heads of related divisions

Material Issue Identification Process

At the Canon MJ Group, we define material issues as key issues that need to be addressed immediately in order to maintain sustainable growth. We have identified six high-priority issues (one to meet the expectations of society and five to meet the needs of society) by

receiving advice from outside experts, sorting the needs of our various stakeholders, and taking the Canon MJ Group's growth strategies and policies into consideration.
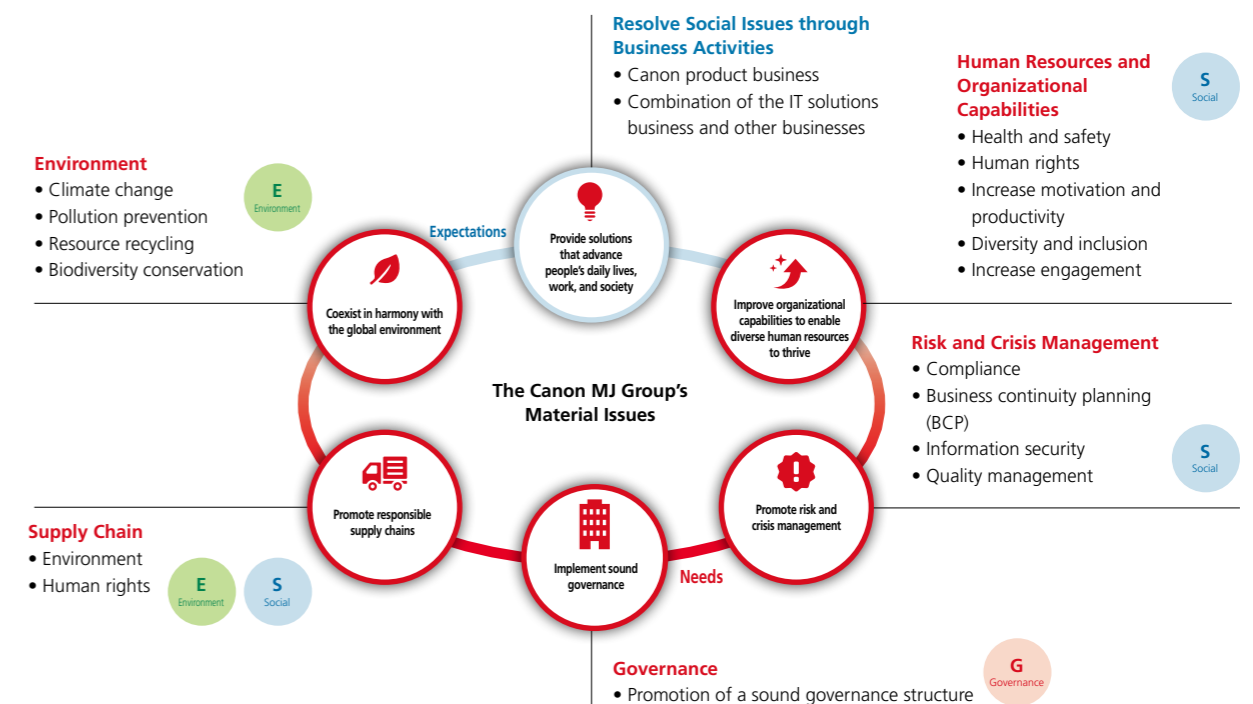
---

	1. Sort the needs of stakeholders		2. Consider stakeholder needs in relation to the Group's material issues	3. Identify material issues
Stakeholder Perspective	Information Source		Inventory List of Societal Issues / The Canon MJ Group's Growth Strategies and Policies	Material Issues
International community	United Nations	SDGs		
Country	Japanese government	SDGs Action Platform		
	Ministry of the Economy, Trade and Industry	Practical Guidelines on Corporate Governance Systems		
Investor	FTSE Russell	ESG rating criteria		
Think tank	Mitsubishi Research Institute, Inc.	Resolving Societal Issues through Innovation		

Integrate, Arrange, and Classify

- List of societal expectations
- List of societal needs

×

- Long-Term Management Objectives (2021–2025)
- Medium-Term Management Plan (2022–2025)

Among others

- Expectations (one criterion)
- Needs (five criteria)

Our Material Issue-Focused Approach

Due to their cross-sectional and multifaceted nature, our approach to material issues is spearheaded by the Sustainability Promotion Committee, which collaborates with the human resources, procurement, legal affairs, and other relevant internal departments as well as the Human Resources Strategy Committee, Risk and Crisis Management Committee, and the Quality Improvement Committee, which operate under the Management Committee. The Sustainability Promotion Committee assembles and visualizes the measures that are already being taken as well as the measures that need to be taken in the future, determines their level of priority, and establishes KPIs to develop a specific action plan.

In fiscal 2022, our key outcomes for material issues were as follows.

With respect to the environment, we achieved 100% use of renewable energy for the electricity used at five of the Group's

business sites, including Group headquarters and Canon MJ's office buildings. Also, in an effort to help realize a resource-recycling society, we identified risks and took measures to maintain our recycling rate for product waste at 99.9% or higher. In terms of respect for human rights, we identified the negative impacts of our business activities on human rights as a part of our human rights due diligence process and determined the high-priority issues. In addition, we conducted e-learning for all Group employees to promote awareness of human rights. We also defined the scope of risk and crisis management and established KPIs that are linked to the Risk and Crisis Management Committee and the Companywide risk map.

In fiscal 2023, we will proceed with measures in accordance with the themes and KPIs we have established.

Environment
- Climate change
- Pollution prevention
- Resource recycling
- Biodiversity conservation

Resolve Social Issues through Business Activities
- Canon product business
- Combination of the IT solutions business and other businesses

Human Resources and Organizational Capabilities
- Health and safety
- Human rights
- Increase motivation and productivity
- Diversity and inclusion
- Increase engagement

Risk and Crisis Management
- Compliance
- Business continuity planning (BCP)
- Information security
- Quality management

Supply Chain
- Environment
- Human rights

Governance
- Promotion of a sound governance structure

The Canon MJ Group's Material Issues

- Provide solutions that advance people's daily lives, work, and society
- Coexist in harmony with the global environment
- Improve organizational capabilities to enable diverse human resources to thrive
- Promote responsible supply chains
- Implement sound governance
- Promote risk and crisis management

Coexist in Harmony with the Global Environment

The Canon MJ Group is promoting activities in line with the Canon MJ Group Environmental Vision 2050 and the Canon MJ Group 2030 Medium-Term Environmental Targets, the interim targets of this vision, in an effort to contribute to the realization of a sustainable society that coexists in harmony with the global environment.

Relevant material issue

Coexist in harmony with the global environment

Canon MJ Group 2030 Medium-Term Environmental Targets

▌ Realization of Carbon Neutrality

Fiscal 2030 Target	**38% reduction in in-house CO_2 emissions (compared with fiscal 2021)**	Fiscal 2022 Result
		4.6% decrease from fiscal 2021

Achieving 100% Use of Renewable Energy at Five Group Business Sites

We achieved 100% use of renewable energy at five of our business sites, including the Group headquarters (Canon S Tower) and Canon MJ's office buildings (Konan, Makuhari, Aomori, and Kumamoto offices), by acquiring the FIT Non-Fossil Certificate With Tracking* for approximately nine months of electricity used over the period from April 2022 to December 2022.

* A certificate that separates and certifies the non-fossil value of electricity generated from non-fossil power sources, such as solar, wind, and biomass, with tracking information on the type of power source and the location of power plants.

Contributing to Customers' CO_2 Reduction through Our Business

Nishi-Tokyo Data Center Building No. 2 Certified as an Outstanding Specified Anti-Global Warming Facility

In March 2023, Nishi-Tokyo Data Center Building No. 2, 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). As a result, both the No. 1 building, which received the same designation in 2020, and the No. 2 building of the Nishi-Tokyo Data Center have been recognized as business sites that have an outstanding system in place for promoting measures against global warming. On the strength of its high-performance facilities and excellent operational quality, which have been refined through the 11 years of operation of the No. 1 building, the Nishi-Tokyo Data Center has made significant contributions to reductions in our customers' CO_2 emissions. By squarely confronting society's needs and expectations and providing value through information and communication technology (ICT), we will continue to play a key role in realizing a society that achieves a harmonious balance between prosperity and the environment.

▌ Contribution to the Realization of a Resource-Recycling Society

Fiscal 2030 Target	**Achieve zero emissions from product waste** (recycling rate of 99.9% or more)	Fiscal 2022 Result
		99.9% or higher

At the Canon MJ Group, we aim to maintain a recycling rate[1] of 99.9% or higher for end-of-use products collected from customers, such as printers and MFPs. We have maintained our recycling rate at over 99.9% to date and will continue to do so by identifying the potential risks and taking measures in response.

[1] Recycling rate (rate at which end-of-use products are converted into new resources) = Amount of products disposed of through methods other than landfill disposal ÷ Total amount of products disposed of

Promoting Measures to Reduce Plastic Emissions

We have defined the scope and method for calculating plastic emissions and introduced new methods of measuring and managing these emissions in 2022. Examples of our plastic emissions reduction measures include selling packaging materials as plastic raw materials and donating products that were returned by customers.

Monitoring and Enhancing the Efficiency of the Group's Water Use

In order to reduce water resource consumption by recycling water, Canon MJ's head office building, in cooperation with the Shinagawa Grand Commons Community Development Council, participates in the Reclaimed Water Utilization Project promoted by the Tokyo Metropolitan Government's Bureau of Sewerage and uses the recycled water supplied by the bureau in toilets and other facilities. We have also reduced water consumption at our head office building by installing toilet faucets that make minimal use of water.

Analyzing and Disclosing Information on the Group's Water Risks

In an effort to monitor the Canon MJ Group's water risk, a water risk assessment was carried out at its business sites in Japan using the Aqueduct Water Risk Atlas,[2] which confirmed that its overall water risk falls under the "low" or "low–medium" levels.

[2] A global water risk assessment tool developed by the World Resources Institute

▌ Contribution to Biodiversity Conservation and Pollution Prevention
Redesigning Our Social Contribution Activities to Protect Biodiversity
Furusato (Hometown) Project Activities in 2022

Guided by its Groupwide Biodiversity Policy, the Canon Group is carrying out its Furusato (Hometown) Project with the aim of preserving beautiful and verdant local communities for future generations. In this project, we promote participation in the activities of collaborating organizations and work to conserve and raise awareness of biodiversity based on the My Action Declaration,[1] a set of five actions to protect biodiversity.

[1] An initiative that enables each of us to feel a sense of connection with biodiversity in our daily lives and take action in our immediate surroundings with the goal of protecting biodiversity.

Promoting Green Procurement to Eliminate Hazardous Chemical Substances from the Supply Chain

As a part of our pollution prevention efforts, we are taking measures to eliminate hazardous chemical substances[2] and appropriately manage the chemical substances used in our business activities based on the Canon Green Procurement Standards.

[2] Please refer to page 69 for details on measures to eliminate hazardous chemical substances.

The Group's Environmental Initiatives from a Business Partner Perspective

The first step in declaring a commitment to achieving net-zero emissions is to ensure that all business activities are considered when calculating greenhouse gas (GHG) emissions. Until now, GHG emissions were calculated mainly based on the physically visible aspects of businesses, but in recent years, advertising costs, outsourcing costs, and other areas with which emissions were not directly associated in the past are being taken into account in order to realize more comprehensive measurements. In 2022, we assisted Canon MJ in identifying its Scope 3 emissions. I believe the approach we take in reducing the emissions we have identified and communicating our intention for doing so to external parties will be of particular importance going forward.

In November 2022, COP27 was held in Egypt, where a high-level expert group convened by the UN secretary-general drew some attention when it recommended that actions be taken to ensure the accountability and transparency of the net-zero emissions commitments declared by businesses and other entities. While many companies around the world are now declaring their shift to a low-carbon economy or their net-zero emissions commitments, whether these companies have legitimate climate transition plans and truly intend on implementing them is being called into question. I believe Canon MJ has a governance system in place that ensures that the progress of measures related to risks and opportunities of climate change is confirmed under the supervision of the Board of Directors and is constantly working to enhance the effectiveness of this system.

Today, society is faced with many issues, such as energy conservation at data centers and the problem of marine plastic pollution. I commend the fact that, in light of these circumstances, Canon MJ has been able to conserve energy and recycle waste through the introduction of renewable energy at its business sites and on the strength of its high-performance facilities and operational quality, as well as its determination to take action as I stated earlier.

We look forward to Canon MJ's efforts going forward and hope that we at WasteBox, Inc. will continue to make a difference in the world's transition to a low-carbon economy.
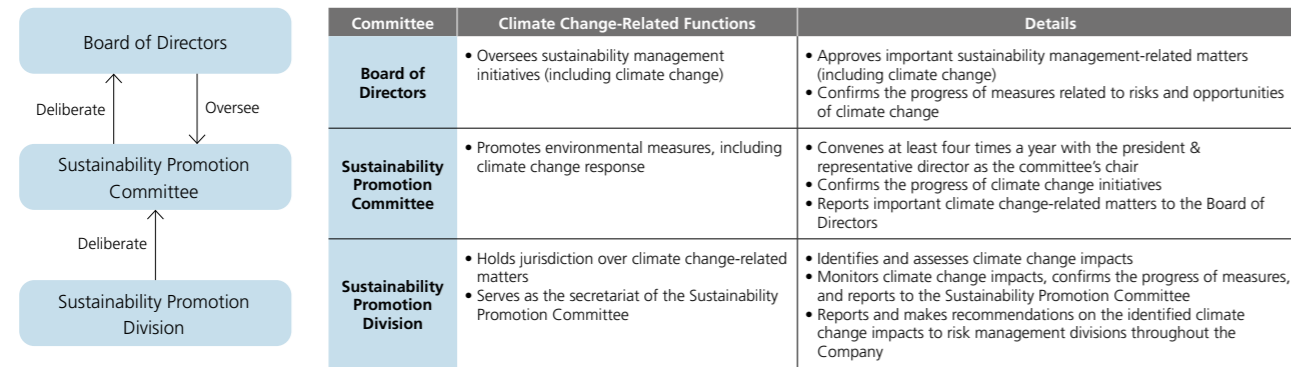
Shuichiro Suzuki
President
WasteBox, Inc.

Initiatives for TCFD Recommendations

■ Governance

Climate Change Response Promotion Structure

Committee	Climate Change-Related Functions	Details
Board of Directors	• Oversees sustainability management initiatives (including climate change)	• Approves important sustainability management-related matters (including climate change) • Confirms the progress of measures related to risks and opportunities of climate change
Sustainability Promotion Committee	• Promotes environmental measures, including climate change response	• Convenes at least four times a year with the president & representative director as the committee's chair • Confirms the progress of climate change initiatives • Reports important climate change-related matters to the Board of Directors
Sustainability Promotion Division	• Holds jurisdiction over climate change-related matters • Serves as the secretariat of the Sustainability Promotion Committee	• Identifies and assesses climate change impacts • Monitors climate change impacts, confirms the progress of measures, and reports to the Sustainability Promotion Committee • Reports and makes recommendations on the identified climate change impacts to risk management divisions throughout the Company

Supervisory System of the Board of Directors

The Canon MJ Group has a system in place under which the Board of Directors supervises matters to be discussed and resolved by the Sustainability Promotion Committee, as they are important matters that relate to the core aspects of management and pertain to the entire organization. The Board of Directors receives reports on the risks and opportunities associated with climate change from the Sustainability Promotion Committee at least once a year and monitors and supervises the progress of measures related to such risks and opportunities.

Sustainability Promotion Committee

Matters concerning climate change are discussed by the Sustainability Promotion Committee. The Sustainability Promotion Committee is chaired by the president & representative director, who assumes overall responsibility for all sustainability-related matters, including climate change. The committee assesses the impact of climate change on our business at least once a year and holds discussions concerning our approach to minimizing the identified risks and seizing opportunities.

■ Risk Management

The Sustainability Promotion Division, which oversees matters related to climate change, takes the lead in identifying the risks and opportunities of climate change and assesses the circumstances of its impact on our business in cooperation with the relevant internal divisions and Group companies. The Sustainability Promotion Division also examines appropriate responses, which are reported and proposed for deliberation to the Sustainability Promotion Committee. The division also reports and deliberates on certain climate change-related impacts and matters to risk management divisions throughout the Company, thereby assuming the role of integrating the impacts of climate change into our Companywide risk management.

Risk Management Process
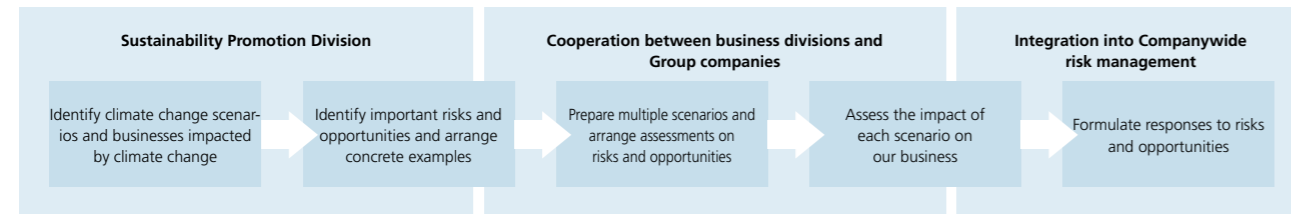
■ Metrics and Targets

Aiming to realize carbon neutrality, we are working to achieve our goal of reducing in-house CO_2 emissions by 38% (compared with 2021) as part of our climate change countermeasures in the Canon MJ 2030 Medium-Term Environmental Targets. In 2022, we achieved a 4.6% reduction[*1] in CO_2 emissions compared with the previous year. In addition, the Canon MJ Group has aggregated and disclosed its GHG emissions.[*2]

*1 Please refer to page 63 for our measures aimed at the realization of carbon neutrality.
*2 Please refer to page 91 for details on our GHG emissions.

■ Strategy

At the Canon MJ Group, we conducted scenario analyses to identify the various risks and opportunities posed by climate change to our business. Using the Intergovernmental Panel on Climate Change's Representative Concentration Pathway (RCP) scenarios of 1.5°C (RCP 1.9) and 4°C (RCP 8.5) as well as the International Energy Agency's Sustainable Development Scenario (IEA-SDS), the scenario analyses were carried out by selecting risks and opportunities that were shared throughout the Group as well as the Group's key businesses that have a significant impact on climate change. Climate change impacts are determined to be risks or opportunities based on short- or medium- to long-term (beyond 2030) time frames.

Classification		Scenario	Risk	Details / Specific Examples	Business Sites	Data Centers	Systems Integration Services	Printers and MFPs	Financial Impact	Countermeasures
Transition risks	Government policies / legal frameworks	1.5°C	Impact of carbon tax implementation on the Company and suppliers	The implementation of carbon taxes would lead to higher electricity prices and operating costs, as it would entail the payment of taxes for the amount of CO_2 emitted by the Company and raise the cost of generating electricity for the power company.	✔				Moderate	• Collect information on and analyze and address recent trends in environmental regulations • Promote measures to achieve the Canon MJ Group 2030 Medium-Term Environmental Targets (including the consideration of establishing renewable energy facilities and CO_2 emissions reduction initiatives) • Collect information on and consider the adoption of renewable energy based on the global situation
	Technology		Cost of energy-saving equipment	The achievement of CO_2 emissions reduction targets would require the installation of energy-saving equipment, leading to higher equipment costs.	✔				Low	
			Cost of renewable energy facilities	The achievement of CO_2 emissions reduction targets and the introduction of new technologies to accommodate the shift to clean energy would entail the establishment and redevelopment of renewable energy facilities, leading to higher facility costs.	✔				Low	
	Market		Changes in printing environment	Changes in the printing environment, such as the increased cost of procuring paper due to forest conservation efforts, reductions in paper use stemming from an increase in customers' environmental awareness, and advances in digitalization, are reducing the printing needs of customers in certain business fields.				✔	High	Provide solutions that are tailored to the needs of customers' changing printing environments (provide digital solutions in increasingly digitalized fields and more-efficient printing solutions in areas with high printing demand)
	Reputation		Reputational damage	The Company's inability to facilitate the shift to a low-carbon society may deteriorate its reputation among customers, investors, and society as a whole.	✔				Low	Disclose our approach and the status of our measures to address climate change
Physical risks	Acute	4°C	Damage to product storage facilities	Damage to product storage facilities as a result of flooding and other water-related disasters caused by the increasing intensity and frequency of heavy rainfall may impede the Company's business activities.	✔				Low	Propose measures to be implemented at warehousing companies
			Inability to commute to work	Employees' inability to commute to work due to transportation or other issues caused by the increasing intensity and frequency of weather-related disasters may impede the Company's business activities.	✔				Low	Maintain and promote a system and framework that allow businesses to continue to operate as usual even when employees do not come to the office due to telework or other reasons
	Chronic		Increase in average temperatures	The rise in average temperatures may lead to higher air conditioning costs for data center server rooms and business sites.		✔			Low	Consider the establishment of energy-saving facilities
			Rise in sea levels	The number of areas susceptible to changing sea levels may increase and certain facilities located in low-altitude coastal areas may incur damage or even become submerged.	✔				Low	Collect information on and analyze and address the risk of damages

Classification		Scenario	Opportunities	Details / Specific Examples	Business Sites	Data Centers	Systems Integration Services	Printers and MFPs	Financial Impact	Measures
Opportunities	Energy	1.5°C	Reduction of energy costs	Lower energy costs resulting from the increasing adoption of renewable energy will lead to a more stable supply of energy.	✔				Low	Collect information on and consider the adoption of renewable energy
	Resilience		Increases in organizational value through improved ability to address climate change	A systematic approach to climate change that includes climate risk assessment and risk diversification measures will help stabilize business operations and facilitate the development of solid management and business foundations, spurring improvements in external assessments and stock prices.	✔				Low	Disclose our approach and the status of our measures to address climate change
	Products and services		Increased opportunities for systems integration service businesses	• Increasing need for demand forecasting and supply–demand planning solutions that help reduce CO_2 emissions by optimizing and streamlining logistics operations • Declining use of paper in manufacturing processes and growing need for DX that contributes to greater productivity along the engineering chain • Rising demand for digitalization and document management services due to greater emphasis on energy and forest conservation			✔		High	Strengthen solutions businesses that help customers reduce CO_2 emissions and make effective use of paper resources
			Increased opportunities for printer and MFP businesses	Increased demand for environment-friendly products certified with environmental labels, such as printers and MFPs				✔	Moderate	Strengthen sales of energy-efficient, user-friendly products
		4°C	Increased opportunities for data center businesses	• Growing demand for zero-carbon data centers that contribute to reductions in customers' Scope 3 emissions • Greater demand for robust data centers that can withstand natural disasters for the purpose of establishing a business continuity plan (BCP) as a result of the increasing frequency of weather-related disasters		✔			High	Strengthen data center businesses that help customers reduce CO_2 emissions and ensure business continuity

Initiatives to Support Sustainable Growth

Relevant material issues   **Promote responsible supply chains**   **Improve organizational capabilities to enable diverse human resources to thrive**

Respect for Human Rights

Basic Stance

Based on the United Nations Guiding Principles on Business and Human Rights, the Canon MJ Group is developing initiatives to promote respect for the human rights of its employees, business partners, and all other stakeholders involved in the Group's business activities. We promote respect for human rights by taking measures in accordance with the Canon Group Human Rights Policy, which was formulated in 2021. The policy clearly states that we conduct human rights due

diligence, operate a grievance mechanism, conduct awareness training, and engage in dialogue with stakeholders in order to ensure respect for internationally recognized human rights, including the prohibition of child and forced labor, the prevention of unreasonable restrictions on movement and excessive overtime work, and respect for freedom of association and the right to collective bargaining.

Human Rights Awareness Training

We conducted an e-learning program for employees with the aim of instilling basic knowledge on business and human rights and awareness of the Canon Group Human Rights Policy. In 2022, a total of 15,193

Canon MJ Group executives and employees participated in the program (98.1% participation rate).

Human Rights Due Diligence

In implementing human rights due diligence, we identified the negative impacts of the Canon MJ Group's business activities on human rights and issues of high priority based on the United Nations Guiding Principles on Business and Human Rights and guidelines issued by the

Japanese government. We will continue with our existing measures to reduce human rights risks even further while strengthening them with respect to newly identified issues.

		Rights Holder		
		Suppliers / Contractors	Employees	Customers / Consumers
High-priority issues	Discrimination based on race, gender, religion, and other factors		●	●
	Harassment		●	
	Child labor	●		
	Forced labor	●		
	Excessive overtime work	●	●	
	Occupational health and safety / Health hazards and accidents	●	●	●
	Invasion of privacy		●	●

Example of Human Rights Measures

▶ **Harassment Prevention**

At the Canon MJ Group, we take various measures to prevent sexual harassment, power harassment, and other problems before they occur. In training sessions for new employees and newly appointed managers, we clearly define workplace harassment and incorporate case studies as well as train them on appropriate ways to respond if an incident were to occur. Also, in our compliance meetings,* our divisions hold discussions on harassment

from the perspective that it can take place at any time in our surroundings.

* An annual meeting of Group employees held at all worksites (approx. 2,000 divisions) for the purpose of raising awareness of compliance in the workplace, promoting specific measures, strengthening communication, and discussing and sharing information on the risks associated with our business and operations and implementing preventive measures.

Diversity

Relevant material issue   **Improve organizational capabilities to enable diverse human resources to thrive**

Approach to Diversity

Based on *Kyosei*, the Canon Group's corporate philosophy, the Canon MJ Group aims to realize a society in which all people, regardless of culture, customs, language, or ethnicity, can live and work together in happiness. Through our corporate activities rooted in *Kyosei*, we will continue to embrace diversity as we aim to become a company where diverse human resources with different personalities and values can flourish and continue to grow by motivating each other.

Empowerment of Women

Six Canon MJ Group companies have established an action plan based on their respective issues, which include the appointment and hiring of female managers. Canon MJ is working to increase the ratio of women in management positions to 6.0% or more and in deputy management positions, who are candidates for management positions, to 20.0% or more by 2025.

In addition, both Canon MJ and Canon IT Solutions have acquired two-star Eruboshi (L Star) certification from the Minister of Health, Labour and Welfare.

The chart on the right shows the wage difference between Canon MJ's male and female employees.

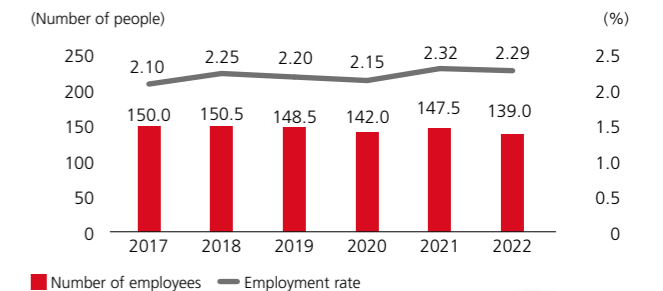| Wages of Canon MJ's Female Employees as a Percentage of Male Employees	
All employees	79.0%
Of whom, permanent employees	75.1%
Of whom, contract employees	150.8%

Balancing Work with Childcare and Nursing Care

Aiming to create an environment where employees can work vibrantly while balancing work with childcare and nursing care responsibilities, we have a variety of systems in place that facilitate their career development and allow them to continue to work while focusing on their personal lives. Both Canon MJ and Canon IT Solutions have acquired Platinum Kurumin certification for their excellence in providing childcare support.

Employing People with Disabilities

Canon MJ strives to create a comfortable workplace environment where all employees, regardless of disability, can make the most of their abilities and experience and to provide more employment opportunities for people with disabilities.

Employees with Disabilities (Non-Consolidated)

(Number of people) / (%)

	2017	2018	2019	2020	2021	2022
Number of employees	150.0	150.5	148.5	142.0	147.5	139.0
Employment rate	2.10	2.25	2.20	2.15	2.32	2.29

■ Number of employees ― Employment rate

Relevant material issue   **Improve organizational capabilities to enable diverse human resources to thrive**

Health and Productivity Management

The Canon MJ Group promotes initiatives to support the health of employees and realize health and productivity management based on the principle of "Health First" set forth in the Canon Code of Conduct. The health of each and every employee drives employee performance and engagement and contributes to sustainable increases in corporate value by maximizing the value of human capital.

Based on our Three-Year Health Management Plan and our annually formulated Canon MJ Group Safety and Health Activity Policy, we engage in health management with a focus on cancer, lifestyle disease, and mental health, three priority issues that the Group has been working to address. In addition, by appointing a director in charge,

Canon MJ is working to standardize health support policies across the Group to support the health of its employees.

As a result of these efforts, 11 Canon MJ Group companies, including Canon MJ, were recognized under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program as a corporation that excels in practicing health and productivity management.

2023
健康経営優良法人
Health and productivity
ホワイト500

Relevant material issues

Coexist in harmony with the global environment

Promote responsible supply chains

Procurement Activities

The Canon MJ Group is committed to developing solid relationships with its suppliers and ensuring awareness of its fundamental approach to procurement activities. In view of this, we disclose our Basic Procurement Policy on our corporate website to ensure that products and services are consistently procured at appropriate prices while complying with procurement-related laws and regulations and paying due consideration to protecting the environment.

Moreover, to raise compliance awareness, we provide training to employees in the Procurement Department on the Group's action guidelines and procurement-related laws and regulations. With new suppliers, we assess the potential risks prior to engaging in business transactions and conclude basic agreements at the start of each transaction, 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.

▶ Engagement in Green Procurement

We endeavor to eliminate hazardous chemical substances by complying with the Canon Green Procurement Standards, and we make sure that the product chemical management systems established for suppliers are being implemented and that suppliers are continually complying with these 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 origins of minerals in their products and help us eliminate the use of conflict minerals.

Relevant material issue

Promote risk and crisis management

Risk and Crisis Management

We have established the Risk and Crisis Management Committee, chaired by the director, senior vice president in charge of Group General Administration & Human Resources Management, for the purpose of building and implementing risk management systems and
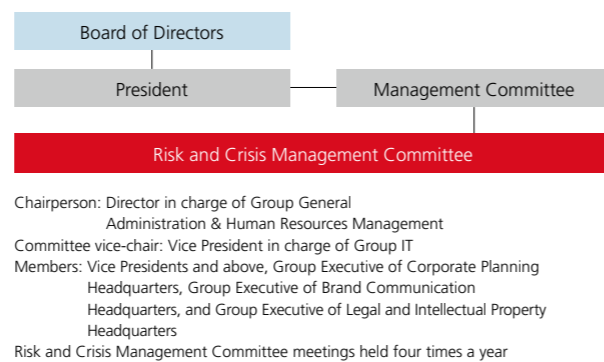
crisis management systems in order to improve the corporate value of the Canon MJ Group and minimize loss for our stakeholders.

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

Board of Directors

President — Management Committee

Risk and Crisis Management Committee

Chairperson: Director in charge of Group General
　　　　　　 Administration & Human Resources Management
Committee vice-chair: Vice President in charge of Group IT
Members: Vice Presidents and above, Group Executive of Corporate Planning
　　　　 Headquarters, Group Executive of Brand Communication
　　　　 Headquarters, and Group Executive of Legal and Intellectual Property
　　　　 Headquarters
Risk and Crisis Management Committee meetings held four times a year

▶ Key Initiatives and KPIs for Promoting Risk and Crisis Management

Key Initiatives	2023 Metrics (KPIs)
Ensure rigorous risk and crisis management	Hold Risk and Crisis Management Committee meetings at least four times a year, in principle
Train employees on risk and crisis management	Provide training on compliance, the BCP, and information security, and quality to all employees at least once a year
Address information security risks	Conduct cybersecurity training at least once a year

▌ Raising and Promoting Awareness of Corporate Ethics and Compliance

At the Canon MJ Group, we view compliance not only as the observance of laws and regulations but also as upholding laws and social rules, maintaining social justice, and continuing to meet the expectations of society. To ensure that each individual always acts in good faith with high ethical standards and a law-abiding spirit, we promote compliance activities from the perspective of raising awareness, instilling knowledge, and undertaking organizational measures.

We strive to ensure that all executives and employees are thoroughly informed of the Canon Group Code of Conduct, which sets forth the standards to be observed in the execution of their duties, and distribute copies of the Compliance Card containing the "Three-Selfs" spirit (self-motivation, self-management, and self-awareness), which represents

the Canon Group's universal guiding principles, while enhancing awareness and instilling knowledge through education and training programs. We also distribute compliance-related email newsletters to ensure better understanding of and adherence to laws, regulations, and various rules related to our business operations.

Moreover, at our compliance meetings, we discuss and verify compliance risks, the measures to be taken to address these risks, and important compliance-related matters at each worksite. We also continue to operate our internal reporting system.

▌ Promoting Information Security

▶ Policy

The Canon MJ Group is working to strengthen its information security infrastructure in order to contribute to the realization of a safe, secure, and sustainable society by means of business activities that resolve the issues of customers and society through the power of people and ICT. The Group takes measures against cyberattacks and other information security risks and regards the appropriate handling of information assets used in business activities as an important management priority. We strive to continue to improve information security through the use of third-party certifications, such as the Information Security Management System (ISMS) Conformity Assessment Scheme and the PrivacyMark System.

To strengthen information security governance, the Group promotes an information security management system involving all employees through direction, monitoring, and assessment by management.

▶ Cybersecurity Countermeasures

In a bid to minimize cybersecurity risks and damages to the Group's infrastructure and the products and services it provides to customers, we established the Canon Marketing Japan Group Computer Security Incident Response Team (Canon MJ-CSIRT), which takes measures to prevent, monitor, and respond to cyberattacks.

Canon MJ-CSIRT is an organization consisting of various internal departments related to IT, information security, and quality management that collaborates with the Canon Group's CSIRT and other external institutions and organizations, such as the Nippon CSIRT Association.

In addition, the Group conducts cybersecurity training at least once a year as a measure against information security risks.

▌ Quality Management

The Canon MJ Group is constantly working to enhance quality so that it continues to provide safe, reliable, and high-quality products, services, and support to its customers and earn high levels of customer satisfaction.

In proceeding with our business transformation with the IT solutions business at the core of our business growth, we have declared our commitment to continuing to address customer needs by means of

our quality policy, which we work to ensure awareness of in all of our employees on a regular basis.

Moreover, we have established a quality management system that combines the requirements of ISO 9001, the international quality management standard, with the Canon MJ Group's unique framework in an effort to improve customer satisfaction.