



Canon Marketing Japan Inc.

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Canon Marketing Japan Group Website

- Corporate Information
<https://cweb.canon.jp/eng/corporate/>
- Investor Relations
canon.jp/8060e-ir
- Sustainability Initiatives
canon.jp/corporate/en/sustainability
- Consolidated Financial Statements
<https://cweb.canon.jp/eng/ir/library/past.html>



Canon Marketing Japan Inc.

Resolving Social Issues with IT Solutions

Integrated Report 2022

For the year ended December 31, 2022

The Canon MJ Group's Sustainability Management

Based on the philosophy of *Kyosei*, we will unite with all of our stakeholders in realizing a society where all of humanity can enjoy a long life, work, and live happily together.



Based on the corporate philosophy of *Kyosei*, the Canon Group 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. Accordingly, we will 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 *Integrated Report 2022*, 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's corporate philosophy of *Kyosei*. We consider this document an important communication tool for deepening understanding of the Group among our various stakeholders.

Detailed financial information is available on the Company's website and in its securities report. The website also details sustainability activities.

Reporting Period

This report covers fiscal 2022, the year ended December 31, 2022, and also includes details of activities and information for years prior to and after this period.

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 abbreviations.
Canon Marketing Japan Group → Canon MJ Group
Canon Marketing Japan Inc. → Canon MJ

Reference Guidelines for Integrated Reports

The Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation of the Ministry of Economy, Trade and Industry (METI)

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.

Masachika Adachi
President & Representative Director



Challenge

Taking Our Profitable Growth to the Next Stage

We will accelerate our development of highly skilled personnel and the pace of our investment in growth with a focus on transitioning to a service-based business model.

Review of Fiscal 2022 Results and Issues We Foresee Beyond Our Medium-Term Management Plan

In fiscal 2022, we posted our highest results for operating income, ordinary income, and net income attributable to owners of the parent. We are steadily proceeding on the right path to achieving ITS3000, our key strategy for realizing ¥300.0 billion in net sales in the IT solutions business by fiscal 2025.

We believe this achievement is the result of a series of efforts to transform the Company into a leaner profit structure, including clarifying the areas of focus of products and services and target customer segments, providing higher value-added proposals, and improving productivity through the selection and concentration of businesses and the review of business processes.

▶ Please refer to page 9 for details on our initiatives.

Meanwhile, there is a positive sense of urgency when it comes to our business activities beyond the Medium-Term Management Plan (2022–2025). Even as it stands now, we are certainly on the right track to achieve our targets for ITS3000 and our Medium-Term Management Plan (2022–2025). However, looking ahead to fiscal 2025 and beyond, we must develop the IT solutions business with a greater sense of urgency if we are to gain a competitive edge over the market.

We intend to accelerate growth by increasing the profitability of the Canon product business and investing the cash generated from this business in the IT solutions business and other areas.

The Canon product business has already established a stable revenue base in areas such as maintenance services for office multi-function printers (MFPs) and consumables for laser printers and inkjet printers and boasts exceptionally strong cash generating capabilities. In the IT solutions business, we aim to transition to a service-based business model in order to establish a stable revenue base, but I feel that we must increase the momentum of this shift. Unlike systems integration, which can generate billions of yen in sales at a time, the service-based business model is developed through upfront investments, and upon the launch of a service, sales are based on monthly and yearly usage fees. In other words, as it takes much longer to generate sales compared with systems integration, a certain length of preparation time must be set aside. In that sense, I feel that more needs to be done to prepare for the new services that are slated to be launched in fiscal 2023 and fiscal 2024.

Until now, we have revised our initial targets upward when it became clear that they were going to be achieved. In my experience, people develop more quickly when they take the initiative to aim as high as they can. I hope to create a situation right away in which our employees have the capacity to take on new challenges and, even if we were to increase our targets, cast the move in a positive light as an opportunity for growth.

Developing Highly Skilled Professionals and Undertaking Growth Investments to Accelerate Our Transition to a Service-Based Business Model

To continue to grow the IT solutions business, we must constantly remain up-to-date with the latest technological trends and explore new technologies. In addition to helping resolve our customers' issues by ensuring a thorough knowledge of their businesses, we

must also be aware of the challenges faced by the users of our customers' products and services.

We can create new solutions by linking customer issues with the technologies suited to overcoming them. Moreover, if these



solutions are to be deployed as generic services, we can predict the degree to which they would be used in the relevant markets and thereby determine whether it is appropriate to make upfront investments based on their potential business scale. In order to accelerate investment in growth, we must continue to develop and increase the number of highly skilled personnel who have the capacity to make such decisions.

The ability to make such decisions on a variety of projects will enable us to establish a number of services in advance. Rather than fearing failure, I believe that creating a wide range of services and retaining the ones that have proven successful will expand the scale of our IT solutions business. At the Canon MJ Group, our usual process is to first create various IT solutions for large corporations and then expand the ones that can be tailored as services across various industries for small and medium-sized enterprises.

■ **Developing Highly Skilled IT Solutions Professionals**

As the environment surrounding our customers’ businesses becomes more diverse and complex, it is becoming increasingly difficult for customers to identify and articulate the issues that emerge along their extensive value chains. In order to propose solutions upon gaining an in-depth understanding of customers’ situations and articulating the potential issues, we emphasize the development of human resources who are not only proficient in

technical fields but also familiar with customers’ businesses and have an understanding of the overall market. This development approach is particularly underscored in our Enterprise segment and at our Group company Canon IT Solutions Inc.

▶ **Please refer to page 29 for details on our development of highly skilled IT solutions professionals.**

■ **Investing for Growth**

Although we have declared the goal of investing at least ¥200.0 billion in growth over the four-year period through fiscal 2025 of the Medium-Term Management Plan (2022–2025), we have not been able to invest at the pace required to reach this target. While I am not implying that we should invest in just anything, if we look ahead to fiscal 2025 and beyond, our growth may taper off unless more resources are injected into our business right away.

We have continued to take a proactive stance in regard to M&As. Along with making steady progress with preparations, we have carried out investments and formed business alliances. Going forward, we will continue to seek M&A opportunities that allow us to generate synergies by closely monitoring our business situation.

With M&As, the companies involved must be pursuing the same goals in order for them to succeed. In order to widely engage with such companies, we will continue to keep our eyes open for such opportunities and invest in projects immediately when deemed necessary.

Distinctive Features of the Group’s IT Solutions Business

The Group’s IT solutions business started out with the sale of MFPs and other hardware products and the provision of relevant document and imaging solutions. The years that followed saw the additions of system companies such as Sumitomo Metal System Solutions Co., Ltd. (now Canon IT Solutions Inc.), a subsidiary of the former Sumitomo Metal Industries, Ltd. and a systems integrator with strengths in the manufacturing industry, into the Group through M&As, which has led to where we are today.

While there are other companies that provide IT solutions using their own document equipment, what sets the Group apart is the fact that it gets more deeply involved in its mission-critical system and not just in document solutions. Although our system

development projects are of a similar scale as other major systems integrators, our strength lies in the fact that we have at our disposal Canon products that input and output information and the linkage between these input and output devices and systems.

Our customers vary greatly in scales, from large corporations that are several times larger than the Group to companies with several dozen employees and individually operated businesses. There are a variety of organizations within the Group that can respond to each of these markets, through which we develop an array of solutions. This type of structure is also a characteristic unique to the Group that is seldom found in other IT companies.

Co-Creation and Collaborative Creation That Transcend Group Boundaries

Co-creation refers to the process of creating value together with customers by identifying their business issues through dialogue. While there is the need to articulate issues that our customers cannot, visualize potential issues that they face, and make proposals for each of them from the perspective of overall optimization, simply developing a new system for each project does not increase efficiency. We must look at issues across industries and uncover the common issues while demonstrating the knowledge and speed to determine the scope of the system to be generalized.

Therefore, in addition to our own activities, we will focus on our collaborative creation with diverse business partners, which all have their own unique strengths. By combining the operational insights of Canon MJ and our business partners, which are backed by our extensive track record, with our respective cutting-edge technologies, we will strive to make proposals that go above and beyond the expectations of our customers and help overcome the issues of society.

■ **Co-Creating Solutions for Society**

In August 2022, Canon Inc. developed the *Canon Radio Frequency Identification (RFID) Location Information Solution* to efficiently monitor the locations of people and objects through RFID readers, which employ radio waves to read RFID tags in a contactless manner, and conducted trial operations at a construction site of Obayashi Corporation.

The construction industry is actively taking measures to promote digital transformation (DX) as a means to improve the working environment and productivity of construction sites, in light of such

issues as the aging workforce and lack of manpower, as well as in accordance with Article 36 of the Labor Standards Act (Article 36 Agreement) concerning restrictions to overtime hours, which is scheduled to come into effect from April 2024. By simply attaching an RFID reader to their arms, construction site managers can accurately and efficiently identify the locations of construction materials, equipment, and workers with RFID tags. In addition to reducing the time spent on locating construction materials, equipment, and workers, we expect this technology to lead to benefits such as enabling construction site managers to manage work processes more efficiently and reducing costs through more effective placement of personnel.

The *Canon RFID Location Information Solution* can be used not only at construction sites but also at medical facilities, logistics warehouses, retail stores, offices, and other locations where managing the locations of people and objects is deemed essential. Preparations are well underway for the launch of this service by the end of fiscal 2023.

■ **Engaging in Collaborative Creation with Business Partners: A Process Geared to Developing Edge Solutions**

In April 2020, we introduced our *Prospectus On-Demand Printing System*, a project developed together with Mizuho Bank, Ltd. and Nomura Research Institute, Ltd. This system enables financial institutions to easily reference, search for, and print out prospectuses* through linkage to the mutual fund system on the operation panel of MFPs.

Message from the President

The *Prospectus On-Demand Printing System* enables users to avoid the risk of distributing outdated versions of prospectuses as the system can print out the latest versions at any time as well as substantially reduce storage, delivery, and disposal costs as the prospectuses do not need to be distributed from warehouses to stores. This system has been adopted by Okasan Securities Co., Ltd., Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., and other financial institutions.

The Prospectus On-Demand Printing System was originally developed on an individual basis for each bank and securities company that had decided to adopt this system, but in October 2022, we began providing it as a packaged service called the *MEAP Prospectus On-Demand Printing for FundWeb Library*. This move has eliminated the need to develop individual applications, accelerated the implementation process, and enabled support services to be provided uniformly throughout Japan. Backup services and other administrator functions have also been incorporated into this packaged service as new features.

This project is also a part of the process of developing edge solutions, a key area of focus in the IT solutions business. By drawing on its strength in providing solutions for the financial industry, the Group was able to establish this business by proceeding from the initial announcement to the packaging phase in a mere two and a half years, which I was extremely pleased with.

In addition to this project, we have begun engaging in other collaborative creation projects with customers to develop packaged services that play a key role in their DX efforts. Through our solid relationships of mutual trust with customers, we will strive to expand our knowledge of various industries and develop solutions and services that we can proudly claim as unique strengths of the Canon MJ Group.

Moreover, we will expand our business in the sale of such packages by collaborating with a wide range of business partners throughout Japan.

* Documents that financial institutions are required to provide to investors when selling mutual funds, which can either be in paper or electronic format.

have continued to manage our business with the mindset of breaking away from this situation.

We are now in a position to make high-value-added proposals that identify the true challenges faced by our customers, and

now that we have reached a breakthrough, we must take our profitable growth to the next stage. We will continue to invest in growth, enhance the productivity of each employee, and increase sales with our sights set on further growing our business.

To Our Stakeholders

The Canon MJ Group is in a position where it has an abundance of highly liquid assets, and therefore, investors often inquire about our cash allocation. In response, we have set forth an investment target of ¥200.0 billion or more in our Medium-Term Management Plan (2022–2025). As I stated earlier, although we have not been investing at the rate we had initially anticipated, we will steadily make investments by carefully assessing our options.

We have also received a number of opinions on shareholder returns, which I believe attests to the high regard for the growth of both our business and stock price. In the two years since I became president, we have increased our dividend by 50%. We intend on continuing to return profits to shareholders by ensuring profitable growth.

I often tell my employees to strive to develop the Company into one that is always counted on, appreciated, and appealing. People will do their best when they feel counted on, which tends to be appreciated. When appreciated, we aspire to become even more appealing as people and a company, which will lead to even better relationships with customers and business partners.

As representative director, it is my duty to accelerate our transition to a service-based business model and take our profitable growth to the next stage. In the process, we will instill a culture of taking on challenges, which I am convinced will serve as the cornerstone of our sustainable growth. I hope that all of our stakeholders will look forward to the future of the Canon MJ Group.

August 2023
M. Adachi

Instilling a Culture of Taking on Challenges to Continue to Grow in the Years Ahead

I have always urged our employees to take on challenges and embrace new opportunities. Because of our efforts since 2018 to establish a leaner management foundation, we were able to increase our operating income even during the difficult post-2020 period, which saw the unexpected spread of COVID-19. Now that we have entered the post-COVID-19 era, I tell our employees, including new employees and managers at their training sessions, to “open their eyes and reach for the sky” so that we can forge ahead to our next stage of profitable growth.

To co-create and engage in collaborative creation for the purpose of transitioning to a service-based business model means creating new solutions that are unlike those of the past. There will naturally be failures when new challenges are pursued with an emphasis on speed. I tell our employees to embark on challenges as quickly as possible while anticipating the kinds of failures that may occur. Even if they do not succeed, they can examine what went wrong and use what they learned from this experience in their next challenge.

Having expressed my desire for employees to challenge themselves on various occasions, I am beginning to see gradual changes in our corporate culture. Many veteran employees express their enthusiasm for embarking into new areas of business. I am pleased to see this kind of willingness not only in our younger employees but throughout a wide range of employees. The other day, an executive of a company we have been doing business with for some time told me that the attitude among the Canon MJ employees who visit his company has changed. Other clients have stated that our sales representatives have become more active in making proposals. I am truly delighted that our proactive approach is catching the attention of those outside the Company as well.

Owing to the efforts we have made over the years to eliminate unnecessary costs and establish a leaner management foundation, we are now able to take on new challenges. Our former president often talked about becoming a company that is not easily influenced by changes in the social environment, and we

Please refer to the pages indicated on the right for details on each strategy.

▶ Page 9



Our Path to Business Transformation and Further Growth

▶ Page 19



Financial Strategy (Financial Capital)

▶ Page 23



Human Resources Strategy (Human Capital)



We have transitioned to a more robust corporate structure and laid the foundation for our rapid growth going forward.

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



Amid its drastically changing business environment, the Canon MJ Group more than doubled its operating income per employee over the period from fiscal 2015 to fiscal 2022. In this section, we will discuss the changes that have been made to our business structure to that end and our approach to achieving further growth going forward.

Increasing Added Value by Focusing on Our Strengths and Identifying Our Customer Targets

Despite various challenges, such as the 2007–2008 financial crisis, the Great East Japan Earthquake, and the COVID-19 pandemic, the Group has continued to develop a more robust corporate structure that is less susceptible to changes in its external environment. Based on our customer-centric approach, we set out to strengthen our corporate structure to be able to efficiently provide the most optimal solutions with greater added value by fully understanding and identifying the specific issues and needs of each customer. Accordingly, in 2018 we reorganized our corporate structure from one based on product and sales channels to one based on markets and customers.

▶ Please refer to page 15 for details on our customer-centric approach.

Meanwhile, we endeavored to enhance profitability by withdrawing from businesses in certain fields where we felt it was difficult to add value, focusing on areas and industries where we can demonstrate our strengths, targeting specific customer groups, and shifting to a strategy based on customer segments.

For example, in terms of camera products, while we had been conducting mass marketing campaigns for a wide range of customer groups, we narrowed our focus to camera users with a strong interest in photography, including professionals and avid photography enthusiasts, and catered our proposals to specific subjects, which has allowed us to increase the value we provide to customers. In addition to

individual customers, similar initiatives are being introduced for office multifunction printers (MFPs), IT solutions, and other products and services for our corporate customers.

At the Canon MJ Group, one of our strengths is our extensive customer base encompassing large corporations and small and medium-sized enterprises, which we have boasted for many years. By identifying the issues and needs that vary according to the size of our customers' businesses, we combine Canon products and IT solutions and provide value based on each element on a one-stop basis. As an example of such efforts, we defined key performance indicators for our IT solutions business by customer segment in fiscal 2021.

Based on our deep understanding of the various businesses and markets we have cultivated to date, we continue to develop solutions that focus on the areas, industries, and technologies in which we hold a competitive advantage.

▶ Please refer to page 35 for details on our IT solutions business by customer segment.

These efforts have allowed us to continue to increase our operating income since our reorganization into a customer-centric corporate structure in fiscal 2018, leading to the achievement of our highest-ever results in fiscal 2022.

Strengthening Our Financial Structure and Management Foundation

In addition to improving productivity by strengthening its proposal-making capabilities, the Canon MJ Group has taken measures to reform its business processes and increase the efficiency and productivity of its business operations.

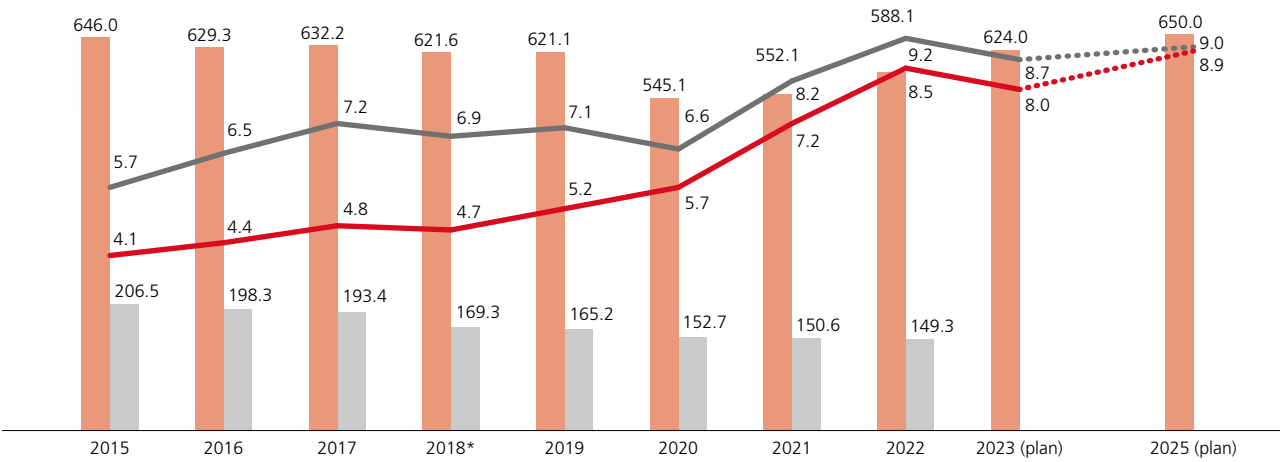
We are working to visualize the series of tasks being undertaken by each internal division and optimize overall efficiency. For example, we were able to improve customer satisfaction and internal productivity by enhancing the operating efficiency of our customer engineers, who provide maintenance and repair work for office MFPs and other products. By centrally monitoring the status of our customers' MFPs remotely, we are able to keep track of the remaining amounts of toner and other

consumables as well as the status of paper jams, enabling us to actively dispatch customer engineers before supplies run out or problems occur. As a result, we can now manage the schedules of customer engineers in a systematic manner and thereby increase the number of units handled by each engineer.

In addition, we have reduced our workforce in back-office departments by refining our shared services.

By focusing on certain customer groups, our employees are now better positioned to make high-value-added proposals, which has allowed us to manage selling, general and administrative expenses, such as advertising and sales promotion costs, more appropriately.

Performance Trend



■ Net sales (Billions of yen) ■ Selling, general and administrative expenses (Billions of yen) — Operating margin (%) — ROE (%)
* Labor costs for customer engineers have been included in cost of sales from fiscal 2018 and beyond.

Operating Income per Employee

(Millions of yen)							
2015	2016	2017	2018	2019	2020	2021	2022
1.5	1.5	1.7	1.7	1.9	1.9	2.4	3.1

Toward Further Growth

The aim of the Group's business portfolio is to continue to increase the profitability of the Canon product business and invest these profits into the IT solutions business and our new businesses, generating profitable growth. We are reinforcing two strategies to achieve this aim with a high degree of effectiveness.

The first strategy is to invest in areas where we can further refine our strengths, in terms of both strengthening our existing businesses and exploring new businesses.

▶ Please refer to page 19 for details on our growth investments.

The second is to establish an engagement improvement cycle. The aim is to be able to autonomously develop highly skilled personnel and maximize our organizational capabilities. Through close coordination among the Sustainability Promotion Committee, which operates under

the Board of Directors, and the Brand Strategy Committee, the Human Resources Strategy Committee, and the Quality Improvement Committee, which all operate under the Management Committee, we are working to build a greater sense of unity among senior management and accelerate our efforts in developing new strategies.

▶ Please refer to page 23 for details on our engagement improvement cycle.

In order to achieve our plans from now until fiscal 2025 and sustainable growth in the years that follow, using a broad perspective we will seize opportunities, overcome risks, and strive to maximize our corporate value through a greater sense of unity by leveraging our ability to make timely decisions.

History of the Canon MJ Group

The Canon MJ Group has continued to expand its role in society and its presence in the lives of customers for more than 50 years by identifying with their various issues and aiming to become the most trusted company. We will remain committed to our approach of always creating and proposing solutions from the viewpoint of our customers and helping overcome the various issues of society.

1968

Canon Business Machines Sales Inc. and Canon Business Machine Services Inc. established

1969

Canon Camera Sales Co., Ltd. established

1971

Canon Business Machines Sales Inc., Canon Business Machine Services Inc., and Canon Camera Sales Co., Ltd. merge to form Canon Sales Co., Inc.

Releases BP-1000 billing machine and enters office computer field

1981

The Company lists on the Second Section of the Tokyo Stock Exchange

1983

The Company lists on the First Section of the Tokyo Stock Exchange

Forms sales alliance with Apple Computer Inc.

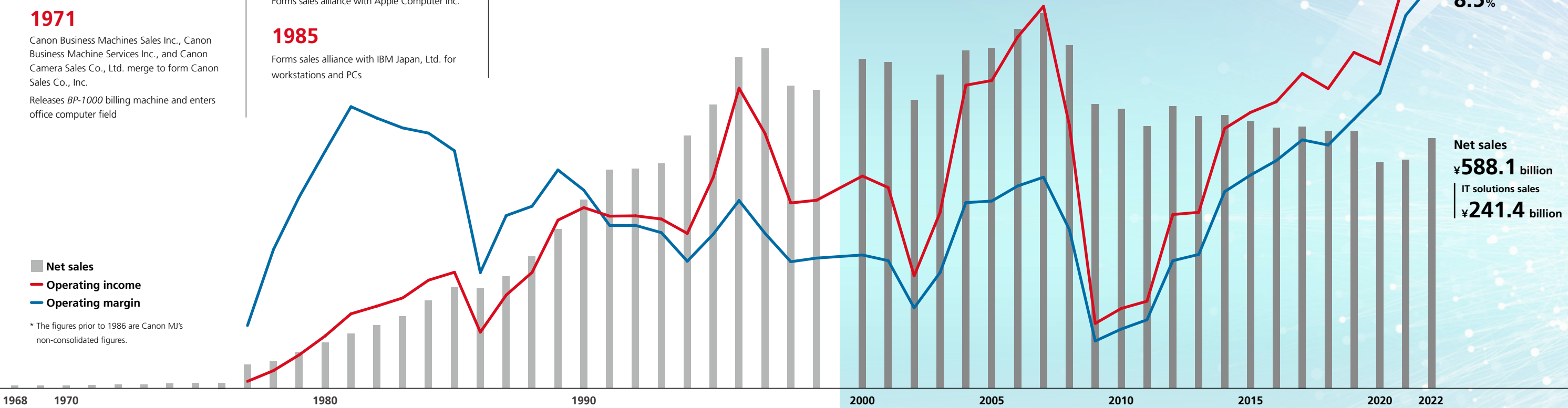
1985

Forms sales alliance with IBM Japan, Ltd. for workstations and PCs

1990

Becomes Ministry of International Trade and Industry-certified systems integrator

Forms sales alliance with Sun Microsystems Japan K.K.



Roles of the Canon MJ Group

1990– Systems integrator function (systems integration business)

1980– Trading company function (sale of PCs and servers of other companies)

1968– Sale of cameras and business machines



The Canon MJ Group was established in 1968 as a sales company for Canon's business machines. Looking to grow the business for Canon's cameras and business machines, the Group strengthened its sales channels and expanded its customer base by capitalizing on the power of the Canon brand and its sales capabilities. In addition, to address the diverse needs of customers, we expanded the scope of our business to include the sale of personal computers manufactured by Apple Computer Inc. and other companies as well as systems integration, thereby developing a business like no other.

2000–

Transitions from wholesale company to information services company

2010– IT provider function

Develop a highly resilient corporate structure that is less susceptible to changes in the external environment by transforming our business in line with changing needs

From 2000 onward, we actively invested in IT, including through M&As, and proceeded to transform our business portfolio into that of an information services company. However, from 2008 to 2011, the Group felt the impacts of the global financial crisis, the Great East Japan Earthquake, and other unexpected events and therefore fell short of the profit growth it had aimed to achieve. Seeing this as an opportunity to transform its corporate structure into one less susceptible to changes in the external environment, the Group refined its unique technological and development capabilities to promote high-value-added businesses and bolstered productivity to strengthen its earnings structure.

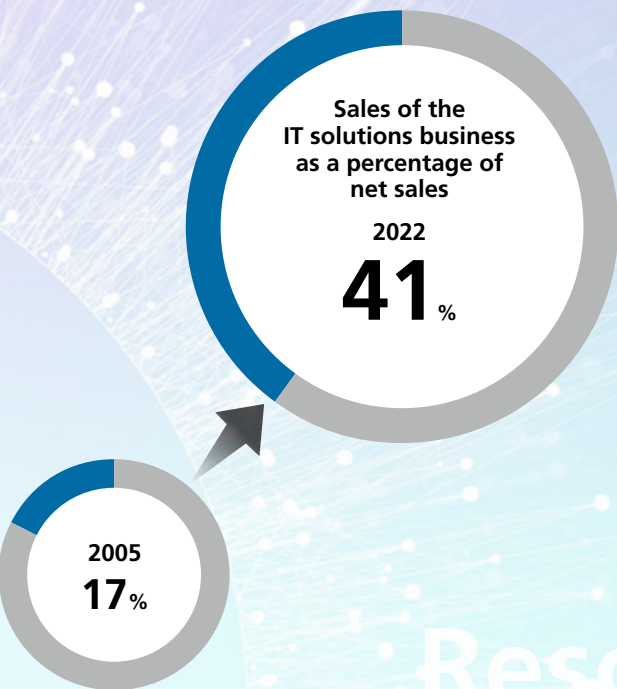
Today, the IT solutions business is our core business. Going forward, we will rapidly expand our business on the road to achieving our 2025 Vision of becoming a "professional corporate group that solves social and customer issues using ICT and the power of humans."

Focus: History of the IT Solutions Business and Its Source of Competitiveness

The Canon MJ Group has evolved from a wholesale company into an information services company and developed the IT solutions business into what is now its core business. We will take a close look at how the IT solutions business evolved into what it is today as well as the sources of its strength.

What inspired the Canon MJ Group to establish the IT solutions business?

The IT solutions business was launched based on our aspiration of becoming a company that could provide comprehensive solutions to various customer needs through the combination of hardware and software, with Canon products at the core. As many products began transitioning from analog to digital technology in the 1980s and digitalization and information technology took hold throughout society due to the proliferation of the internet in the 1990s, the main focus of businesses switched from material hardware to solutions. To accommodate the change in needs from things to experiences that took place throughout these years, we accelerated our transformation from a wholesale company that relied on hardware into an information services company, as a solutions provider that always took the initiative to seek solutions to customers' issues.



How did the IT solutions business expand to what it is today?

In 1982, we made Fuji System Development Inc., which we invested in and made an affiliated company in 1978, a subsidiary and launched the software business. Thereafter, we became an exclusive distributor in Japan for Apple Computer Inc., which became the starting point for our full-scale launch of the systems integration business. The systems integration business proposes solutions that combine hardware and software development by capitalizing on the Group's trading company capabilities and partnering with computer manufacturers and IT service companies in Japan and overseas. In 2003, we made Sumitomo Metal System Solutions Co., Ltd., which boasted strengths in systems integration for the manufacturing and logistics industries as well as security, a subsidiary; in 2007, we acquired Argo 21 Corporation, a company that was highly competitive in the financial and public sectors; and in 2008, we established Canon IT Solutions Inc. through the integration of these subsidiaries. As a result, we developed a system conducive to providing a vast range of IT solutions in the business machine industry, which at the time was limited to the sale of hardware and the provision of services in the document domain. These initiatives, which were carried out with the expectation that paper-based businesses would eventually hit their peak, have played an impactful role in increasing our corporate value.

Meanwhile, as the camera and business machine markets matured, we set our sights on expanding new business domains. In 2012, we established the Nishi-Tokyo Data Center, a facility offering high-quality features, such as advanced security and seismic performance, to expand our IT outsourcing and cloud service businesses. This data center has strengthened our system for providing a comprehensive line of support services throughout the life cycle of our customers' IT systems, from planning to maintenance and operations. We also

launched our *SOLTAGE* public cloud service based on this data center; made sweeping improvements to our security business, particularly with the sale of *ESET* antivirus software; expanded our business processing outsourcing (BPO) business centered on Canon BizAttenda Inc.; and in the process, laid the foundation for what we are today.



What makes the Group's IT solutions services unique?

Our IT solutions services are unique in that the value they provide is not limited to only the customer base that has been cultivated through the sale of Canon products. They meet the needs of an extensive range of customers, including large corporations, small and medium-sized enterprises (SMEs), and individuals, as well as the specific needs of each industry and business category, by flexibly combining systems integrator (system and software development), trading company, and IT solutions provider functions.

- Systems Integrator (System and Software Development) Function:** Development capabilities utilizing unique technologies that have been refined through our development of software for Canon products, M&As, and other aspects of our business
- Trading Company Function:** Ability to procure products that meet customer needs, including overseas products, and localize them as necessary
- IT Solutions Provider Function:** Ability to ensure efficient IT operations through the use of IT (including AI) and our highly sophisticated data center and to provide a vast array of services, including content creation and management

Leveraging these unique features, we offer a wide range of solutions tailored to the scale, type, and industry of our customers' businesses. The ability to provide comprehensive IT support to every type of customer is a strength of ours and our highly profitable maintenance and operations services are an area of our operations that continues to achieve solid growth. We continue to expand our service-based business model by offering a group of basic modules that were developed together with large corporations for industry-specific systems to quasi-major and upper medium-sized enterprises in a form that allows them to combine and select only the ones they need as well as to provide them in the form of services to SMEs.



Please refer to page 35 for details on our line of services.

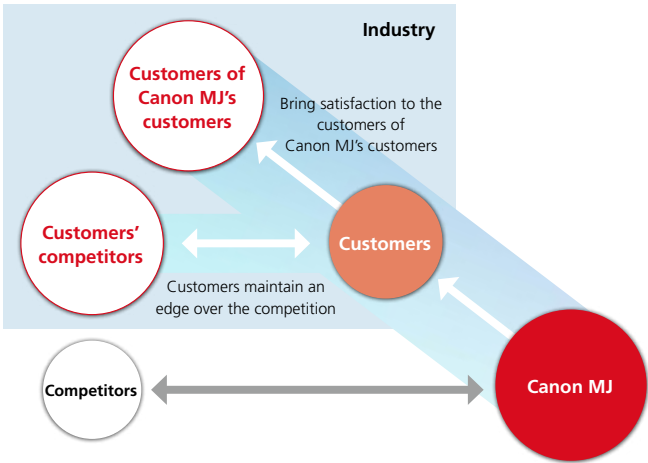


The Canon MJ Group **Today**

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 our 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.

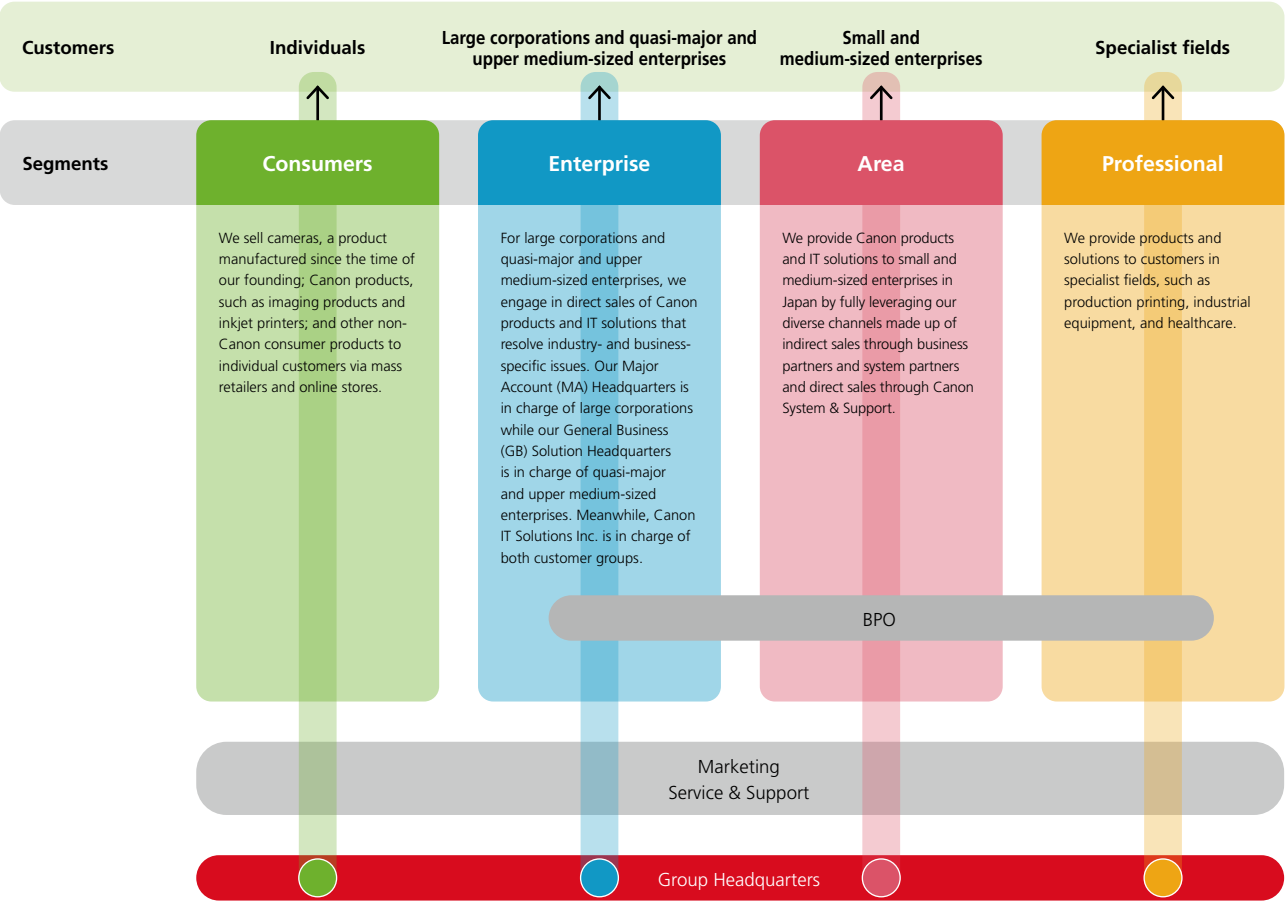
For example, rather than making us the subject by stating “Canon MJ will...,” we begin with “The customer’s issues are...” By using the customer’s viewpoint based on the external environment they face, we will provide solutions that can truly meet their needs in order to bring them satisfaction and put them in a superior competitive position.



We will resolve the various issues of customers and society under our customer-based organization structure.

In order to propose the best possible solutions to the increasingly diverse and sophisticated needs of our customers, we have established a market- and customer-based sales structure that is divided into four segments. The marketing and service and support functions, which are

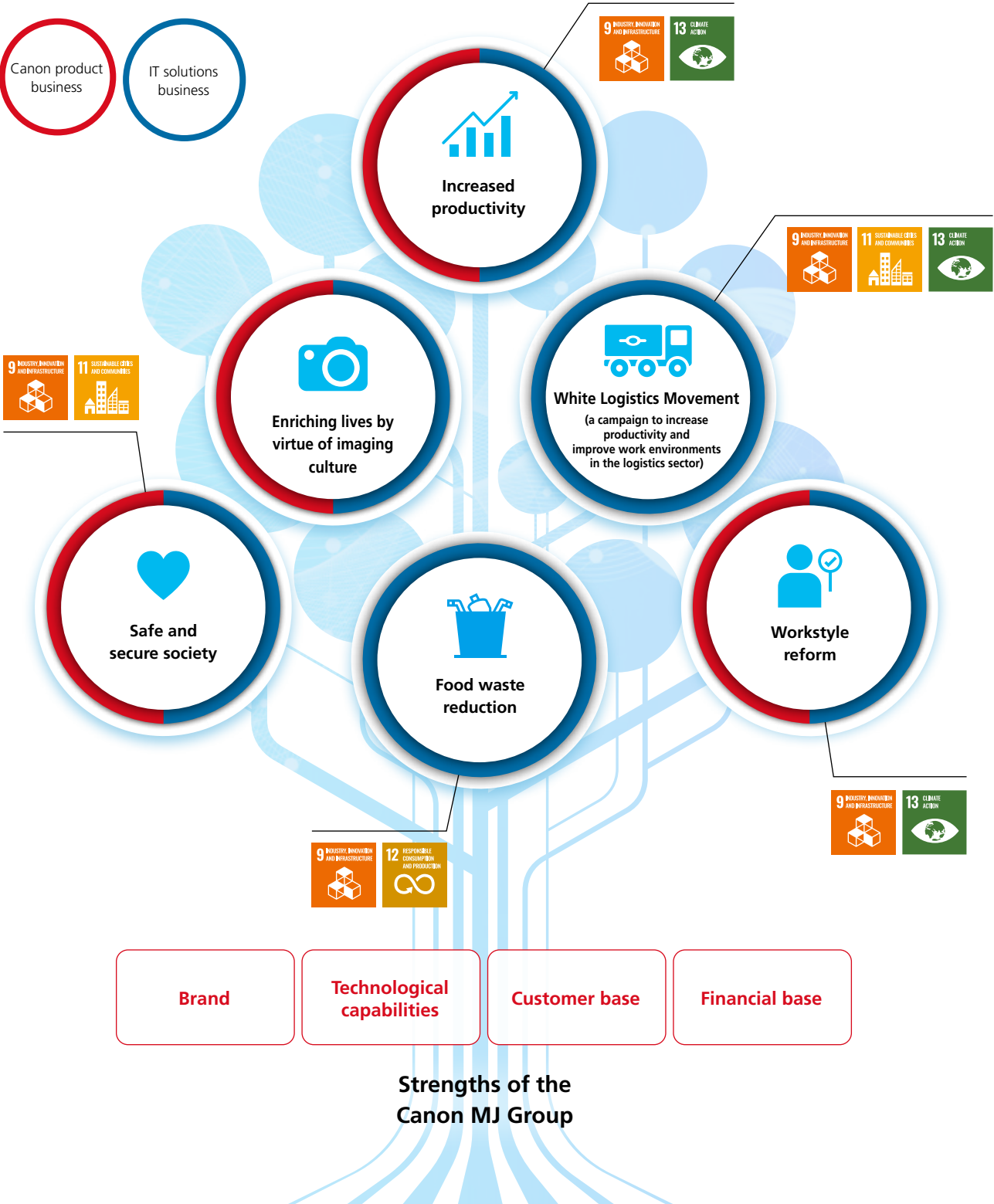
not included in the four segments, provide support to each segment while strengthening our products and services and enhancing productivity along the value chain.



**Canon product business + IT solutions business
⇒ Resolve social issues through business**

Based on the Canon Group's Kyosei corporate philosophy, the Canon MJ Group will unite with all of its stakeholders in realizing a society where all of humanity can enjoy a long life, work, and live happily together. We promote sustainability management by combining the

Canon product business and the IT solutions business to offer a more extensive range of solutions and resolve the issues of society through our business.



Value Creation Process

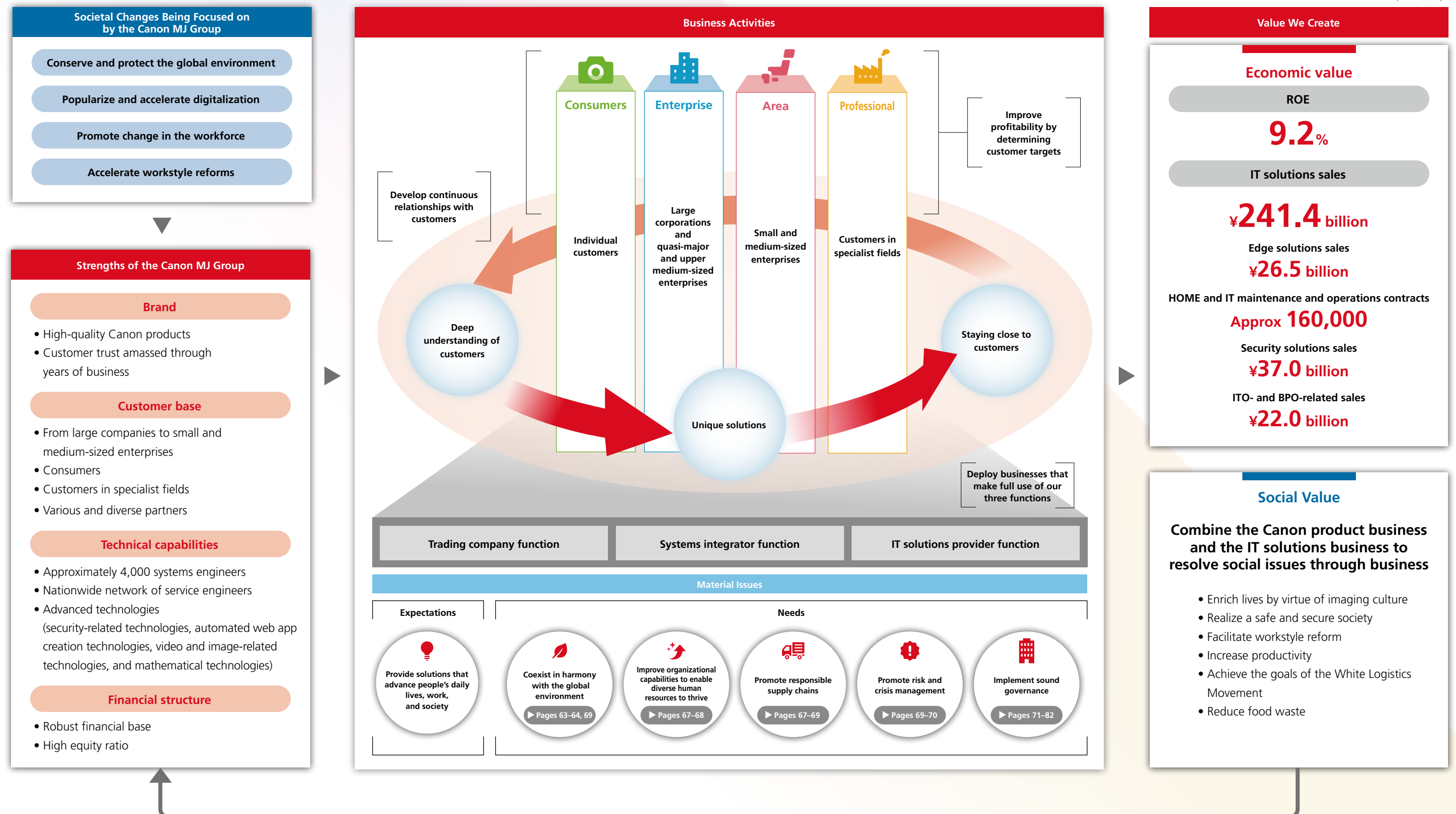
Canon Group
Corporate Philosophy

共生 Kyosei

Canon MJ Group
2025 Vision

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

(2022 results)



Financial Strategy (Financial Capital)

We will pave the way to sustainable growth by continuing to boldly invest in the future growth of our business.

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



Financial Results

While the Message from the President section of this report touches on Canon MJ's financial results for fiscal 2022, please allow me to explain these results in more detail. As the inaugural year of our new medium-term management plan covering the period up to fiscal 2025, fiscal 2022 was positioned as a crucial year for our business. We got off to an exceptionally promising start, as net sales improved 7% from the previous year, to ¥588.1 billion, and operating income soared 26% year on year, to ¥49.9 billion. As a result, we posted our highest results for operating income for the second year in a row, in addition to achieving record-breaking results for ordinary income and net income attributable to owners of the parent. Moreover, both net sales and operating income improved in all of our business segments.

The driving force behind this encouraging performance was the IT solutions business, the focal point of our operations, as sales improved 9% year on year, to ¥241.4 billion. Due to the rapidly advancing global trend toward digital transformation (DX), I believe we were able to successfully tap into demand through the proprietary

technologies we have developed over the years and our long-cultivated capabilities for proposing the most optimal solutions to customers.

Looking back on fiscal 2022, we faced headwinds from the outset in the form of material supply shortages and surging logistics costs. Regardless, we fared well in this environment owing to the fact that our basic strategy of expanding the IT solutions business took hold throughout the organization.

Based on these fiscal 2022 results, in January 2023 we upwardly revised our Companywide consolidated financial plan for fiscal 2025. Our operating income target for fiscal 2025, announced in April 2021, has been increased by ¥8.0 billion, to ¥58.0 billion. As for ROE, we have already achieved our initial target of 8% ahead of schedule. Looking ahead to fiscal 2025, we will establish a system that enables us to consistently achieve ROE of 9% or more and proceed with our plan of increasing this to 10% or more in the near future.

Updated Companywide Consolidated Financial Plan

		Updated Financial Plans of Medium-Term Management Plan (2022–2025)		(Billions of yen)	
	2022 (Results)	2023 (Projection)	2025 (Projection)	2025 (Previously Announced Figures)	Change from 2025 Targets Announced in April 2021
Net sales	588.1	624.0	650.0	650.0	0
(of which, IT solutions sales)	241.4	269.2	300.0	300.0	0
Operating income	49.9	50.0	58.0	50.0	+8.0
Operating margin	8.5%	8.0%	8.9%	7.7%	+1.2%
ROE	9.2%	8.7%	9.0%	8.0%	+1.0%

Policy on Cash Allocation

Investment for Growth

We are actively investing in growth businesses, systems, and human resources in line with our announcement of allocating ¥200.0 billion or more to growth investments during the four-year period under our Medium-Term Management Plan (2022–2025). We underscore the importance of investing aggressively in accelerating our transformation into a service-based business model and achieving further growth.

In terms of investing in growth businesses, in fiscal 2022 we welcomed QB5 Inc., a human resources business processing outsourcing company, into the Group. We have also been focusing on developing new products, including the release of *DigitalWork Accelerator*, an electronic transaction management service that will serve as a solution for many companies in complying with the Law on Book and Record Keeping through Electronic Methods. In addition, Canon IT Solutions Inc.'s low-code development tool *WebPerformer* was upgraded, and a cloud-based version of this platform has been introduced to better meet the needs of the rapidly growing low-code market. As for system-related investments, we have organized and are proceeding with the

development of the Group's next-generation mission-critical system. By revamping our existing system and reassessing the way we conduct business, we aim to enhance productivity even further.

With respect to human resources-related investments, we are taking measures and creating a framework to develop highly specialized personnel internally. In addition to our in-house development of employees who are highly proficient at creating IT solutions and innovation-minded personnel who will be essential to our entry into new business domains, we are working to secure specialists from outside the Company to speed up the pace of business growth. Moreover, in response to the recent rapid increases in commodity prices, we have implemented special pay raises for all employees of the Canon MJ Group. Going forward, we will continue to make every effort to develop highly skilled professionals, increase employee engagement, and create a rewarding workplace environment in the process.

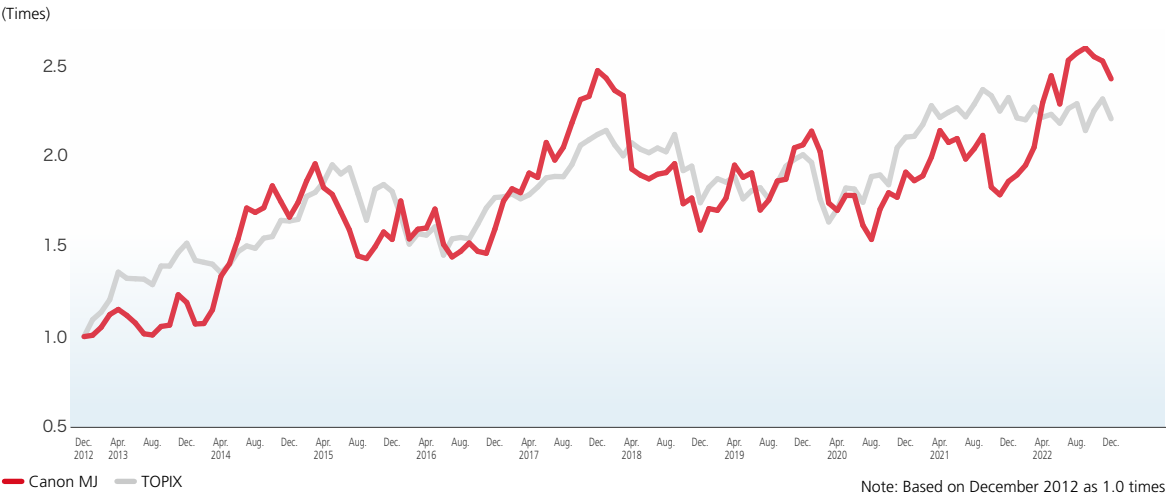
Shareholder Returns

With regard to cash allocation, we place the same level of importance on returning profits to shareholders as we do on investing in future growth. Our policy is to steadily increase dividends in line with profit growth, steadily implement a dividend payout ratio of 30% or more as we have continued to do for some time, and increase total shareholder returns. Meanwhile, investors have requested an increase in the dividend payout ratio. We intend to do exactly that by continuing to achieve profitable growth and realizing even higher levels of net

income attributable to owners of the parent in the future.

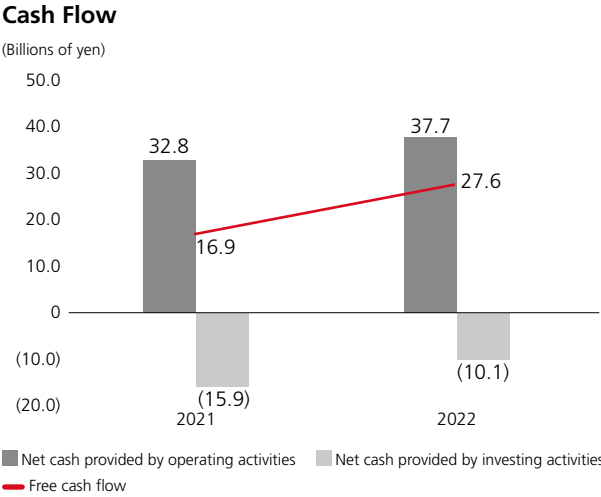
We will continue to consider a wide range of measures to increase the liquidity of our shares, and in 2022 we reviewed our cross-shareholdings and promoted activities to increase overall market liquidity by promoting sales of our shares. Similarly, if a company holding our shares as cross-shareholdings expresses a desire to sell these shares, we will proceed with such a sale.

Stock Price Range

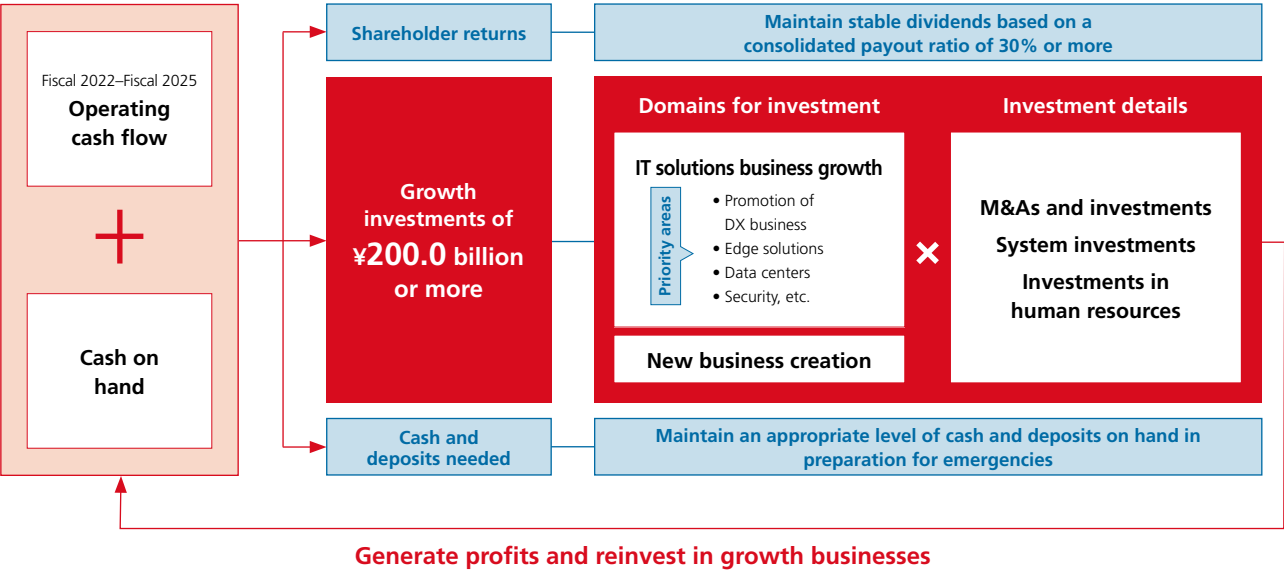


The Company has been enhancing its ability to generate ample cash flow through recent increases in profits and thorough management of working capital. Currently, funds that have no immediate use are lent to the parent company in the form of short-term loans. As these short-term loans can be returned at any time when the need for funds arises, such as in the case of M&As, we are able to respond flexibly to unexpected events.

In the Medium-Term Management Plan (2022–2025), we declared that ¥200.0 billion or more will be invested in growth over the four-year period from 2022 to 2025. We will make efficient use of the cash generated toward the achievement of our sustainable growth in the future.



Policy on Cash Allocation



Accelerating the Path to Sustainable Growth

My most important role as chief executive of the Finance & Accounting Headquarters is to ensure, from a financial perspective, that the appropriate system is in place for realizing the Group's sustainable growth up to 2030 and 2050 from onward.

While we will expand our existing businesses to realize the goals of the Medium-Term Management Plan (2022–2025), achieving sustainable growth in the years that follow will entail entry into new business domains. I would like to implement a variety of systems to accelerate investment in new businesses, measure the effectiveness of such investments, and develop employees who are highly proficient in investment strategies and can bring about innovation.

Over this past year in particular, we have put systems in place to expedite the pace of decision-making for investments. When making decisions on investments and loans, discussions are held by a dedicated committee before the matter is presented to the Board of Directors. In the past, the committee would spend a great deal of time discussing almost every project. However, due to the need for quicker decisions on a greater number of projects in recent years, our rules were changed in fiscal 2022, shortening the time for making decisions by delegating decision-making authority based on the amount of investments and allocating more time to discussions on more-important large-scale investment projects.

We will continue to review our rules to facilitate even timelier decisions on investments when necessary. At the same time, we will make sure to maintain financial discipline.

When venturing into new domains with multiple new businesses, it is natural for some of them to fail to a certain degree. The financial criteria for withdrawing from such businesses are already in place and in use, so we will quickly and flexibly make changes according to the state of the Company, in the same way as our investment decisions.

While the Canon MJ Group has not engaged in large-scale M&As in the past few years, history shows that M&As have played a major role in its development. As it takes some time before synergies with existing businesses are created, M&As do not necessarily lead to immediate profits. On the other hand, even if we were to encounter negative impacts as a result of amortizing goodwill, our financial base is sufficient to withstand such consequences. Therefore, if there is a promising project in sight, we will not hesitate whatsoever in investing in such an opportunity.

Proactive Engagement with Shareholders and Investors

Since its reorganization in 2018, the Group has been disclosing financial information based on customer groups. While the IT solutions business has been achieving solid results, the fact that it is still a relatively little-known business is an issue we must address. Many investors have asked for the results of our high-priority IT solutions business to be disclosed in an easy-to-understand manner. For this reason, we began disclosing the breakdown of results of the IT solutions business through a matrix table on our financial presentation in fiscal

2022. I believe this will give readers a better understanding of which businesses are on the rise and the reasons behind upward trends.

Moving ahead, we will continue to actively engage with shareholders and investors and disclose information in an easy-to-understand manner to deepen their understanding and trust in the Group. We look forward to your continued guidance and support.

Overall Sales of IT Solutions Business (January to December)

(Billions of yen)													
	Consumers		Enterprise		Area		Professional		Other		Total		Composition Ratio
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2022
Systems integration services (YoY change)	0	0 –	57.3	64.7 +13%	9.9	10.0 +1%	7.5	9.6 +28%	(1.6)	(2.3) –	73.0	82.0 +12%	34%
Maintenance and operations services / outsourcing (YoY change))	0	0 –	39.0	40.5 +4%	9.2	10.1 +9%	1.4	1.4 +4%	(2.0)	(1.5) –	47.6	50.5 +6%	21%
IT products and system sales (YoY change)	28.8	29.3 +2%	32.2	37.4 +16%	43.2	45.1 +5%	0	0 –	(3.7)	(2.9) –	100.5	108.8 +8%	45%
Total (YoY change)	28.8	29.3 +2%	128.4	142.6 +11%	62.3	65.2 +5%	8.9	11.1 +24%	(7.3)	(6.7) –	221.1	241.4 +9%	

Note: Fiscal 2021 results have been reclassified to reflect the impact of the reclassifications made to certain products and businesses from fiscal 2022. "Other" is a business segment that is excluded from the reportable segments and includes shared service businesses and the elimination of intersegment transactions.

Human Resources Strategy (Human Capital)

Aiming to further expand our business, we will create an environment conducive to pursuing new challenges in a timely manner by placing priority on our employee recruitment and development processes.

Minoru Mizoguchi

Director & Senior Vice President
In charge of Group General
Administration & Human Resources Management,
Group Legal and Intellectual Property, and Group Logistics
Group Executive of General Administration & Human
Resources Management Headquarters
General Manager of Secretarial Office



Establishing the Ideal Human Resources Portfolio for a Service-Based Business Model

Let me begin by discussing the results of an external assessment that has been conducted over a number of years on the specific qualities of the Canon MJ Group's workforce. In this assessment, our employees received high marks for their strong determination to achieve their goals at all costs. Meanwhile, the results also indicated that there is room for improvement from a creativity point of view, such as their ability to make future projections on their own and conceptualize freely.

The Canon MJ Group made its start through the sale of Canon products in Japan. Due to the Group's sales-based business model, employees were expected to produce results by working tirelessly to sell products to customers and ensuring that this process was managed diligently. For that reason, as demonstrated by the results of our external assessment, there are many employees at Canon MJ with the skills and abilities to deliver on their goals.

In recent years, however, we have seen a change in our business landscape. Customers' needs have shifted from standalone products to services combining products and IT solutions that help resolve their issues. In response to this change, we at Canon MJ are reinforcing the IT solutions business and transitioning from a business model centered on sales to one focused on services.

The key to achieving this is to identify customers' issues, develop solutions to resolve said issues, strengthen our ability to make proposals that look ahead to the future and cater to customers' individual needs, and create new businesses by pursuing all of these measures. However, due to the changes in the Group's business to date, we have yet to reach our goal when it comes to developing highly creative employees who can create new value.

Aiming to resolve this issue and develop a large number of employees who are ideally suited to our service-based business model, we established a human resources portfolio in 2022. In formulating our new human resources portfolio, we laid out two major steps: define the type of

human resources necessary based on our business strategy and establish uniform standards for IT skills across the Group.

In 2022, we proceeded with our first step of defining the type of human resources necessary based on our business strategy. In continuing to focus on the IT solutions business, we looked into what kinds of employees would be necessary to win out in the face of competition and defined the business direction we would pursue in each field and the level of expertise that would entail.

Specifically, employee expertise was defined by area of expertise, such as sales and engineering, based on a level of 1 to 5. As levels 4 and 5 indicate extremely high levels of expertise, they have been set as the standard that all employees should aim to achieve. We also determined the number of employees of these levels necessary for continuing to expand our business scale. Although currently targets have only been established for 2025, the final year of the Medium-Term Management Plan (2022–2025), we will forge ahead with our sights on 2030 and 2035 as well.

In 2023, we advanced with our second step of establishing uniform standards for IT skills across the Group. Because many of the Group's subsidiaries were consolidated through M&As, each company has its own standards for IT skills. However, to continue to expand our business going forward, we must be aware of the current level of IT skills of our employees across the Group. To do so, we will establish benchmarks for the type of human resources we aim to develop while referring to the Digital Skill Standards (DSS) announced by the Information-technology Promotion Agency (IPA), an independent administrative agency, and the Ministry of Economy, Trade and Industry of Japan.

Unifying the standards for IT skills will allow us to develop human resources on a Groupwide level. By extension, we hope to implement a variety of training programs, such as for data scientist training, by selecting talented individuals from each business segment. In addition,

this unification will ease the process of personnel transfers, creating new opportunities for employees and enhancing their motivation.

As we transition from a sales-based business to a service-based business, I imagine it would be quite a task for senior-level employees, who have continued to work in the sales-based business year after year, to suddenly be expected to acquire IT skills.

Although this has been a major issue, we came across one unexpectedly pleasant miscalculation. When the Group's employees were asked to take certification exams for DX and DX business, those of 55 years of age and under were required to do so, while certification for those of

56 years of age and over was made optional due to the difficulties involved. Although we had assumed that only a few employees aged 56 and over would take the exams, the results far exceeded our expectations. The exams were taken by 62% of Canon MJ Group employees aged 56 and over and 83% of Canon MJ Inc. employees in the same age bracket, not to mention their high scores across the board. The drive to continue to learn and study among our senior-level employees served as an inspiration for the management team, including myself.

Maximizing the Value of Human Capital through the Creation of an Engagement Improvement Cycle

To pull even further ahead with the execution of our business strategy, "maximize the value of human capital" was added as one element of the basic policies of the Medium-Term Management Plan (2022–2025).

The key to maximizing the value of human capital is establishing an engagement improvement cycle. The engagement improvement cycle is a concept in which its three elements—employee job satisfaction, the development of skilled personnel, and customer satisfaction—are interconnected and work in a cyclical manner toward the achievement of the Company's sustainable growth.

To be more specific, employees find their work rewarding when it brings satisfaction to customers, and employees who find their work rewarding will strive to grow even further and improve their skills. When these skills are used to provide more value to customers, their level of satisfaction increases even further. This engagement improvement cycle also leads to the growth of the Company.

I believe engagement, a premise for running the engagement improvement cycle, is also a matter of great significance. This is because employee engagement is about synchronizing an individual's sense of growth with the growth of the organization.

The Group discloses the scores of its employee awareness survey, which are used as benchmarks for employee engagement. There are 20 questions in total to which employees respond with one of four choices, "agree," "somewhat agree," "somewhat disagree," or "disagree," and the results are converted into a score out of 1,000 points. In 2022, the total score was 686 points, which is more than the 666 points that would have been obtained if all the positive responses had only been given in the form of "somewhat agree." As this marks an 8-point improvement over the previous year, I think we should commend ourselves to a certain degree.

Looking at the results by category, we scored particularly high in "identifying with management's vision." On the other hand, we scored low in the areas of "impact of job rotation on career development" and "sense of personal and professional growth." We will seek improvement in these areas by unifying standards for IT skills across the Group and promoting the engagement improvement cycle.

When I reflect on the growth of our employees and the transformation of our corporate culture, I come to realize once again the significance of the "Three Selves" spirit, which constitutes the Canon Code of Conduct. This spirit has been passed down since the founding of Canon Inc. and is composed of self-motivation (the willingness to take on each task in a proactive manner), self-management (the ability to manage one's own affairs), and self-awareness (the awareness of one's position, role, and situation).

As I stated previously, we are advocating a shift to a service-based business model and urging employees to acquire the kind of creative skills that have not been applied in our business to date. However, a willingness to do only what we are told essentially runs contrary to the "Three Selves," as this spirit is about assertively identifying customers' issues and taking on the challenge of resolving them. I have come to believe once again that the spirit of the "Three Selves" is an aspect of the Group's DNA that we must continue to cherish and preserve going forward.

In continuing to expand our business, there will be a greater need to identify new opportunities and establish businesses in a timely manner. If the human resources necessary for developing new businesses are not available, it will take a considerable amount of time before they can begin operations.

To move ahead with changes in the times and rapidly advance our business, we must make the effort to eliminate time lags by placing priority on our employee recruitment and development processes. Employee growth is not something that will happen overnight and so these processes must be implemented based on appropriate forecasts and business strategies. I will do what it takes to ensure as little time lag as possible and play an integral role in maximizing the value of human capital.

Vision for Our Human Resources

Professional human resources who demonstrate an enterprising nature and continue to be selected for creating new value

Code of Conduct

Employees of the Canon MJ Group work daily in accordance with the five guiding principles of the Canon Code of Conduct so that each one of them will find their job rewarding and live with good health and wealth.

Since its founding, Canon has maintained a management philosophy of promoting an environment in which employees can enjoy rich, happy lives. This founding philosophy continues today as the basis of the five guiding principles in the Canon Code of Conduct—the “Three Selves” spirit, meritocracy, internationalism, familism, and health first—which are based on Canon’s commitment to respecting humanity. Through these guiding principles, we are endeavoring to develop a corporate climate in which all of our employees enjoy working and are proud of their job.

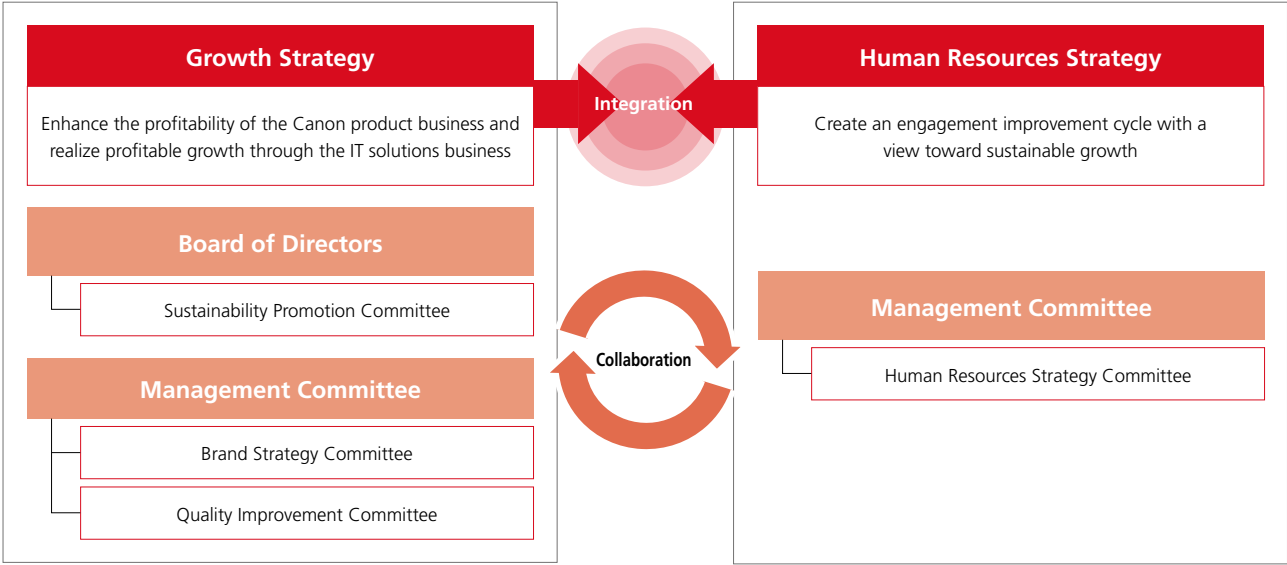
Code of Conduct	
The “Three Selves” Spirit	Adhere to the principles of self-motivation, self-management, and self-awareness in day-to-day activities
Meritocracy	Employees who have made achievements in important and responsible jobs are assessed fairly and equitably regardless of their age or gender
Internationalism	Strive to become a culturally sensitive, internationally minded, sincere, and active person
Familism	Strengthen the trust and understanding of others and work together in a spirit of harmony
Health First	Live by the motto “healthy and happy” and work to cultivate character

The Canon MJ Group believes that the promotion of independent career development is essential to putting together a group of highly skilled human resources who share its 2025 Vision of becoming a “professional corporate group that solves social and customer issues using ICT and the power of humans.” Guided by this belief, we defined 2021 as a “year for new beginnings” and established an organization to support the career development of our employees. At the same time, we created an in-house career consultant position filled by employees with an abundance of experience and sound knowledge, thereby enhancing career awareness among our employees. We have also been asking managers to hold interviews and training sessions to foster expert knowledge among their subordinates in order to support the development of their career paths.

While we place value on approaches that we have maintained since the time of our founding, the skills and literacy our employees need are constantly changing alongside the external operating environment amid the rising uncertainty of the global economy and the rapid progression of digital technologies. To respond flexibly and swiftly to these changes, including changes occurring around the globe and the need to refine our understanding of and sensitivities toward the true needs of clients, we strive to be a corporate group in which employees from diverse backgrounds can work with enthusiasm and demonstrate their full potential.

Integrating Our Management and Human Resources Strategies

In addition to adding “maximize the value of human capital” as part of the basic policies of our Medium-Term Management Plan (2022–2025), we clearly laid out our human resources strategy as one of our major management strategies and have made a commitment among management to swiftly execute and advance this strategy.



Structure Underpinning Our Human Resources Strategy

1. Human Resources Strategy Committee

We have established the Human Resources Strategy Committee, chaired by the president and representative director, as an organization that formulates Groupwide human resources strategies and designs structures for utilizing personnel based on a “right person in the right position” approach.

In 2022, the committee held discussions pertaining to the development of skilled personnel and the enhancement of employee engagement. In terms of developing skilled personnel, the committee developed and implemented a wide variety of measures, including holding training sessions to cultivate the next generation of management personnel, recruiting and developing employees to fill the new position of IT business planner, rolling out DX certification and DX business certification exams targeting all employees Companywide, and assigning personnel to highly specialized positions. To enhance employee engagement, the committee carried out a Companywide survey and held discussions on analyzing the results and determining how to utilize them going forward.

2. Collaboration between Committees

The Human Resources Strategy Committee collaborates with three other committees involved in efforts to “maximize the value of human capital,” thereby integrating the Company’s management and human resources strategies. These committees are the Sustainability Promotion Committee, which promotes the sustainability management of the Group; the Brand Strategy Committee, which oversees efforts to maintain and improve brand value; and the Quality Improvement Committee, which implements continuous efforts to improve quality. Through the close exchange of opinions and the promotion of collaborative initiatives, the committees are working to maximize the capabilities of the Company’s human resources in a multifaceted manner and creating frameworks and environments that lead to results on the front lines.



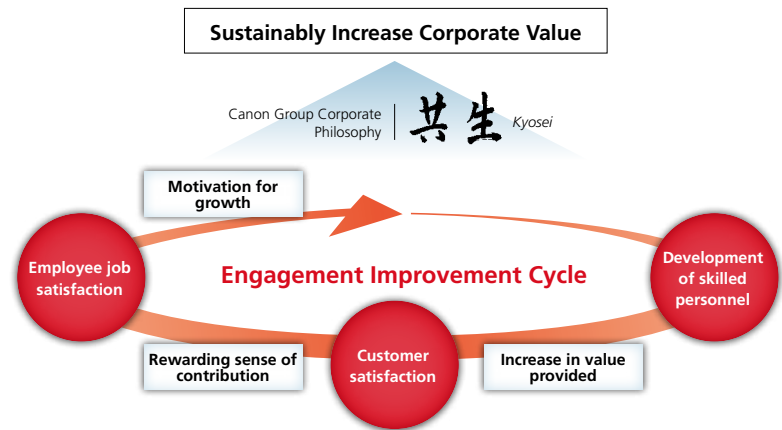
Collaborative forum involving the Sustainability Promotion Committee, the Brand Strategy Committee, the Quality Improvement Committee, and the Human Resources Strategy Committee

Engagement Improvement Cycle

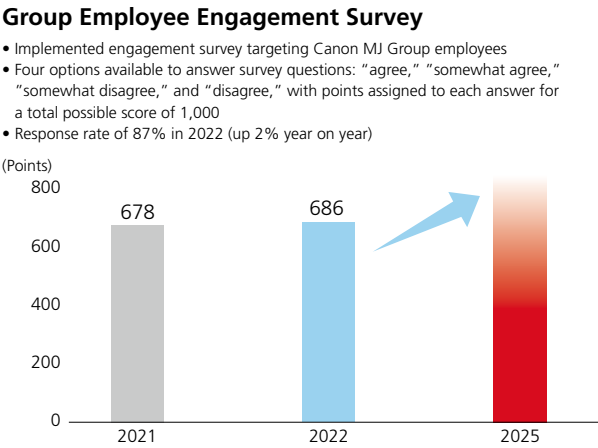
We aim to create a cycle in which the independent growth of employees and the improvement of their skills helps invigorate the organization as a whole and creates customer satisfaction, ultimately leading to enhanced job satisfaction and motivation for growth among our employees. By putting this engagement enhancement cycle into motion, we are striving to maximize the value of our human capital.

This engagement improvement cycle comprises three elements: employee job satisfaction, the development of skilled personnel,

and customer satisfaction. Of these elements, in 2022 we sought to visualize the gap between our current situation regarding employee job satisfaction and the development of skilled personnel and our ideal vision for these elements. We also moved forward with examinations on how to bridge this gap. In 2023, we will execute initiatives to address this gap and examine the creation of indicators in order to engage in more concrete efforts toward customer satisfaction.



We have been carrying out an annual engagement survey of Group employees to use as an indicator to measure the progress we are making toward employee job satisfaction since 2021. In addition to analyzing the overall results of this survey, we also analyze the results according to such factors as Group company, division, and employee age. By doing so, we are able to differentiate Groupwide issues and issues specific to certain divisions and visualize them accordingly. Taking into account the differences in results between the 2021 and 2022 surveys, we are working to share examples of successful initiatives in a cross-organizational manner. At the same time, we are engaging in more concrete actions by incorporating initiatives to improve engagement within the business plans of each division.



TOPIC

In our analysis of the results of the employee engagement survey carried out in fiscal 2021, we gained an understanding on how unseen internal aspects of employees (their personalities and value systems) have a major impact on employee engagement.

Taking this into account, in fiscal 2022 we implemented a survey aimed at visualizing employees' personalities, ambitions, and attitudes toward work in conjunction with the employee engagement survey.

We conveyed the results of this survey to the employees themselves, which was utilized as reference information to help them better understand themselves and consider their future careers. We also disclosed a personnel development support report for supervisors based on the personalities and inclinations of their subordinates. Furthermore, through management training and explanatory videos, we engaged in efforts to promote the proper understanding and utilization of survey results.

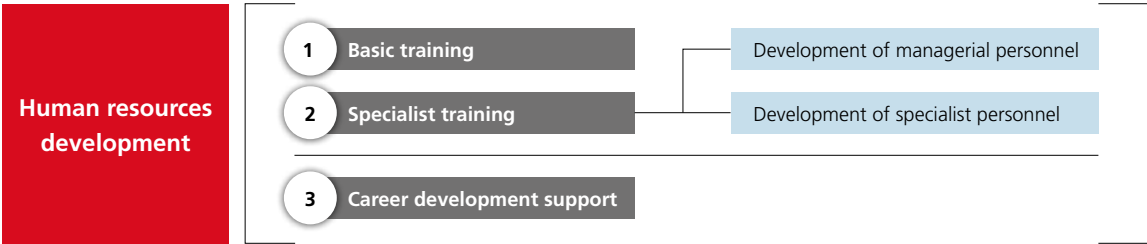
Opportunities for day-to-day communication have been decreasing due to the widespread adoption of telework and other changes in workstyles. This has led to concerns that the intuitively cultivated mutual understanding between supervisors and their subordinates is declining. Amid these concerns, we are working to improve employee engagement by deepening supervisors' understanding of the personalities and values of their subordinates based on objective data and promoting ways of assigning work that help enhance subordinate motivation.

By combining survey results with various other kinds of data, we will examine ways to utilize these results as reference information for personnel selection and assignment based on performance analysis and as a tool for promoting diverse and dynamic team building.



Human Resources Development

The Canon MJ Group conducts the same basic training for all roles as well as for increasing expertise in each field and developing personnel who can lead their departments.



1 Basic Training

The Canon MJ Group seeks to be an entity that continues to learn, challenge, and evolve. Guided by this vision, we aim to set in motion a cycle in which employees learn independently, leverage the knowledge they gain to take on the challenge of new work, and ultimately become able to spur change externally and change themselves internally. In our new employee training and rank-specific training, we offer training that helps develop a mindset and skill set among employees that allows them to view change as an opportunity to take on new challenges. This training is implemented based on a personnel training system that systematically develops the ability to think, execute, and work with others. In addition to business skills such as logical thinking, marketing, accounting, and strategy formulation, our training aims to enable participants to gradually develop "design thinking" and acquire career education and human resources development capabilities. We also support employee growth by offering a wide range of other learning

opportunities, including a system for supporting the acquisition of qualifications, self-selected distance education, and e-learning. Furthermore, with the aim of strengthening IT skills, we have been implementing IT passport, DX certification, and DX business certification exams targeting all employees Companywide. At the same time, we have been pursuing such efforts as having all employees complete data literacy courses focusing on the handling of data.

Total number of training hours in 2022	600,000 hours
Number of employees completing DX certification/DX business certification exams* as of February 2023	13,887 (87.1%)
Number of employees receiving DX business certification	4,843 (46.7%)
Number of employees within the above group who have received professional level certification or higher	531

* Employees can choose between DX certification and DX business certification

2 Specialist Training

Development of Managerial Personnel

The next generation of managerial personnel are determined by the Nomination and Remuneration Committee, which is chaired by the president and comprises both inside and outside directors. In addition, discussions on how to cultivate candidates for future managerial positions are held at meetings of the standing Human Resources Strategy Committee. In these ways, we have established frameworks for holding detailed examinations, including on the appointment of candidates for important positions and participation in selection training, and for developing managerial personnel.

System for Developing Next-Generation Managerial Personnel



Selection Training

We implement selection training for managers and general managers with the goal of developing a diverse range of candidates for future managerial positions. In 2014, we held Quorum 12, a training session for select personnel in the general manager class. Through events such as these, we are working to enhance not only the management skills but also the people skills of select personnel. For example, by incorporating a liberal arts curriculum into such training, we have been working to refine the understanding and sensitivities of managerial candidates with the aim of having them adopt diverse perspectives and develop flexible ways of thinking.

Furthermore, in 2019 we held Quorum 15, a set of lectures targeting select managers, in order to swiftly cultivate leadership personnel. These managers have also been engaging in training through contests between business schools and field work pertaining to regional revitalization, among other activities.

Upon completing either Quorum 12 or Quorum 15, participants are assigned to positions in which they have no previous experience, thereby helping them develop into diverse personnel with broad ranges of insight. In this way, Quorum 12 and Quorum 15 function as effective frameworks for the selection of future talent.

Development of Skilled Personnel

In 2022, we defined the type of human resources required for each position and visualized the number of personnel we aim to cultivate for these positions in accordance with our business strategies. Specifically, we have created role-specific levels for human resources on a range from 1 to 5, with levels 4 and 5 positioned as requiring highly skilled personnel. We are working to develop such personnel while clarifying the targeted number for each level. In particular, we are focusing on acquiring IT solutions personnel and enhancing their skills.

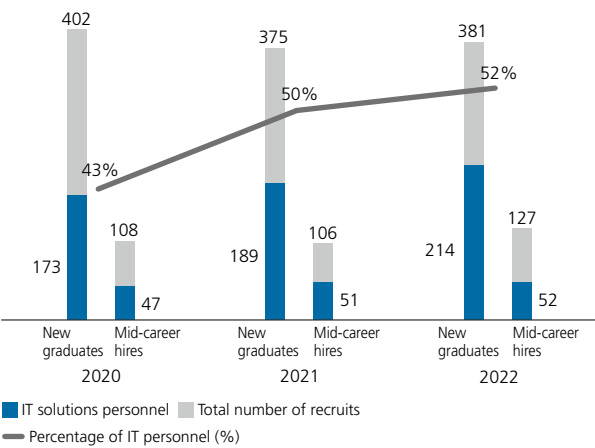
Acquisition of IT Solutions Personnel

In our recruitment activities, we are placing an emphasis on acquiring human resources with the goal of strengthening our IT solutions business.

In 2022, we commenced recruitment activities for the new position of IT business planner. As part of these activities, we have been striving to bolster the number of personnel with good data literacy and business design knowledge. Furthermore, to promptly realize important goals of our business expansion endeavors, we are stepping up our efforts toward mid-career recruitment. Over the past several years, the percentage of IT-related personnel we have acquired among the total number of human resources recruited has been increasing. In particular, we have been inviting business managers from external institutions to the Group in an effort to create new value. Since 2018, we have added 10 such managers with diverse backgrounds to serve in new businesses and businesses related to IT solutions, thereby driving the growth of such businesses.

Additionally, we have been promoting a structure that enables us to secure human resources more consistently through investment in IT solutions partnerships in a bid to expand the IT solutions business on a continuous basis.

Percentage of IT Solutions Personnel to Total Number of Recruits



Development of Skilled IT Solutions Personnel

Focused on human resources involved in the systems integration business, we have laid out a personnel system based on the Information Technology Skill Standard (ITSS). We have also provided training on the skills required for each position and offered support for the acquisition of qualifications. Through such efforts, we have supported the growth of our human resources. Recently, there has been an increase in roles that go beyond the ITSS. As demonstrated by the establishment of the

Digital Skill Standards (DSS) by the Ministry of Economy, Trade and Industry at the end of 2022, there is a growing need around the world for personnel who do not fit into conventionally defined roles. As we work to define the type of human resources required for each position and visualize the targeted number of personnel for these positions in accordance with our business plans, we are promoting efforts to utilize the DSS to hone the skills of our IT solutions personnel.

Initiative 1

Development of Solutions Specialists in the Major Account Headquarters

Solutions specialists (SSs) at the Major Account (MA) Headquarters (Enterprise segment), one of the many roles at Canon MJ, have 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 their issues.

In particular, SSs strive to hone their solution planning skills and business conceptualizing skills in order to strengthen their skills for conceptualizing and building IT for business based on social issues and technological innovation while considering the growth strategies of customers. The Company has created the “Defining the Ideal SS” document and a skill assessment system and conducts practical training to develop highly skilled human resources.

The Company is carrying out multifaceted activities to ensure that skills firmly take root through group work, classroom learning, on-site practice, presentations, feedback, and other venues, with an emphasis on putting skills into practice. These activities include the DX Human Resources Development School for learning methods and processes to create new business models, the Design Thinking Workshop for learning the entire “design thinking” process and gaining the experience of putting it into practice, and the New Solution Workshop for putting the solution discovery process—from “shared feelings,” a concept that is particularly important within design thinking, to “defining the problem”—into practice.

Initiative 2

Development of Highly Skilled Human Resources at Canon IT Solutions

Canon IT Solutions Inc. is promoting a business co-creation model and the service provision model to realize its goal of becoming a co-creating company as stated in its VISION 2025. To that end, the company is working to develop the human capital that holds the key to these models, namely consultants, and personnel who can create service concepts.

Co-creation School: Business Co-creation Course

The business co-creation model of Canon IT Solutions requires human resources who can set the pace for the launch of new businesses and services while firmly understanding the way customers think about the business environment and business strategy. Playing such a role requires advanced knowledge and skills, including knowledge of corporate management, the ability to collect new information related to matters such as customer strategies and trends, practical abilities pertaining to consulting frameworks, and fresh insight on numerous types of information and communication technology. The Business Co-creation Course involves a six-month curriculum that refines the issue identification capabilities of personnel who will promote the business co-creation model. It also enables such personnel to accumulate actual experience through hands-on projects. By doing so, this course supports the growth of human resources who possess advanced knowledge and skills.

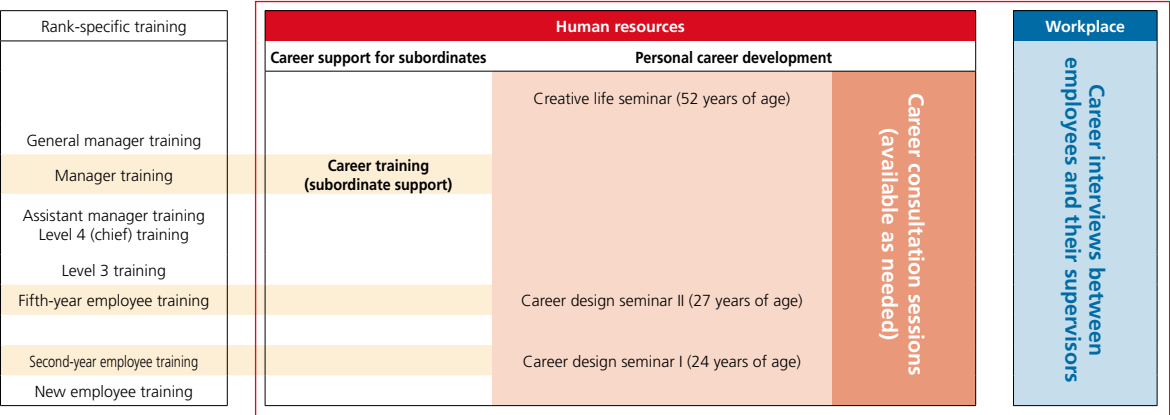
Co-creation School: Service Creation Course

The service provision model of Canon IT Solutions needs personnel that can create services to resolve common issues in industries, businesses, and day-to-day work as well as services that are highly competitive. To fulfill this role, employees must have a deep understanding of and insight into industries, businesses, and day-to-day work, in addition to the ability to identify social issues and problems through market surveys and analysis and to conceptualize and create new services that offer solutions. They must also possess executorial capabilities to utilize practical IT to launch new services. The Service Creation Course offers a curriculum centered on the Graduate School of Project Design, helping to strengthen the new service creation capabilities of personnel who will promote the service provision model, thereby supporting their growth.

3 Career Development Support

The Canon MJ Group provides career development support to its employees with the aim of enabling them to think independently about their career, enhancing their motivation by encouraging proactive engagement in duties aimed at achieving their future career vision, and fostering a corporate culture that better invigorates independent-thinking personnel.

In addition to regular career interviews between employees and their supervisors, we help employees independently realize their ideal careers through career consultation sessions with full-time career consultants (nationally certified) and career seminars specific to employee rank and age group.



Asia Trainee System

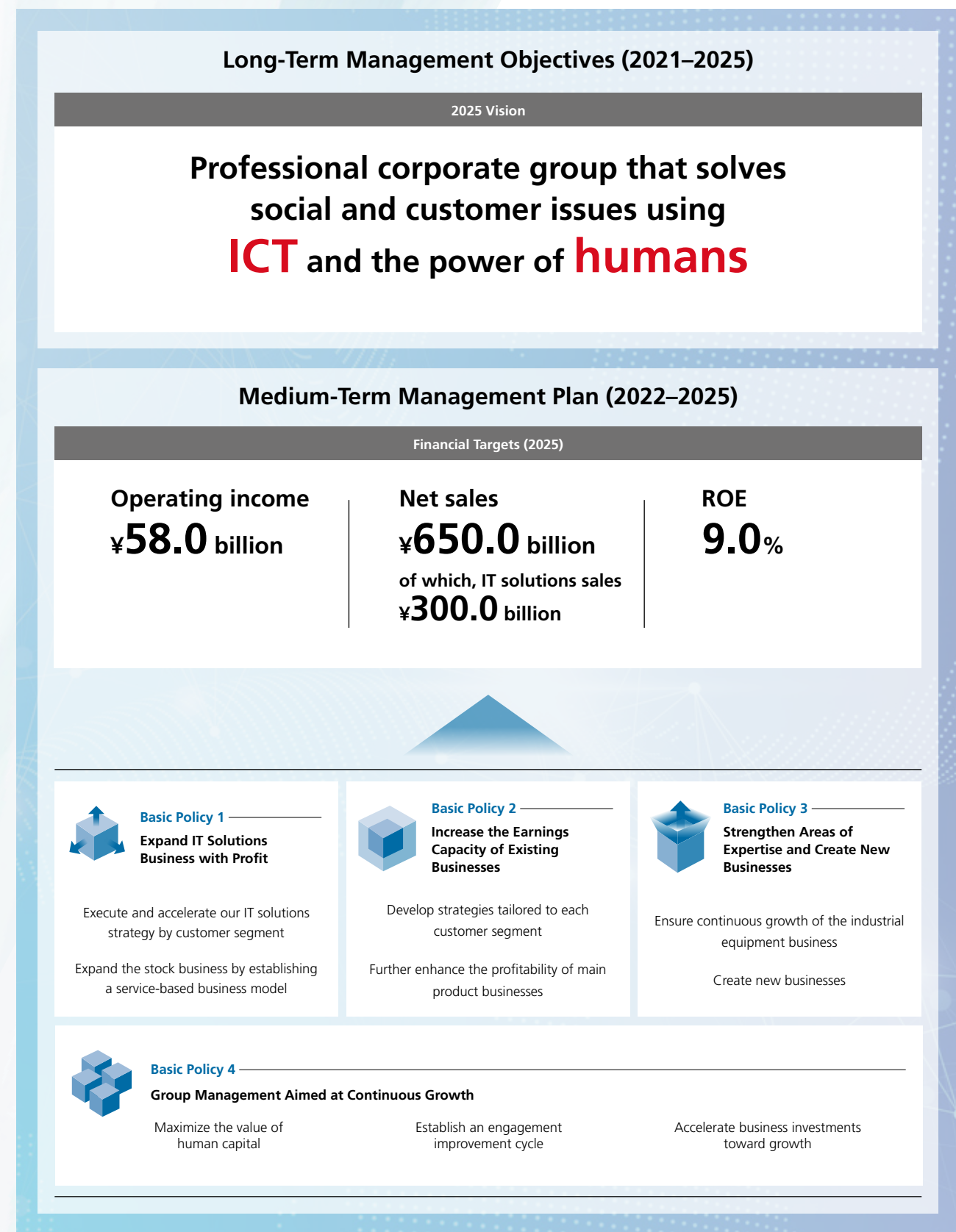
The Canon Group offers the Asia Trainee System, through which it sends young employees to undertake language and practical training at overseas subsidiaries in Asia. The goal of this system is to foster professionals who are familiar with local languages, cultures, and business practices.

This is a training program of Canon Inc. that aims to have those participating in the program become strong candidates for future overseas assignments.

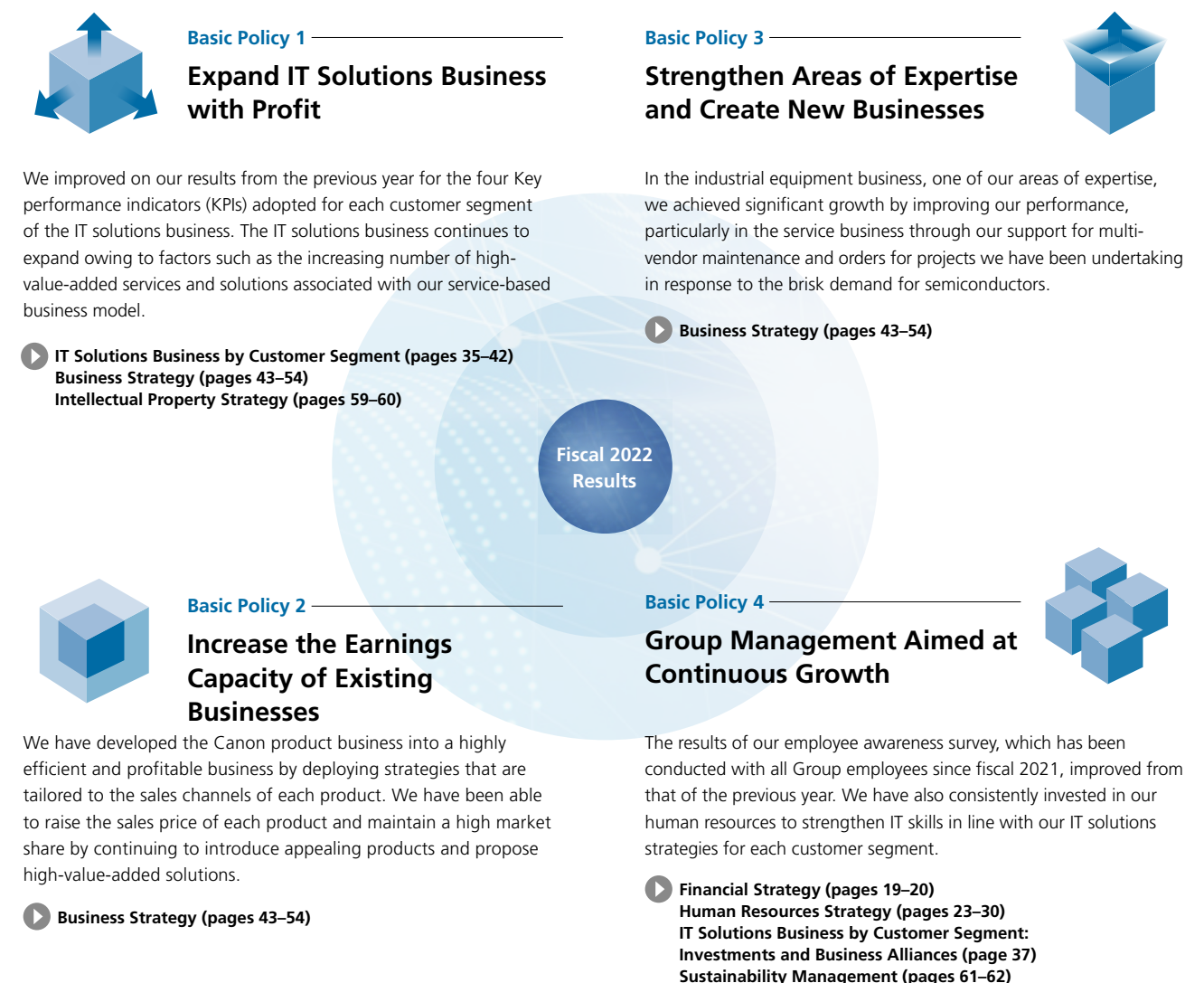
In-House Recruiting Program

We support career development through the Job Opening Bulletin System. This program encourages employees to take on new positions and seeks to stimulate their career aspirations.

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



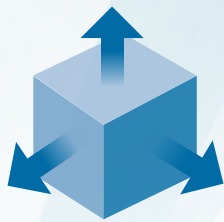
Progress of Medium-Term Management Plan (2022–2025)



Financial Plan Revision

Based on our performance in fiscal 2022, we updated our Companywide consolidated financial plan in January 2023, which included revising our operating income target for fiscal 2025 upward by ¥8.0 billion to ¥58.0 billion. As for ROE, we were able to achieve our initially announced fiscal 2025 target ahead of schedule. Therefore, as we work our way to fiscal 2025, we will establish a system that enables us to steadily achieve ROE of 9% or more and proceed even further with the intention of achieving 10% in the foreseeable future.

Updated Companywide Consolidated Financial Plan		Updated Financial Plans of Medium-Term Management Plan (2022–2025)		(Billions of yen)	
	2022 (Results)	2023 (Projection)	2025 (Projection)	2025 (Previously Announced Figures)	Change from 2025 Targets Announced in April 2021
Net sales	588.1	624.0	650.0	650.0	0
(of which, IT solutions sales)	241.4	269.2	300.0	300.0	0
Operating income	49.9	50.0	58.0	50.0	+8.0
Operating margin	8.5%	8.0%	8.9%	7.7%	+1.2%
ROE	9.2%	8.7%	9.0%	8.0%	+1.0%



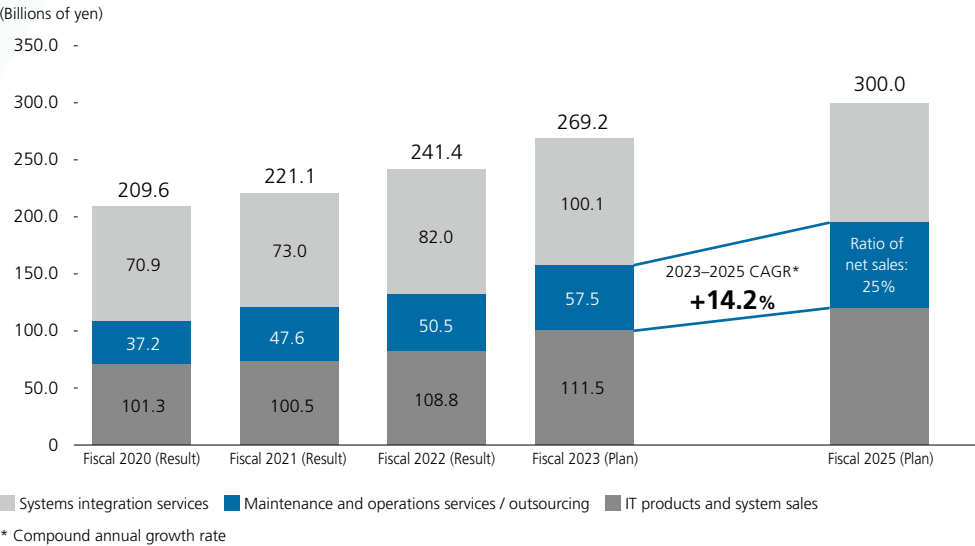
Basic Policy 1

Expand IT Solutions Business with Profit

We will expand the scope of our service-based business model by implementing and promoting IT solutions strategies for each customer segment and ensure continuous growth of the IT solutions business by enhancing the profitability of our maintenance, operations, and outsourcing services.

Please refer to pages 35–42 for details on our IT solutions business by customer segment.

Sales by Service Type in the IT Solutions Business

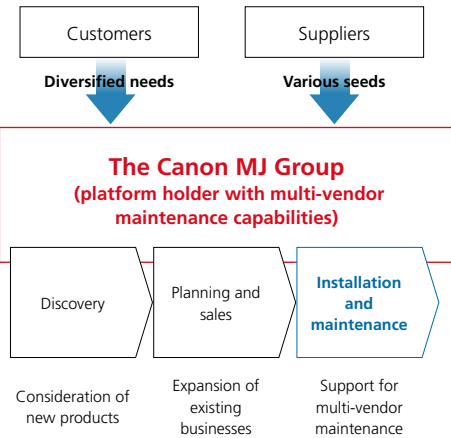


Basic Policy 3

Strengthen Areas of Expertise and Create New Businesses

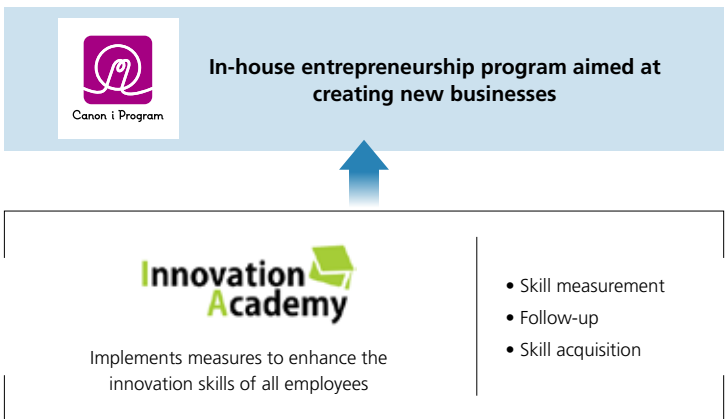
Industrial Equipment Business

We will establish a business structure that is conducive to continuously generating sales and profits by expanding our business scale through the discovery of new products and developing highly skilled personnel in the areas of installation and maintenance.



Creation of New Businesses

We will take measures to instill innovation skills in all of our employees while aiming to develop independent businesses through spinouts and joint ventures based on our in-house entrepreneurship program and other initiatives.



Plan for 2023 and Beyond

Basic Policy 2

Increase the Earnings Capacity of Existing Businesses

Please refer to page 43 for an overview of our businesses by segment.

Printing Business

In each customer segment, we propose solutions that help customers cope with their business issues while working to overcome their inadequacies and tap into new demands for printing services.

Camera Business

We will develop stronger relationships with customers by expanding our line of products and comprehensive services that cater to their various needs and pool the Group's collective strengths to expand the imaging business by shifting our focus away from cameras.

Develop Strategies Specific to Each Customer Segment (Printing Business)

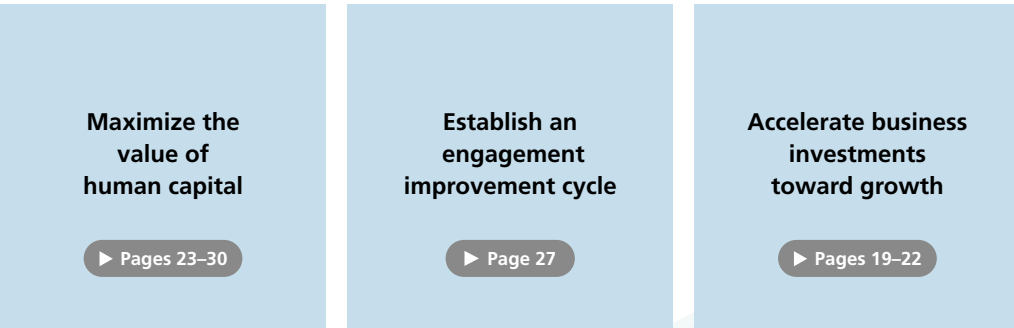
Leveraging our customer-focused organizational structure, we will develop strategies that accurately identify the needs of each customer segment in a timely manner.

Target Customers	Segments	Strategy
Large corporations	Enterprise	<ul style="list-style-type: none">Expand sector-specific and operational-specific projects by leveraging our customer baseTap into new demands for document solutions stemming from the diversification of offices during the COVID-19 pandemicExpand business by acquiring new quasi-major and upper medium-sized enterprise customersStrengthen sales force through reorganization
Quasi-major and upper medium-sized enterprises		
Small and medium-sized enterprises	Area	<ul style="list-style-type: none">Strengthen and intensify area marketingImprove productivity by reassessing business processes

Basic Policy 4

Group Management Aimed at Continuous Growth

In order to pick up speed in our efforts to “expand the IT solutions business with profit,” “increase the earnings capacity of existing businesses,” and “strengthen areas of expertise and create new businesses”—the basic policies of the Medium-Term Management Plan (2022–2025)—we have established “maximize the value of human capital” as an additional element of the basic policies from fiscal 2023.



Focus: IT Solutions Business by Customer Segment

The Canon MJ Group will dramatically grow its business by accelerating the expansion of its IT solutions business through profits and realizing its growth strategy, including M&As and strategic investments.

Katsuya Imoto

Vice President
Director of Group IT Solutions Strategy
Management Center



The Canon MJ Group has been making history for the past 55 years by engaging with its countless customers. The relationships we have built with our customers are among our most valuable assets, and we boast an extensive customer base that ranges from small and medium-sized enterprises (SMEs) to quasi-major and upper medium-sized enterprises and large corporations.

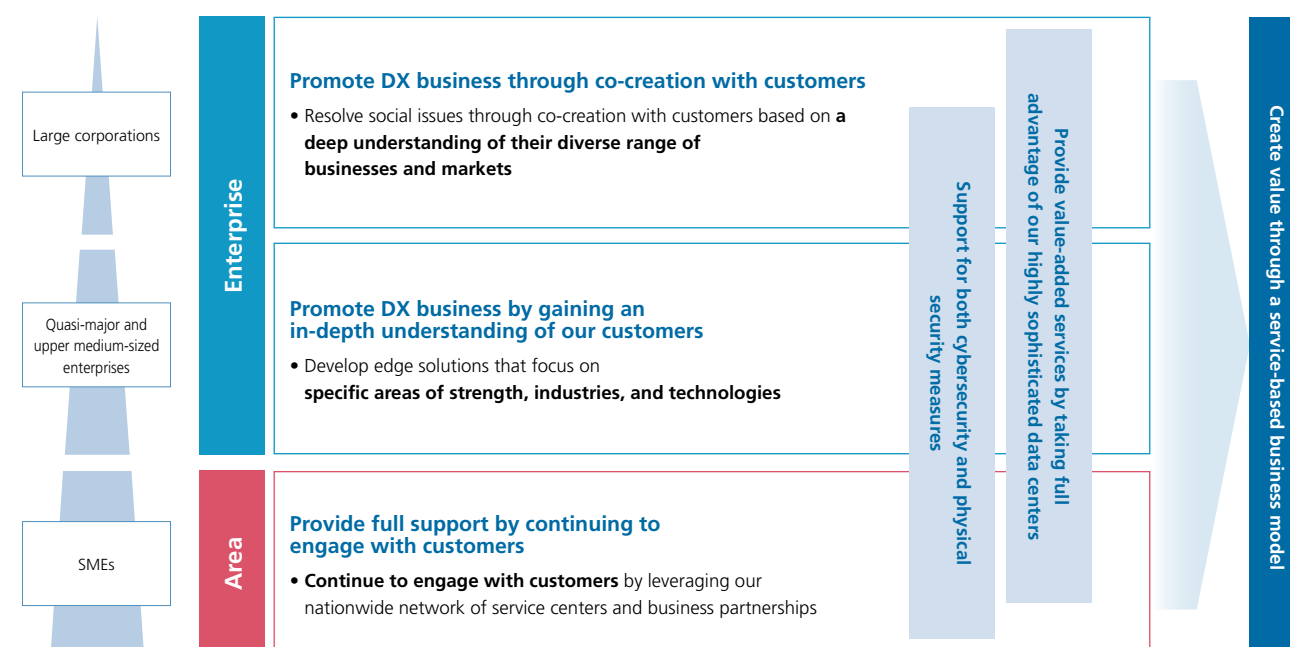
In our Long-Term Management Objectives (2021–2025), we declared the goal of achieving ¥300.0 billion in sales in the IT solutions business.

Our basic policy in developing the IT solutions business is to provide value that caters to the specific needs of each customer segment, and based on this policy we are working to clearly define the areas of focus for each segment as the key elements of our growth strategy. I have taken the helm in formulating and executing the specific strategies to achieve this goal.

Realizing the Strategies of the IT Solutions Business for Each Customer Segment

In the Japanese economy, which was hit hard by the COVID-19 pandemic, the biggest issue facing SMEs—said to account for 98.6% of all companies in Japan—from a business continuity perspective is the

securement of skilled professionals, and this need only continues to increase. It is especially difficult for many of these companies to acquire IT and security personnel on their own.



To resolve the issues of SMEs by not only implementing and installing standalone IT equipment but also combining maintenance and operations services, in August 2021 Canon System & Support Inc. began providing its *Makasete IT DX Series* service based on the concept of working closely with its customers for years to come. In fiscal 2023, we will take our *Makasete IT DX Series* to another level by providing support services for IT coordination, sales capability enhancement, and employee training in sequence, which are high on the list of priorities for managers of SMEs.

To resolve the issues of our quasi-major and upper medium-sized enterprise customers, it is certainly important to gain a deeper understanding of their business, but it is also essential to understand the common issues faced by their industry and similar businesses. Edge solutions is the answer to such needs of customers and society. Our edge solutions currently consist of four core solutions, including imaging solutions, that have combined Canon's unique strengths, and we will reinforce these solutions even further through the creation of our fifth and sixth edge solutions.

For our large corporation customers, our efforts go beyond the development of edge solutions to include the development of "co-creation" services aimed at resolving various social issues with our customers. Together with our customers, we will make full use of digital technology, turn innovative ideas into services that benefit society, and find solutions to social issues.

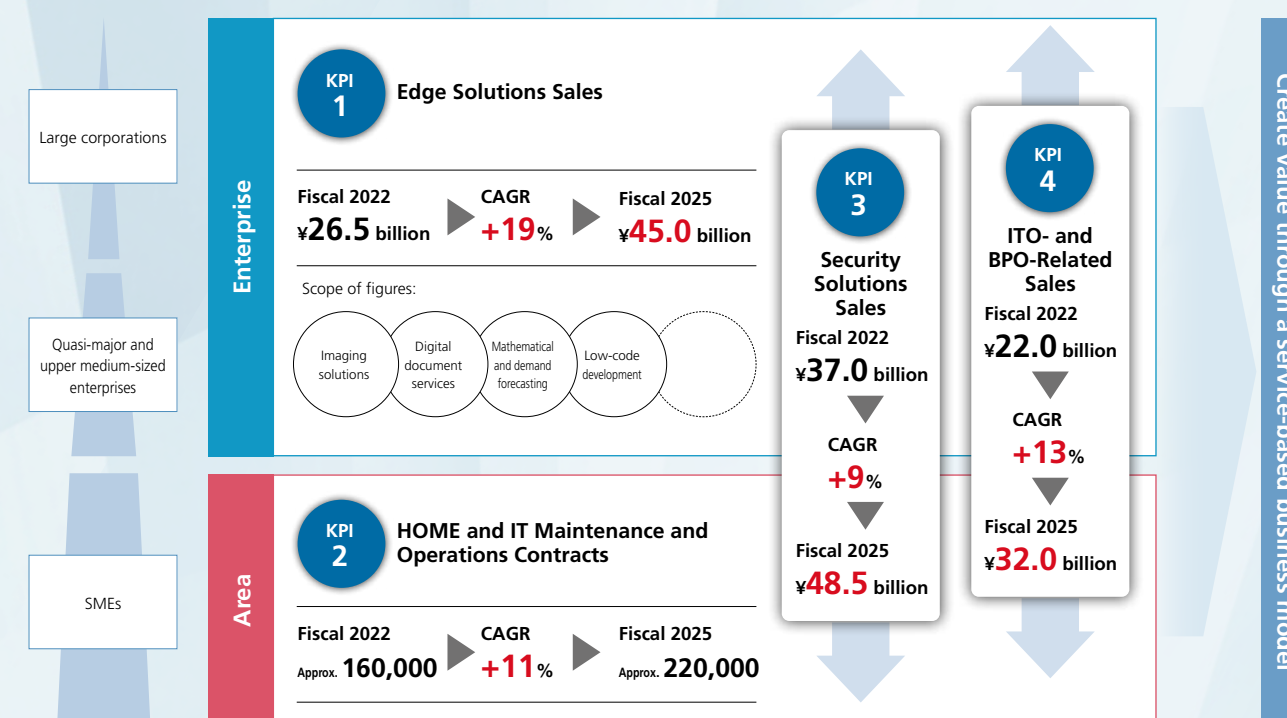
Moreover, regardless of the size of our customers' businesses, we will help them achieve digital transformation (DX) by providing security

support services in response to the increasing demand for cybersecurity measures in recent years as well as outsourcing services, such as information technology outsourcing (ITO) and business process outsourcing (BPO), based on our data center services, which have earned a high reputation for quality.

For the four aforementioned priority areas of the IT solutions business (*HOME* and IT maintenance and operations contracts for SMEs and edge solutions, security solutions, and ITO and BPO services for large corporations and quasi-major and upper medium-sized enterprises), we have adopted the KPIs indicated below for our Medium-Term Management Plan (2022–2025).

To ensure that we achieve the targets of these four KPIs, the IT Solutions Promotion Committee was established in October 2020. President Adachi serves as the chairperson of this committee while Hatsumi Hirukawa, the director in charge of Group Corporate Planning, and I serve as vice-chairpersons. Under the IT Solutions Promotion Committee, we have established the Task Force on Edge Solutions Execution and Promotion, the Task Force on SMB-IT Solutions Execution and Promotion, and the Task Force on Total Security Execution and Promotion. In each task force, we have removed Group and organizational boundaries and the senior general managers of headquarters related to the IT solutions business are tasked with the responsibility of implementing these strategies. We have been expanding our business with speed and agility through the continuous operation of a plan-do-check-act cycle for our strategy execution.

IT Solutions Business by Customer Segment: KPI Targets



Fiscal 2022 Performance and Our Pursuit of Rapid Growth

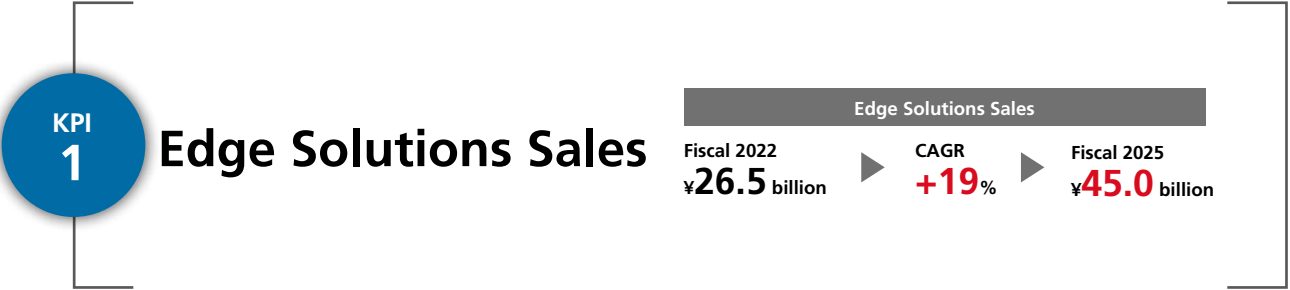
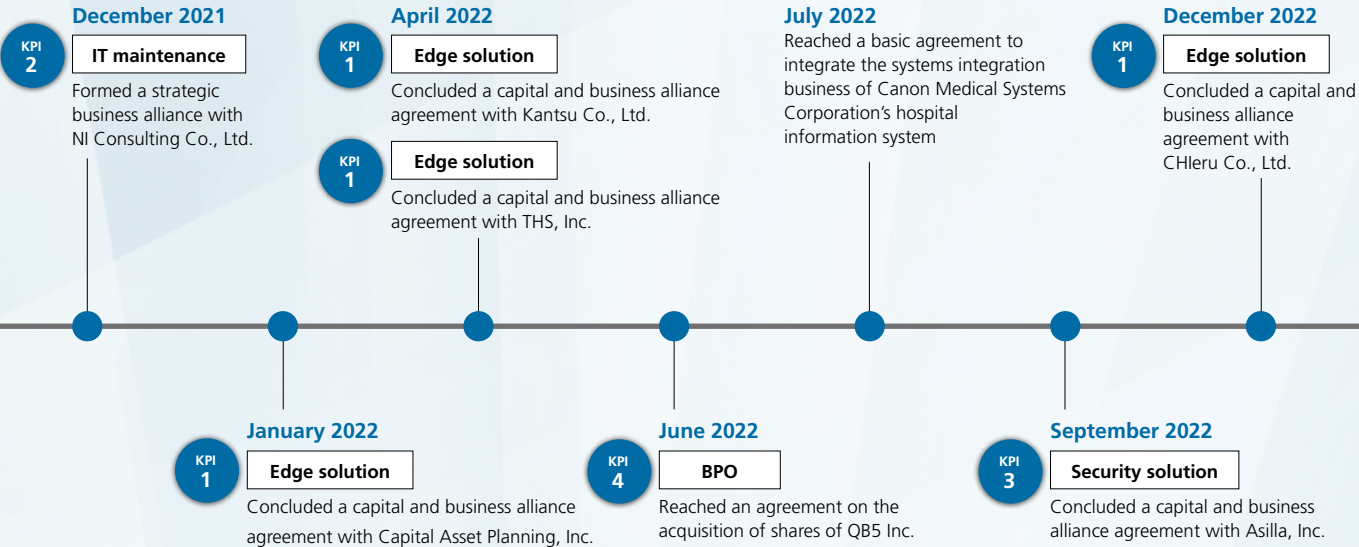
In fiscal 2022, the inaugural year of our Medium-Term Management Plan (2022–2025), we got off to an exceptionally promising start as we improved on our results for all of our KPIs from the previous year.

We also invested aggressively to achieve our targets for fiscal 2025. In addition to investing in strategic business alliances, we are rapidly expanding the IT solutions business through profits by means of business transfers in the healthcare IT business as well as M&As as a part of our BPO business. In order to achieve ¥300.0 billion in sales

in the IT solutions business by fiscal 2025 and continue to grow our business thereafter, we must break with the past and make more dynamic investments. The Canon MJ Group will dramatically expand its business by pursuing the measures necessary for realizing its four KPIs as well as its growth strategy, including M&As and strategic investments.

KPIs of IT Solutions Business	Fiscal 2021 Results	Fiscal 2022 Results	Change (from Previous Year)
KPI 1 Edge solutions sales	¥23.0 billion	¥26.5 billion	+15%
KPI 2 HOME and IT maintenance and operations contracts	135,000	160,000	+19%
KPI 3 Security solutions sales	¥32.5 billion	¥37.0 billion	+14%
KPI 4 ITO- and BPO-related sales	¥21.5 billion	¥22.0 billion	+2%

IT Solutions Business by Customer Segment: Investments and Business Alliances



Creating Unrivaled IT Solutions and Services by Refining Our Competitive Edge

We refer to the solutions focusing on the areas, industries, and technologies where the Group holds a competitive edge as edge solutions, which consist of imaging solutions, digital document services, mathematical and demand forecasting, and low-code development.

With edge solutions, we will continue to hone the strengths of our various existing solutions to create unrivaled IT solutions and expand

the areas where we hold an advantage. In addition, we will establish a service-based service model by utilizing our customer base to create solutions individually with customers of large corporations and then expand them to customers of the same industry as well as to quasi-major and upper medium-sized enterprises by converting these solutions into services.

Imaging Solutions

Supporting DX with an Extensive Line of Devices and Various Imaging Platforms and Analytics Services

The Canon Group's strengths lie in its optical technologies, which have been passed down since its founding as a camera manufacturer, its line of more than 200 devices, its various imaging platforms, and its elemental technologies for analyzing the most advanced images and videos. Meanwhile, the Canon MJ Group is teaming up with multiple vendors in Japan and overseas to expand the scope of its image analysis solutions as well as providing optimal security products, helping ensure the safe and secure use of data.



Digital Document Services

Helping Reform Business Processes through the Integration of Canon Input and Output Devices and Canon MJ's IT Solutions

Based on our in-depth knowledge of our customers' workflow, which has been cultivated through the supply of Canon input and output devices, we help customers reform their business processes according to changes in legal systems and workstyles. For example, in 2022 we began providing the *DigitalWork Accelerator Series*, which enables transaction-related documents to be stored and maintained over the long term in a manner that complies with the Law on Book and Record Keeping through Electronic Methods, as a result of which we have expanded our area of expertise from document solutions to document services.



Focus: IT Solutions Business by Customer Segment

Mathematical and Demand Forecasting

Proposing Optimal Solutions in the Manufacturing, Sales, and Logistics Sectors with the Latest AI Technology and Our Mathematical Technologies Crafted from Years of Experience

Leveraging our track record in the research and development of mathematical technology (operations research) and our know-how in the use of the latest AI technology, we resolve various business- and management-related issues using an advanced algorithm. With a particular focus on supply chain management (including demand forecasting, production planning, and delivery planning), our consultants provide optimal data-driven solutions and resolve customer issues by drawing on their data analysis capabilities, such as data analytics technology and mathematical optimization technology, and their extensive knowledge of business processes.



Low-Code Development

Developing a Proprietary Low-Code Development Platform That Facilitates the Rapid Creation of Web Systems

Launched in 2005 as a platform to pioneer low-code development, *WebPerformer* shortens development time by developing web systems intuitively, releasing systems rapidly, and maintaining quality, facilitating co-creation-based development between the development department and the business departments that use these systems. *WebPerformer* allows for the development of systems that flexibly adapt to changes in the business environment and has been adopted by more than 1,300 customers. A cloud version of this development platform, *WebPerformer-NX*, was released in 2023, enabling us to expand our range of proposals through the operation of front-end systems in the cloud and mission-critical and peripheral systems on premises.



Message from the Person in Charge of Planning
Digital Document Services, DigitalWork Accelerator

Canon Marketing Japan Inc.



Hiroyuki Hayashi
General Manager
Digital Document Service Planning Division,
Solution Development Center
Business Innovation Section,
Marketing Headquarters

To address the needs of our many customers, we have been developing business document solutions, digital workflow, and other digital document services for more than 20 years in conjunction with Canon products. We believe the knowledge we have gained from the flow of data utilization of our various customers, from input to output, and their entire workflow is a strength of the Company. Utilizing this knowledge, in December 2022 we launched the *DigitalWork Accelerator Series* service, a cloud service that complies with the Law on Book and Record Keeping through Electronic Methods and the invoice system in Japan.

DigitalWork Accelerator provides a framework for centralizing the management of transaction-related documents and managing information on the business processes for the digitalization, approval, and storage of paper documents.

According to customers that have adopted this service, *DigitalWork Accelerator* is easy to use and has reduced the workload on the front lines, as it eliminates the need to register purchase orders, invoices, and other documents and to enter index information and can be easily integrated with accounting systems.

Going forward, we will expand our services for this platform, from services geared toward compliance with laws and regulations, such as the invoice system in Japan, to support for reforming business processes, thereby creating new value through the strengthening of the linkage with business applications and industry-specific services and accelerating the growth of our customers' businesses in the process.

KPI
2

HOME and IT Maintenance and Operations Contracts

HOME and IT Maintenance and Operations Contracts

Fiscal 2022
Approx. 160,000

CAGR
+11%

Fiscal 2022
Approx. 220,000

Maintaining Our Strong Connections with Customers by Supporting the IT Operations of SMEs

It is becoming more difficult than ever for SMEs to secure highly skilled professionals, particularly when it comes to acquiring IT and security solutions experts on their own. To overcome these issues, Canon MJ offers a range of services for its SME customers that include its *DX support services such as HOME and HOME Select Series*, and IT maintenance and operations service, such as *Makasete IT DX Series*.

HOME

Providing Stable Security Solutions and Efficient Cloud Services to SME Customers

HOME is Canon MJ's original DX support service that offers security measures and cloud services on a one-stop basis for a monthly fee. In addition to providing support for the implementation and operation of unified threat management devices as a security measure, we facilitate compliance with the Law on Book and Record Keeping through Electronic Methods, the digitalization of work processes, and improvements to productivity through the provision of our *HOME Select Series* service.

IT Maintenance and Operations

Resolving the Issues of SME Customers with the Makasete IT DX Series

In addition to having to cope with IT equipment failures, SMEs are facing a growing number of other operation-related issues stemming from changes in their business environment. The *Makasete IT DX Series* service provides customers with a safe and secure environment in which they can conduct business operations by resolving their issues in a timely manner and providing operational support to ensure the proper use of business software and the stable operation of IT equipment. We will also expand our selection of management support services and educational support services to help overcome the issues faced by managers of SMEs.

Message from the Person in Charge of Sales
IT Maintenance and Operations

Canon System & Support Inc.



Yasushi Fujimura
Assistant Manager
Tokyo-Daini Sales Dept. 1
Tokyo-Daini Sales Division
Tokyo Sales Group
Sales Headquarters

Customers that do not have an in-house IT specialist often ask about how they should respond to the accelerating pace of digitalization. The *Makasete IT DX Series* is a service that provides support for not only equipment selection and implementation but also fault isolation and operations. This allows us, as sales representatives, to confidently make proposals for everything from equipment selection to operations and gain the support of customers as a trusted IT partner. As the Company will also be expanding its services to support management in addressing issues related to the formulation of IT investment plans, the development of sales strategies, and the promotion of sales activities, I will work to improve my own IT skills and evolve together with customers so that we connect with them on a wider scale, from their front lines to management.

Comments from the Person in Charge of the Customer Support Center
IT Maintenance and Operations

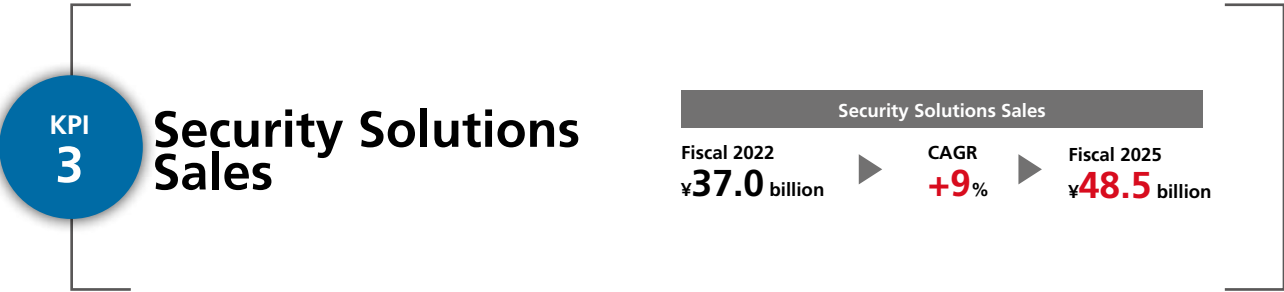
Canon System & Support Inc.



Yasushi Tateiwa
Senior Staff
Infrastructure Operation
Support Dept. 1
Customer Support Center
Infrastructure Engineering
Group
Engineering Headquarters
Canon System & Support
Inc.

The Customer Support Center receives inquiries from customers under IT maintenance and operations contracts. In handling our customers' day-to-day issues, we utilize the tools necessary to promptly resolve matters remotely. We are also working to improve our knowledge on ways to handle customer inquiries so that we are able to resolve even more issues for our customers. The number of operation-related inquiries has increased since the release of the *Makasete IT DX Series*, and I get the sense that our operational support services, which take into account the ongoing changes in the business environment, are drawing tremendous interest among customers. Moving ahead, we will continue to provide new value by adhering to our customers' needs for everything from troubleshooting to operational support.

Focus: IT Solutions Business by Customer Segment



Providing Comprehensive Support from a Cybersecurity and Physical Security Perspective

Today, cyberspace and physical space are merging in all areas of the world. While their linkage offers many benefits, we must also consider the increasing risk of the impact of cyberattacks on physical space. The Canon MJ Group provides customers with security and peace

of mind through the development of comprehensive security solutions that encompass both physical security, such as video surveillance, and cybersecurity, including network intrusion detection and prevention services.

Physical Security

Delivering a Wide Range of Solutions by Incorporating the Canon Group's Hardware and Software Capabilities

By combining the Canon Group's diverse line of network cameras with video management software, our proprietary video cloud service *VisualStage*, and AI technology, including facial and behavior recognition, we will support the DX activities of customers in a variety of industries and business categories by utilizing video data, such as diagnostic imaging and video analysis, in addition to surveillance.

Cybersecurity

Providing an Array of Products, Services, and Support Based on the ESET Antivirus Software

In addition to antivirus software and other solutions that protect websites from external attacks, we offer a wide selection of services to prevent cyberattacks, including vulnerability assessment and malware analysis services. The *ESET* antivirus software, for which we are an exclusive distributor in Japan, has gained the recognition of many customers for its high detection capabilities and easy operation, ranking atop Nikkei Computer Customer Satisfaction Survey 2022–2023 in the security products division for the 10th year in a row.

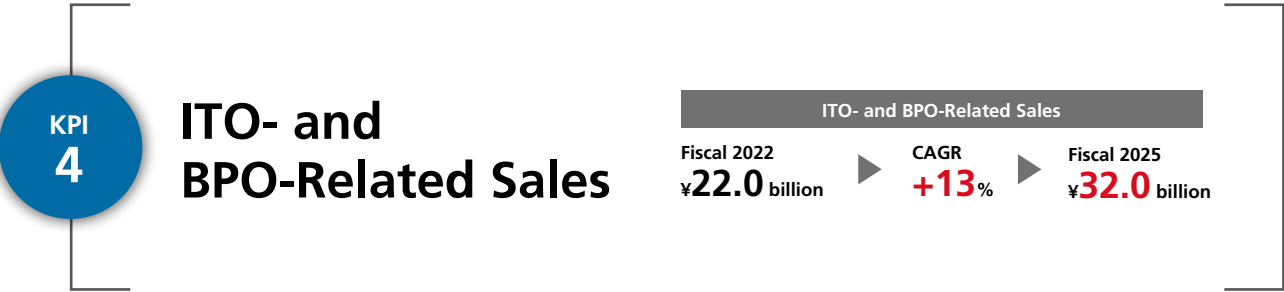
Message from the Person in Charge of Planning Cybersecurity

Canon Marketing Japan Inc.



Koji Sekiguchi
Manager
Security Solution Planning Dept. 1
Security Solution Planning Division
Security Solution Planning Group
IT Products Marketing Section
Marketing Headquarters

As the exclusive distributor of the *ESET* comprehensive endpoint protection software in Japan, Canon MJ not only purchases and sells the software but also ensures that it can be used by customers with peace of mind through verification of the security program by the engineering department in accordance with the Canon MJ Group's quality standards. The software is released upon confirmation that they meet a certain level of quality. We also operate a customer support center, through which we receive feedback from *ESET* users that are forwarded to the developer ESET, spol. s r.o. In this way, we continue to make improvements in accordance with the needs of the Japanese market and its expectations for high quality. We provide value to customers through a variety of means, including prepurchase consultation and post-purchase product support, by drawing on our technical knowledge and expertise cultivated over many years. Going forward, we will continue to deliver reliable security solutions in order to maintain our solid reputation for accurate malware detection, ease of operation, and technical, support, and information dissemination capabilities.



Enabling Customers to Focus on Their Core Operations by Taking Charge of Their IT Operations

The demand for outsourcing services continues to rise due to the challenge of securing workers caused by the declining birth rate and aging population, the accelerating shift to the cloud and the advancement of security measures due to the evolution of DX, and other factors. At the

Canon MJ Group, we help create an environment that allows our customers to focus more closely on their core operations by ensuring a thorough understanding of their entire business.

Information Technology Outsourcing (ITO)

Continuously Supporting the IT Environments of Customers with the Nishi-Tokyo Data Center at the Core

We ensure that our customers can always receive support for their IT environments through our cloud integration services that cater to customer needs, our system maintenance and operations services that minimize the workload of our customers' operations through the strength of our extensive operational track record spanning more than 20 years, and our data center services that support our customers' IT systems 24-hours a day, 365-days a year through our exceptional operational quality and equipment.

Business Process Outsourcing (BPO)

Developing Distinctive Services Based on Our Unique Technologies

The Canon MJ Group's BPO services encompass the outsourcing of specific projects as well as customers' non-core operations. In addition to being able to flexibly assign the right personnel for each project, the strengths of our BPO services lie in our ability to ensure a thorough understanding of our customers' business flows, make use of the Canon MJ Group's abundance of input and output devices and technology, and streamline and enhance the performance of their series of tasks. We also make business improvement proposals aimed at streamlining our customers' core operations.

Message from Persons in Charge of Operations ITO (Nish-Tokyo Data Center)

Canon IT Solutions, Inc.



Shinichi Kobayashi (right)
General Manager
Data Center Management Division
Data Center Service Group
IT Service Technology Headquarters
IT Platform Business Section

Yuko Furusaki (left)
Regular Employee
Data Center Management Division
Data Center Service Group
IT Service Technology Headquarters
IT Platform Business Section

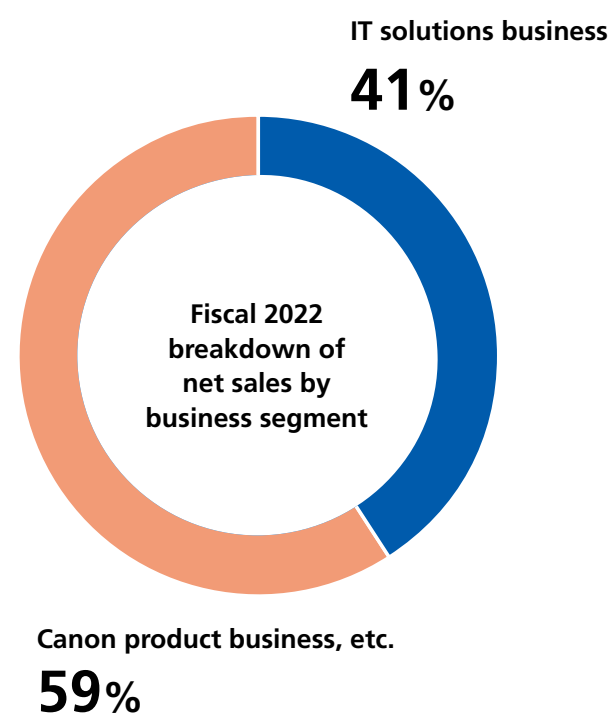
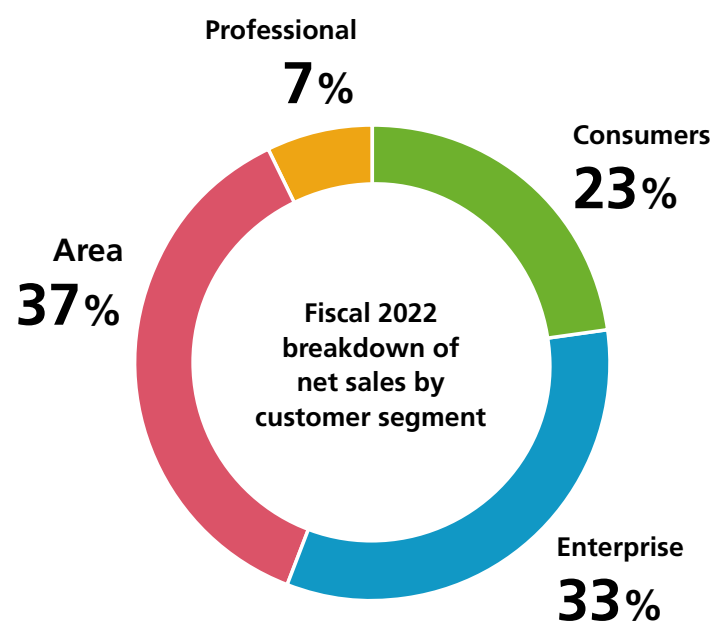
The Nishi-Tokyo Data Center, owned and operated by the Canon MJ Group, offers exceptional levels of security and operational quality that meet the strict requirements of our customers and is used by a number of companies in industries such as finance, manufacturing, and cloud computing. No matter how sophisticated and robust the data center, it will not be enough to ensure that our services will cater to the needs of our customers. With the aim of enhancing our operational quality, each week we conduct drills to ensure that we are able to respond quickly and properly to equipment failures and other problems that occur on a regular basis as well as to prepare for large-scale disasters based on our Data Center Contingency Plan and its over 200 failure scenarios. Moreover, once a year, we carry out a comprehensive interlock inspection by cutting off the power supply and using power generators. The training scenarios are updated each year based on the assumption of failures at multiple facilities, possible points of failure, and the types of failures that could occur. We have been able to maintain high levels of quality as a result, as demonstrated by our acquisitions of the Management & Operations Stamp of Approval and other quality-related certifications.

In addition, Nishi-Tokyo Data Center building No. 1 and No. 2 received Outstanding Specified Anti-Global Warming Facility (near-top-level business facility) certification from the Tokyo Metropolitan Government's Bureau of Environment for their exceptional system for promoting measures against global warming. Moving ahead, we will contribute to more efficient use of energy in society through the operations of our energy-efficient data centers.

Note: Please refer to our corporate website for information on our various certifications. (in Japanese only)
<https://www.canon-its.co.jp/solution/ido/>

Overview of Businesses by Segment

Our business mainly consists of the Canon product business and the IT solutions business. As for customer segments, Canon MJ operates in the four specific categories, the Consumers, Enterprise, Area, and Professional segments, and helps many customers create value.



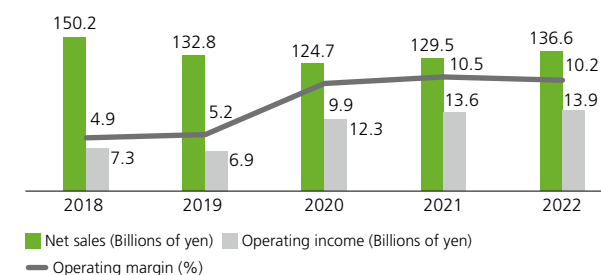
Consumers

Customer segment

Individuals

We sell Canon products such as cameras, which have been manufactured since the time of our founding; imaging products; and inkjet printers, as well as non-Canon consumer products, to individual customers through retailers, online stores, and other business formats.

Net Sales, Operating Income, and Operating Margin



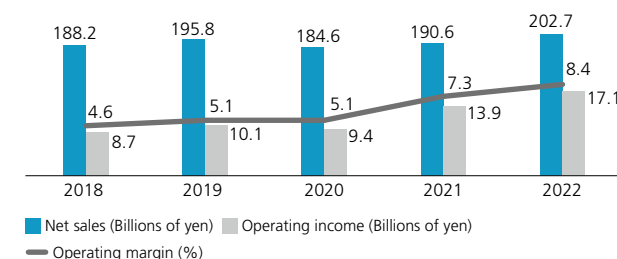
Enterprise

Customer segment

Large corporations and quasi-major and upper medium-sized enterprises

We sell Canon products and IT solutions directly to large corporations and quasi-major and upper medium-sized enterprises to resolve management issues that vary by industry and business category. Our Major Account Headquarters is in charge of large corporations while our General Business Solution Headquarters is in charge of quasi-major and upper medium-sized enterprises. Meanwhile, Canon IT Solutions Inc. is in charge of both customer groups.

Net Sales, Operating Income, and Operating Margin



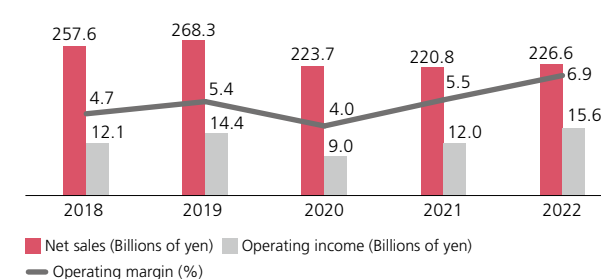
Area

Customer segment

Small and medium-sized enterprises

We provide Canon products and IT solutions to small and medium-sized enterprises in Japan by fully leveraging our diverse channels for indirect sales through business partners and system partners and direct sales through Canon System & Support Inc.

Net Sales, Operating Income, and Operating Margin



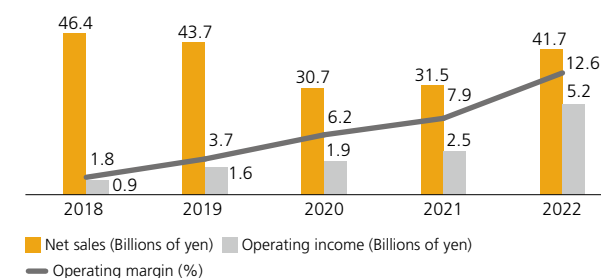
Professional

Customer segment

Specialist fields

We provide products and solutions for customers in specialist fields, such as production printing, industrial equipment, and healthcare.

Net Sales, Operating Income, and Operating Margin



Consumers Segment

We will strengthen ties with customers in our existing businesses while continuing to increase profits by exploring and creating new products and services that exceed expectations.

On the strength of an organizational structure that was built through the marketing of Canon products and is flexible and resilient in the face of change, we will help bring more fulfillment and convenience to customers' lives through the products and services we provide.

By strengthening ties with customers through both physical and digital means, we will continue developing our camera and other existing businesses and identify new needs while exploring and creating high-value-added products and services that exceed market expectations. In so doing, we will ensure high levels of customer satisfaction and increase profitability by enhancing productivity through the development of a highly efficient sales and service structure.



Koichi Mikami
Senior Vice President
Director of Consumers Business Unit

Business Activities

In the rapidly emerging consumer market, where trends and technological innovation are rapidly changing, we strive to deliver value that exceeds customer expectations. Although the camera market has matured, we expect demand to pick up going forward as photo opportunities increase as a result of people spending more time outside their homes. In fiscal 2022, the EOS brand, which celebrated its 35th anniversary, maintained its leading share*1 of the market for the 15th consecutive year, as it continues to be loved by many customers. The EOS R series of mirrorless cameras has been performing particularly well, and we plan on expanding our lineup of RF interchangeable lenses, which may be necessary in a variety of shooting scenes. In the printing business, we offer a lineup of inkjet and laser printers that address the needs stemming from more people working from home and of individual business owners, providing high added value through products that contribute to greater convenience and productivity for our customers. We are also promoting the sale of consumer-oriented products that are in line with the changing markets and latest trends and creating products and services that offer new value.

*1 Based on research by Canon MJ on the market share of digital interchangeable lens cameras

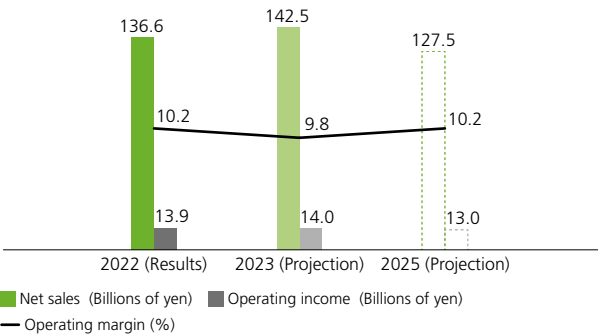
Our Strengths

As demonstrated by its leading share*2 of the digital interchangeable lens camera and inkjet printer markets in fiscal 2021, the trust that Canon has earned from customers over the years for its long-beloved brand is a significant advantage to Canon MJ. We have developed a range of physical and digital points of contact with customers, including mass retailers, our very own showrooms and service centers, and the e-commerce sites of Canon MJ and our business partners. Particularly for customers with a strong interest in photography, including professionals and avid photography enthusiasts, we offer products that cater to a range of expressions specific to each subject and continue to introduce new activities, including the Canon Photo Circle, to bring even greater satisfaction to customers and develop a stronger connection with them. In addition, we are committed to fostering a photographic and imaging culture that is unique to Canon, a company that has supported the activities of photographers and filmmakers for many years. Furthermore, our distribution and sales channels and our marketing capabilities that enable us to explore and roll out products and services other than those of the Canon brand are essential to our business foundation.

*2 Based on research by Canon MJ

Segment Targets

Net Sales, Operating Income, and Operating Margin



Strategy for Achieving the Goals of Our Medium-Term Management Plan

As the leading camera manufacturer in Japan, we will play a leading role in developing photographic and imaging cultures. By forming even stronger relationships with our customers, we will continue to expand our camera, inkjet printer, and other existing businesses while improving profitability. We will also strive to achieve the goals of the Medium-Term Management Plan (2022–2025) by providing imaging solutions that make full use of Canon's imaging technologies and create new products and services that look ahead to the future.

Examples of Our Initiatives

Fostering of Photographic Culture

We have been promoting a variety of activities over the years for customers with a strong interest in photography, including professionals and avid photography enthusiasts. One of them is the Canon Photo Circle, which has been enriching the photographic lifestyles of its many members since 1954 by providing an abundance of information, such as introductions to the works of professional photographers, details on new products, and shooting and printing techniques, through member magazines and web content. As COVID-19 restrictions were gradually eased, in fiscal 2022 we began holding activities in person once again. This club activity has been held at eight locations throughout Japan to allow users of Canon cameras to enjoy taking

photos with those who share their interests, such as landscapes, railways, and aircraft. Meanwhile, the Canon Photo Contest, which was established in 1953, was held for the 56th time in fiscal 2022. The contest, said to be the largest of its kind in Japan, has received numerous entries from professionals and amateurs alike. In these ways, we will proceed with a variety of approaches to bring more enjoyment to the lifestyles of customers who have a strong interest in photography.



Incorporating Canon's Imaging Technology into Our Broadcasting Activities

In the video production market, we have seen a growing demand in recent years for IP remote production* due to increased production of video content. Against this backdrop, in fiscal 2021 Canon Inc. brought together its long-cultivated imaging and network technologies to develop a remote camera system for video production that offers high image quality and streamlines photographic workflow. In fiscal 2022, Canon expanded its lineup with the introduction of the CR-X300 outdoor remote camera and the top-of-the-line CR-N700 4K/60P remote camera. Used in a range of outdoor settings, in April 2022 the CR-X300 was adopted as a system to provide on-site images for the television broadcast of the Masters Tournament, one of the four major championships in men's professional golf held in Augusta, Georgia, in the United States. The cameras installed around the golf course swung from side to side and zoomed in and out through the operation of a remote camera controller set up at a TV station in Tokyo. We will continue to deliver such products and solutions that

address the growing needs of customers for remote methods of video production that offer greater efficiency and labor-saving merits.

* A new IP-based method of broadcasting programs in which the broadcasting station and the broadcasting site are connected through an IP network and the programs are produced by a remotely located broadcasting station

Right: Live streaming using the CR-X300. Canon's camera lineup caters to the video streaming needs of various indoor and outdoor sporting events.



Creating New Products and Services

Based on the concept of "creating comfortable spaces that bring happiness to people," we formed our new brand *albos* (abbreviated from "always by our side") through co-creation with Canon Electronics Inc., a Canon Group company.

The brand's first product *albos Light & Speaker* is a wireless speaker with a built-in lamp that takes users away from their everyday life into a world of their own through its pleasant sound and lighting. Inspired by the desire of developers to help customers enrich time spent with loved ones and become immersed in their hobbies through the use of lighting suited to each situation, this product was sophisticatedly designed through the carving of aluminum and the use of exceptional precision processing technology.



In terms of the Makuake*1 project, support purchases have topped the ¥25 million mark and 666 supporters have

contributed to its renewal as the No. 1-selling*2 portable Bluetooth speaker of all time.

Owing to the success of this project and the feedback from supporters, *albos Light & Speaker* was released to the general public in December 2022.

We are proceeding with a variety of measures to spread awareness of the new *albos* brand, such as enabling people to try out the *albos Light & Speaker* inside a dedicated private room called the *albosROOM*, as well as promoting other marketing activities that integrate physical and digital elements. Going forward, we will expand our business not only from a consumer point of view but also from the perspective of developing business applications.

We will look to invent and create more products and services like the *albos Light & Speaker* that bring satisfaction to customers.

*1 A crowdfunding site that provides a mechanism for supporters to discover projects that strive to create meaningful products and support them by purchasing these products.

*2 As of May 2023

Enterprise Segment

We will position our unrivaled service-based business as a pillar of earnings and achieve exponential growth through in-depth analysis of customers and industries, the use of proprietary technologies, and co-creation with customers.

We aim to realize a sustainable society by co-creating solutions with customers and resolving their issues. Accordingly, we will unite all of the resources of our business unit, including our customer base and our sales, technological, and development capabilities, to further strengthen collaboration and create new service-based businesses that leverage our strengths to accelerate the growth of the IT solutions business, which is the driving force of our business.

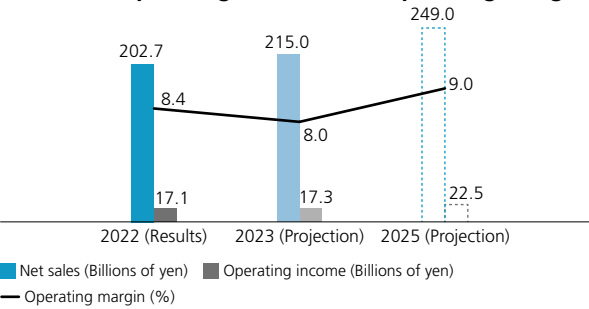
Hiroyuki Matsumoto
Vice President
Director of Enterprise Business Unit

Business Activities

The Major Account (MA) Headquarters, the General Business (GB) Solution Headquarters, and Canon IT Solutions Inc. work together to provide Canon products and IT solutions that help resolve the various industry- and business-specific issues of our vast range of customers, from large corporations to quasi-major and upper medium-sized enterprises, public agencies, and educational institutions. As digitalization continues to advance, we must take the correct approach to digital transformation (DX) by considering not only partial improvements to efficiency through individual products and information and communication technology (ICT) but also how all of the data used in our customers' business operations can be utilized to transform their businesses. Along with hardware and software solutions, we provide integrated services that cover everything from systems development to maintenance and operations, and combine them with our various IT solutions, including outsourcing. Through these and other efforts, we help resolve the issues of our customers and promote their DX strategies through co-creation.

Segment Targets

Net Sales, Operating Income, and Operating Margin



Strategy for Achieving the Goals of Our Medium-Term Management Plan

The MA Headquarters and GB Solution Headquarters will steadily expand existing businesses, such as Canon products, document solutions, and imaging solutions, while Canon IT Solutions will expand systems integration services as well as solutions such as mathematical and demand forecasting and low-code development. Moreover, each organization within the business unit will work together to expand our new service-based business model through co-creation with customers and turn it into a pillar of earnings.

To these ends, we will enhance the IT skills of the entire business unit by strengthening our human resources development and reinforce our ability to create solutions through design thinking. At the same time, we will enhance our development of highly skilled IT personnel through measures that include acquiring human resources from outside the Company.

Our Strengths

At Canon MJ, we boast an extensive customer base that has been developed over the years through the introduction of Canon products and related solutions for offices. Our strengths lies in our sales capabilities to propose the best possible solutions to our customers by developing solid relationships with them at every level, from the front lines to management, and resolving their issues by ensuring a sound understanding of their business lines, industry, and business activities. Moreover, Canon IT Solutions, a systems integrator with around 3,500 system engineers within our business unit, has proprietary software technology, mathematical technology, language processing technology, image analysis technology, and other highly sophisticated technological and development capabilities at its disposal. Through the combination of these technologies with Canon's imaging and AI technologies, we are able to create solutions that cannot be equaled by our competitors. Our collective strength that allows us to provide a range of IT solutions in the form of proposals, development, maintenance, and operations in our areas of expertise—backed by Canon products and our technological capabilities—is also a strength of the Company.

Awareness of the Market Environment

Opportunities

- Increasing demand for IT investments due to strengthening of DX measures
- Higher demand as a result of advancements in network infrastructure
- Continuously expanding systems integration services market
- Greater demand for document solutions consultations due to implementation of workstyle reform
- Increasing need for imaging-based solutions
- Rising demand for security risk measures
- Greater demand for BPO due to the need to improve operational efficiency, enable employees to concentrate on core duties, and offset the declining workforce

Risks

- Lack of talent and intensifying competition for securing highly skilled professionals in the IT market
- Rapidly increasing number of paperless offices due to widening adoption of telework and digital workflow
- Higher purchase prices due to increases in crude oil prices and energy costs

Canon IT Solutions Inc.

We are co-creating the future with our customers by leveraging our unique technologies and developing highly skilled professionals, thereby achieving ITS3000 ahead of schedule.

Aiming to realize VISION 2025, Canon IT Solutions Inc.'s vision for fiscal 2025, we will strengthen management through business activities that are based on our medium-term management plan, which places emphasis on processes and key performance indicators, and forge even further ahead with the development of our three VISION 2025 business models: the service-based business model, the systems integration model, and the business co-creation model.

With the service-based business model, we will address the issues shared by many of our customers by drawing on our technology and knowledge of various industries and businesses accumulated to date. The systems integration model will facilitate our development of systems that capture the essence of our customers' issues and underpin their businesses at every stage of the IT life cycle, including maintenance and operations. With the business co-creation model, we will look into business-related issues that our customers are unaware of and co-create solutions from a DX point of view. We will also remain committed to developing highly skilled professionals so that we can provide even greater value to customers through these three business models. Further, we will strengthen engagement through measures aimed at strengthening ties with customers and ensuring employee satisfaction and growth. As the centerpiece of the Canon MJ Group's ITS3000 strategy, Canon IT Solutions will orchestrate the achievement of this strategy while relying on the cooperation of Group companies, including the utilization of Canon MJ's customer base.

Business Overview

Canon IT Solutions is a systems integrator that engages in the development, operation, and maintenance of systems for a wide range of sectors, primarily manufacturing and finance, and provides services to businesses centered on data centers. On the strength of our high levels of quality control, we offer a vast array of solutions that make use of our very own software and mathematical technologies that have been cultivated over many years.



Akira Kanazawa
President
Canon IT Solutions Inc.

Joint Proposal by Canon MJ and Canon IT Solutions (Edge Solutions)

Asset Management Navigation System for Shinkin Banks: Cloud-Based Sales Support Service for Investment Products

The government's request to the residents of Japan to shift their focus from savings to investments and the prolonged period of low interest rates have led to more people building assets through investment trusts and other financial products. Financial institutions are expanding their line of financial products to meet this demand, but they are also being called on to provide sufficient information to investors on risks and investment policies to ensure that investments are made in the safest and most appropriate manner.

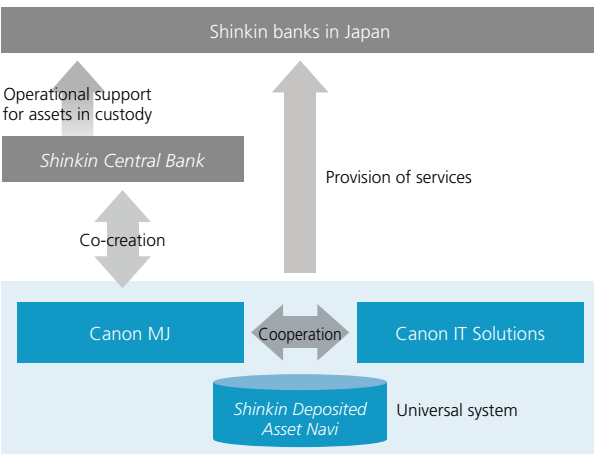
We offer a variety of cloud-based solutions to support financial institutions. For *shinkin* banks, which offer financial services by working closely with local communities, we have developed the *Shinkin Deposited Asset Navi*, a cloud-based sales support service for assets in custody. This service facilitates *shinkin* bank employees in helping customers realize stable asset formation in the sale of investment trusts, insurance, public bonds, foreign currency deposits, and other financial products by adhering to the Financial Instruments and Exchange Act and other relevant laws.

Through co-creation with *Shinkin Central Bank*, the central financial institution for the nationwide network of *shinkin* banks, *Shinkin Deposited Asset Navi* was developed to meet the operational specifications of *shinkin* banks and is a universal system for the industry that can be utilized by all such banks in Japan. In *Shinkin Deposited Asset Navi*, we have realized a highly secure and scalable cloud service that reduces operational overhead through the development of a cloud-based platform at the Canon MJ Group's data center, which complies with international standards such as FISC*1 guidelines and the M&O Stamp of Approval certification*2. In addition, we plan to offer new services to *shinkin* banks and expand our services

to financial institutions outside of *shinkin* banks.

We will bring together Canon's strengths in cutting-edge imaging technology and Canon IT Solutions' technological and development capabilities and capitalize on our know-how and wealth of business knowledge accumulated to date on various industries to develop various service-based solutions going forward.

*1 FISC: The Center for Financial Industry Information Systems. Canon IT Solutions' Nishi-Tokyo Data Center and Okinawa Data Center comply with the FISC Security Guidelines on Computer Systems for Banking and Related Financial Institutions.
*2 Please refer to our corporate website for details on the Management & Operations Stamp of Approval and other certifications. (in Japanese only)
<https://www.canon-its.co.jp/solution/idc/>



Area Segment

As the largest segment in sales, we will strive to achieve further growth and profitability by orchestrating the digitalization of small and medium-sized enterprises (SMEs) with untapped potential.

As a business segment that has continued to engage directly with customers and has been creating customer value with business partners, the Area segment boasts diverse sales channels that span across all of Japan. To help resolve the various issues of SMEs, we will strengthen our understanding of their customers and competitors as well in order to position ourselves to propose better solutions. To that end, we will strive to develop highly skilled professionals and ensure that our sales channels are perfectly suited to maximizing earnings. By addressing our customers' ever changing management issues in the most flexible and timely manner, we will also help revitalize local communities.



Yasuyuki Uotani
Vice President
Director of Area Business Unit

Business Activities

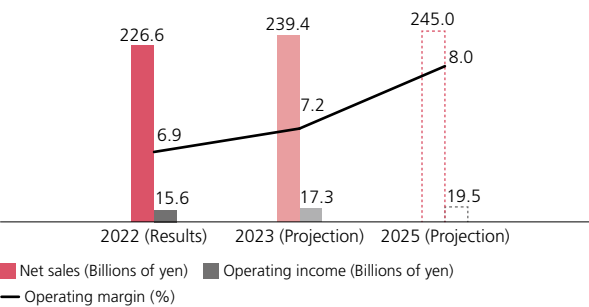
IT investment is drawing greater interest among customers of SMEs as a solution to issues such as the need to streamline operations due to labor shortages and strengthen security. For customers of SMEs lacking in-house IT personnel, we propose the most optimal solutions by combining Canon products and our IT solutions, such as the HOME IT support cloud service and our Makasete IT DX Series of comprehensive IT support services that cover everything from the operations and maintenance of IT equipment to security. In this way, we have been supporting the customers of SMEs in resolving their management issues and advancing their businesses. Moreover, by taking advantage of our indirect sales channels, made possible by our nationwide network of business partners as well as our direct sales channels courtesy of Canon System & Support Inc., we have developed and maintained solid relationships with a wide range of customers.

Our Strengths

Our strengths lie in our diverse sales channels that span across the country, such as our business partners that serve prominent local firms, system partners that are mainly involved in the systems integration business, and Canon System & Support, which engages in direct sales. We support the DX activities of our SME customers to help overcome their management issues through our ability to propose optimal solutions by combining Canon products, mission-critical system packages, security products, maintenance and operations services, and a variety of other products and services. Also, in a bid to expand the IT solutions business, we will join forces with business partners that previously handled primarily Canon products to enhance our sales capabilities for IT solutions.

Segment Targets

Net Sales, Operating Income, and Operating Margin



Awareness of the Market Environment

Opportunities

- Increases in IT investments as SMEs look to digitalize their business
- Increasing demand for security risk measures
- Amendments to laws pertaining to SMEs, such as the Law on Book and Record Keeping through Electronic Methods and the invoice system in Japan

Risks

- Lack of talent and intensifying competition for securing highly skilled professionals in the IT market
- Reductions in print volume at offices due to the increased adoption of telework and digital workflow
- Higher purchase prices due to increases in crude oil prices and energy costs

Strategy for Achieving the Goals of Our Medium-Term Management Plan

In order to increase productivity and maximize the profitability of office multifunction printers and other Canon products, we promote area marketing to identify the specific characteristics of each area and develop the most optimal sales channels. Moreover, by sharing the know-how and skills we have accumulated to date in Canon System & Support's direct sales business with our business partners and continuing to expand our IT solutions business, we will help SMEs ensure compliance with relevant laws and regulations and enhance productivity by digitalizing operations.

Canon System & Support Inc.

At Canon System & Support, we strive to continue expanding our profitable service-based business by addressing the concerns of SME customers across Japan through our comprehensive line of support services.

Over the years, we have been providing customers with the tools and infrastructure for communicating information to as many people as possible and to people as far away as possible, which are essential to the continuity of our customers' businesses, and helping ensure stable operations in the process.

Since the 1990s, we have been addressing the changing needs associated with the proliferation of PCs and the internet by providing a range of solutions, including corrective maintenance for PCs and security devices, in a timely manner. Nowadays, SME customers are faced with issues such as uncertainty with regard to the implementation of DX and a lack of personnel with IT knowledge. In response to these needs, we support our customers' businesses by helping them plan IT investments and select and implement appropriate IT systems, as well as by ensuring stable operations through support for day-to-day maintenance and operations when problems occur. We will continue to help customers evolve their business through the use of IT by acquiring and developing highly knowledgeable and skilled personnel.

Business Overview

Canon System & Support is in charge of the direct sales of Canon products and IT solutions and consulting services for SMEs in Japan.

Leveraging our nationwide business network and group synergies, we provide support services on a one-stop basis for planning IT investments, selecting and implementing the most optimal solutions to customers' issues, day-to-day operations after implementation, and maintenance when problems arise.



Takeshi Hiraga
President
Canon System & Support Inc.

Joint Proposal by Canon MJ, Canon System & Support, and Business Partners (HOME and IT Maintenance and Operations)

Triune Approach to Providing Customer Value

The Business Partner Headquarters of Canon MJ has teamed up with Canon System & Support and local business partners to address the shortage of talent who can implement DX and security measures, a management issue facing many SMEs. In this joint proposal, we presented IT solutions to a software development company in a bid to resolve their security issues.

This customer faced the following issues as it set out to create a network environment and establish security measures to prepare for cyberattacks in light of the yearly growth of its business.

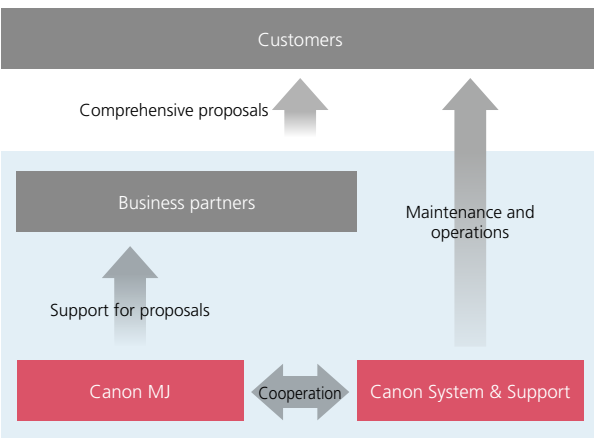
- Lack of information system administrators
- Increase in administrative tasks associated with enhanced security measures
- Need to eliminate regional differences in security levels

The Company and its business partners considered comprehensive security measures and proposed

- a high-availability system that can be operated even by newly appointed personnel,
- a highly maintainable system that reduces the workload of administrators, and
- the unification and enhancement of security levels at business sites.

As a result, these proposals were adopted upon receiving high marks for their ability to reduce the workload of administrators and provide customers with peace of mind through Canon System & Support's total support service.

In this scenario, we provided value to customers through a triune approach that involved the total coordination of business meetings by Canon MJ; the selection, proposal, and provision of services by our business partners that catered to customer needs; and the provision of maintenance and operations services by Canon System & Support. By providing value in such manner throughout the country, sales of the Area segment's security business soared 118% from the previous year. Together with our partners, we will continue to provide value by making full use of our strengths.



Professional Segment

Production Printing

We aim to enhance profitability by helping overcome the digitalization issues of the printing industry with our total solutions that combine our abundance of products and services.

As digitalization continues to move forward in the printing market, we will make proposals that anticipate customer needs by enhancing our knowledge of trends and expertise in the printing industry and ascertaining changes in printing needs. By expanding our scope of proposals to cover total solutions, including pre- and post-printing processes, in addition to the sale of stand-alone hardware, we will further enhance profitability and resolve our customers' printing issues.

Business Activities

In the data printing services, publication and commercial printing, industrial printing, point-of-purchase systems, large format printing, document services, and other business fields, we propose a range of solutions that combine hardware and software by means of which we, as a true partner that can always be counted on, ensure our customers receive high added value for their businesses.

Our Strengths

We harness our long-cultivated software development capabilities and combine them with our hardware capabilities, including printing systems for the form printing industry, point-of-purchase systems for the retail industry, and drawing management systems for the manufacturing industry, to address our customers' professional needs in a wide range of business domains.



Katsumi Ueda
President
Canon Production Printing Systems Inc.

Example Initiative

In fiscal 2022, we were able to facilitate our customers' entry into the business of color inkjet cutsheet printers and continuous feed printers. We were also able to tap into the publication and commercial printing markets and thereby lay the ground-work to expand sales of inkjet printers upon acceptance of our proposal to enter the data printing services business in relation to notifications from local governments. Going forward, we will aggressively expand our sales activities to increase sales of inkjet printers and enhance our line of proposals to resolve our customers' issues, such as enhancing the production efficiency of printing operations.

Industrial Equipment

We aim to build a robust platform that is resilient to market volatility by addressing domestic needs with superior overseas technologies.

Aiming to realize our goal of ¥50.0 billion in net sales, we will form a business structure that is resilient to changes in market conditions by building a robust platform that covers after-sales services. We will strengthen our ability to propose IT solutions to customers, ensure the commercialization of new product lines, strengthen and expand the scale of the non-semiconductor business, and maximize and stabilize our services business, all in an effort to enhance the scale of our businesses with the aim of improving profits and achieve sustainable growth in the process.



Yasuhisa Oba
Vice President
Group Executive of Industrial Equipment
Canon Marketing Japan Inc.

Example Initiative

In anticipation of the revitalized power devices market, we have been strengthening our product lineup by renewing our product models and concluding agency agreements with new overseas manufacturers while helping customers overcome their various management issues. Moreover, we have been creating data on the operational status of industrial equipment through the installation of a variety of sensors and cameras to accelerate the digital transformation of our customer services, shorten the time required for maintenance and troubleshooting, and improve customer satisfaction.

Business Activities

We import semiconductor-related equipment, testing and measuring equipment and components, and optical measuring equipment for semiconductor manufacturers, mainly from overseas, which are localized and customized as necessary before being sold in Japan. By providing support from a sales, installation, and maintenance perspective for the industrial equipment that helps resolve issues and meets the needs of our customers, we have been contributing to improvements in Japan's manufacturing productivity.

Our Strengths

Our strengths lie in our ability to research and discover outstanding products from overseas based on the latest technological trends worldwide and our highly specialized personnel who import a variety of unique products and provide sales, installation, and maintenance support for these products.

Healthcare

As one of Japan's leading independent systems integration vendors in healthcare, we aim to achieve further growth and profitability by providing comprehensive support for our customers' digitalization needs.

Based on our know-how in the healthcare industry and the implementation of medical ICT cultivated over the last five decades, our expert staff, who are in charge of selecting products and services, propose solutions that live up to customer expectations by accurately identifying the rapidly emerging trend of DX in the medical industry. In addition, we will improve profitability by stepping up business growth through the integration of the electronic medical records and other businesses of Canon Medical Systems Corporation other businesses and drawing on the Canon MJ Group's business knowledge and ICT know-how to provide comprehensive support for the digitalization and operations of the medical and healthcare fields as a whole.



Yoshinobu Kuroi
President
Canon ITS Medical Inc.

Example Initiative

Canon ITS Medical's system engineering resources and customer base, which are essential to system implementation, were expanded by two-fold as a result of a business integration with Canon Medical Systems' hospital information systems integration function. To ensure access to quality medical services, even in the face of serious social issues resulting from drastic demographic and environmental changes, more and more medical facilities are quickly adopting the use of digital devices and electronic medical records. We will shift our efforts into high gear with the development of DX strategies that support these facilities.

Business Activities

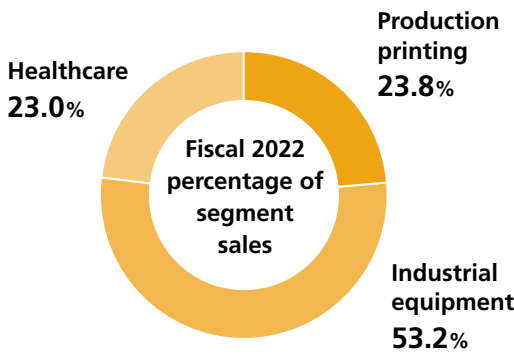
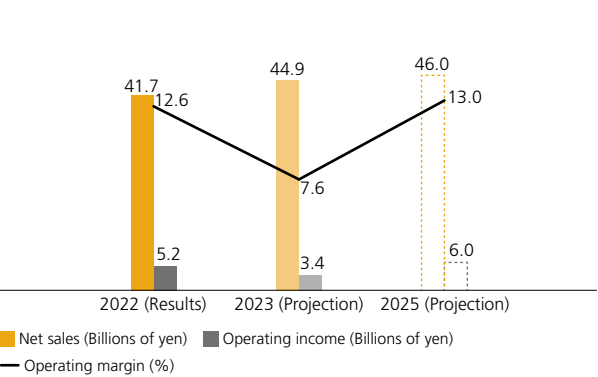
Canon ITS Medical Inc. provides IT solutions to the medical and healthcare sectors, centered on electronic medical records. We boast an extensive lineup of IT solutions and services that provide value to customers in the medical field and offer a one-stop service that covers everything from system proposals and development to installation, operations, and maintenance.

Our Strengths

Our strengths lie in our extensive network of contact points with medical institutions, from large hospitals to clinics. We provide one-stop services, from system proposals to installation, operations, and maintenance, through our many highly specialized personnel who are familiar with various medical policies and systems and our over 120 system engineers who develop, assemble, and install medical information systems. Another strength of ours is our multiple support centers we operate as a part of our disaster prevention measures and the services we develop and provide based on a cloud platform that complies with medical guidelines.

Segment Targets

Net Sales, Operating Income, and Operating Margin



Business Process Outsourcing

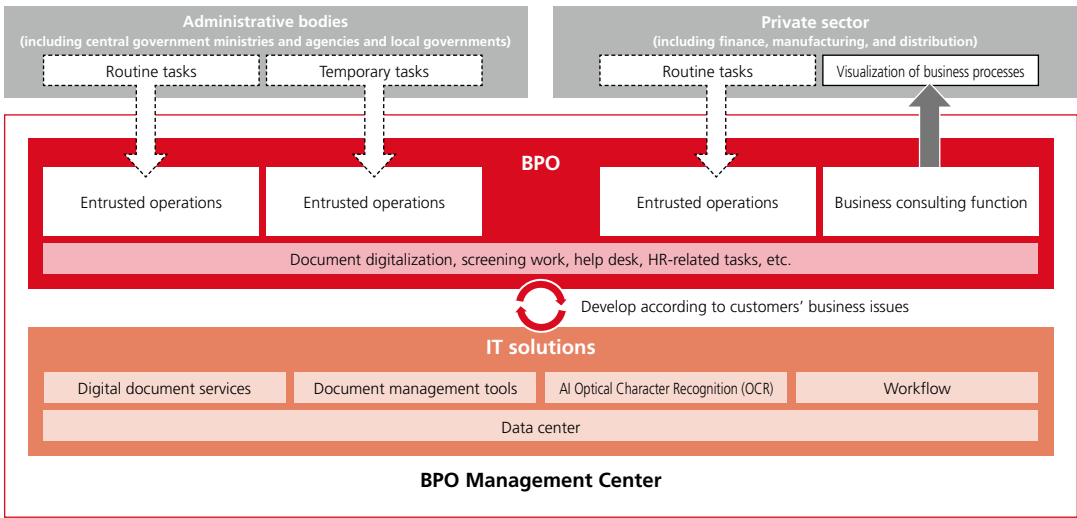
At the Canon MJ Group, our business process outsourcing (BPO) is about more than just providing BPO services. We offer solutions that help customers visualize, enhance, and manage their business processes, such as document-related services, and improve the operational processes that are insourced or assigned in-house.

Achieving Drastic Business Growth through Our Unrivalled Business-Specific BPO Services

Canon MJ helps customers overcome such hurdles as the labor shortage and workstyle reform through the BPO services it provides. In recent years, the Company has engaged in large-scale projects, such as screening work for financial institutions and government agencies. The know-how accumulated through this experience serves as a platform for establishing our business-specific BPO services, which will be deployed to a vast range of customers. Going forward, we will strengthen and expand the scale of our BPO service business, which harnesses the strengths of Canon's unique technologies for document digitalization, imaging solutions, and other areas.



Junji Asano
Senior General Manager
BPO Management Center



Structure

The BPO Management Center consists of more than 1,400 members from Canon MJ and three BPO-related Group companies: Canon BizAttenda Inc., Canon Business Support Inc., and QB5 Inc. At Canon MJ, we are developing a business platform that enables us to provide even better services, such as service planning, operational infrastructure development, and audits. Meanwhile, Canon BizAttenda is in charge of performing the business planning process of each project, managing their operations, and making improvements while Canon Business Support works to streamline internal business processes and enhance

operational quality. In August 2022, we also welcomed QB5 into the Group to strengthen our line of BPO services by leveraging its BPO capabilities in human resources and labor operations.

We have also teamed up with Canon Production Printing Systems Inc., a provider of on-demand color printing and data printing services, as well as highly specialized external partners to develop a structure that is even more conducive to addressing the increasingly sophisticated needs of our customers.

Aim

In recent years, a number of social changes, such as the acceleration of DX in businesses and the shrinking workforce, have spurred the trend toward simplifying and using less labor in administrative duties. With the aim of creating value through our efforts to reduce all types of administrative duties, we will work with customers to establish an environment that allows them to focus on their core businesses and operations through the IT solutions and BPO services we provide.

In light of advances in electronic transactions, including amendments to the Law on Book and Record Keeping through Electronic Methods, the key to leveraging digital documents as a corporate asset lies in the planning of the digitalization process and its subsequent implementation in a timely manner. Through our *DigitalWork Accelerator Series*, released in 2022, and our BPO services, we offer comprehensive

support for our customers' digital document management activities, from the planning of operations to digitalization work.

Moreover, in 2022 we were entrusted with several government policy-related projects, such as screening work on social security benefits and the passing down of traditional events. We were able to launch these projects in short order, further strengthening our outsourcing system. With the expectation that an increasing number of economic stimulus measures will be implemented going forward, we will look to expand the scope of our BPO services for government policy-related projects and thereby contribute to the betterment of society.

Going forward, we will strive to develop a system that meets the expectations of our customers and expand our services even further.

Case Studies

BPO Project for a Financial Institution

Canon MJ's administrative outsourcing services for financial institutions are designed to handle the complex screening paperwork of banks and other financial institutions. We implement and utilize systems that are tailored to the specific needs of each business, ensuring that administrative duties are performed in the most accurate and efficient manner. We also utilize online applications, OCR*, and other digital tools to digitalize and reduce the use of labor in business operations while implementing a continuous quality improvement cycle.

We will use The Norinchukin Bank as an example of our administrative outsourcing services for financial institutions.

JA Bank receives approximately three million inquiries related to matters such as savings and deposits each year from administrative agencies, which were previously handled by individual JA Bank branches in Japan. Because the request forms sent by postal mail differed in format from one government agency to another, they had to be confirmed, traced, and responded to one by one, leading to a significant amount of time and money being spent on these inquiries, which were a part of our noncore operations. The Norinchukin Bank, the national-level institution of JA Bank, developed a system for digitalizing the process for handling deposit, savings, and other inquiries, reviewed the workflow, and organized inquiries in digital data format,

establishing an operational system that consolidates the process for handling written inquiries at the centralized processing center.

This *Government Inquiry BPO/OCR Service* is an all-in-one BPO service that uses an OCR system to create data for written inquiries from local governments and other administrative agencies at the centralized processing center, which are then looked up in the database that is linked to JA Bank's core system and a response is prepared and sent via postal mail. As a result of this service, JA Bank is now able to promptly revise and systematize its workflow, significantly reducing the time and cost that was previously required to trace and respond to deposit, savings, and other inquiries. The OCR system is expected to be used on approximately 80% of all inquiries, as its high-precision and unique ad hoc OCR technology enables the handling of request forms sent from administrative agencies in different formats. Accordingly, the time needed to create inquiry data has been reduced from that of the conventional method of inputting data manually.

* Optical character recognition: Software that reads text images with a scanner or other device and converts them into character codes that can be read by a computer. It enables the automation of the process of manually inputting text from paper.

The Maturito Project: Japan's Festival Exploration Project

The BPO Management Center has also been focusing on administrative affairs. In 2022, we were involved in a number of projects ranging from administrative procedures to project proposals and management, such as administrative duties related to COVID-19 and the healthcare system, which has further solidified the foundation of our administrative outsourcing services.

Among these projects is the Agency for Cultural Affairs' *Maturito* project, which was carried out by incorporating Canon's unique solutions.

Festivals and traditional events in every region of Japan have been canceled, downscaled, or faced other challenges due to the effects of COVID-19. Even when these events were resumed, a number of issues emerged, such as a decline in willingness of local communities to hold these events, a lack of training for event organizers, and the increased costs associated with infection prevention measures. In response to this situation, the Agency for Cultural Affairs developed a project to help pass down the traditions of local communities. The Maturito project was developed based on the concept of exploring Japanese festivals with the aim of raising awareness and passing down traditional events and folk performing arts through the use of digital technology.

In this project, we provided not only administrative support but also a variety of other services by leveraging Canon's unique technology and know-how in photography and imaging, as well as its network of creators active in a variety of fields.

Specifically, we developed a plan to address the specific issues of each traditional event, produced a video to convey the appeal of these events to people of all ages through broadcasters and production companies that have excelled in creating programs on traditional events, created an introduction page for the dedicated website *Maturito*, and

shared information on social media during the period leading up to the day of the event. Moreover, we drew on our years of experience and selected photographers according to the specific content and aims of photo shoots in order to take photos that showcase the appeal of traditional events to a wider audience.

Through this project, we contributed to around 150 traditional events held in all 47 prefectures of Japan. In addition, as of March 2023, a total of 146 YouTube videos have been released and viewed over 3.3 million times.

The festival preservation society and festival executive committee members commented that many people were able to watch the events because they can be viewed anytime on YouTube and that they hope it will encourage the younger generation of local communities to participate in these events. Going forward, we will continue to play a prominent role in resolving social issues through our BPO business.



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

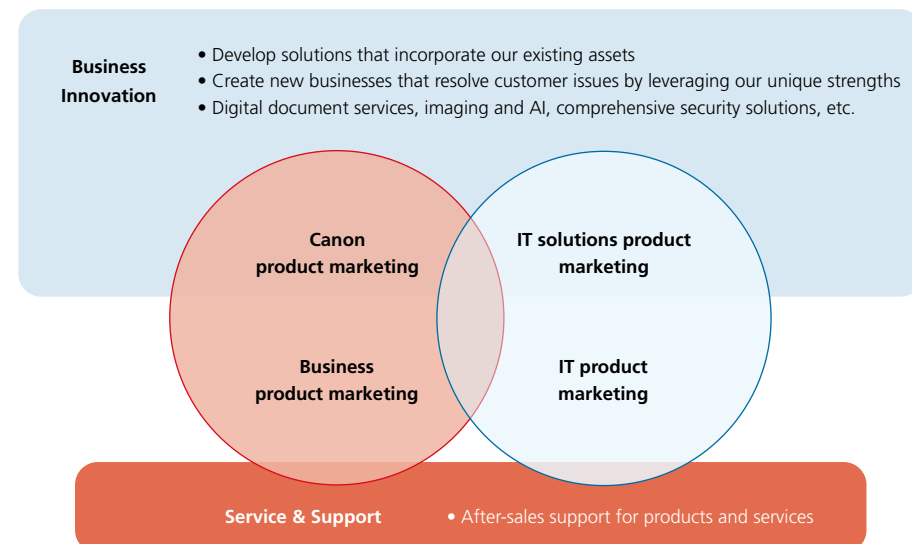
Hiroshi Kashiwara

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.



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.

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.

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.

Service & Support

Hiroshi Kashiwara

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

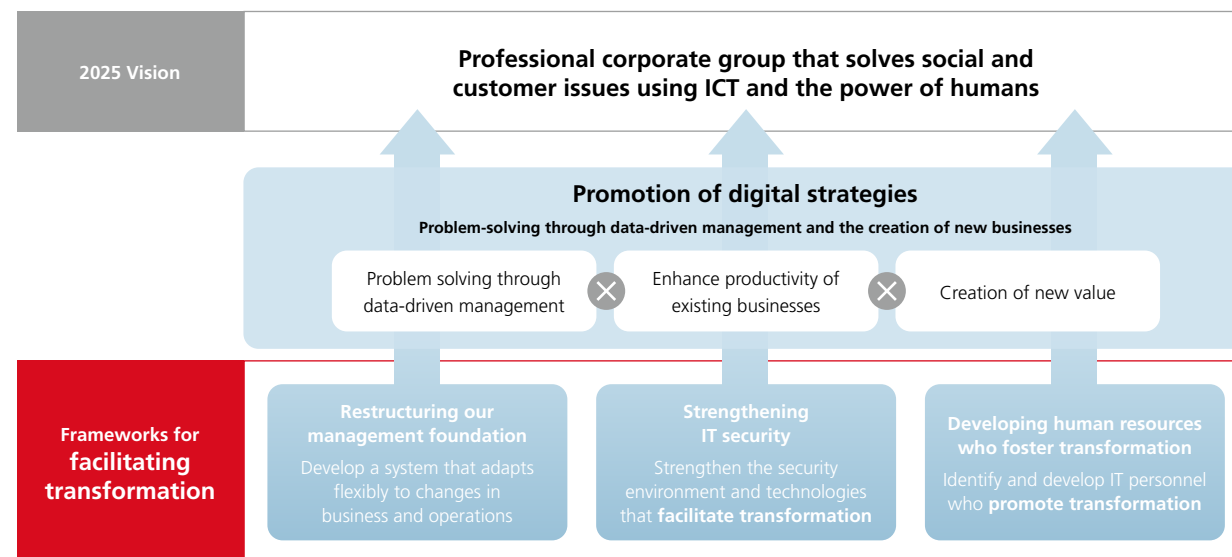
Senior Vice President
In charge of Group IT, Business Process Innovation Project



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



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

① 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.



② 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.

③ 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.

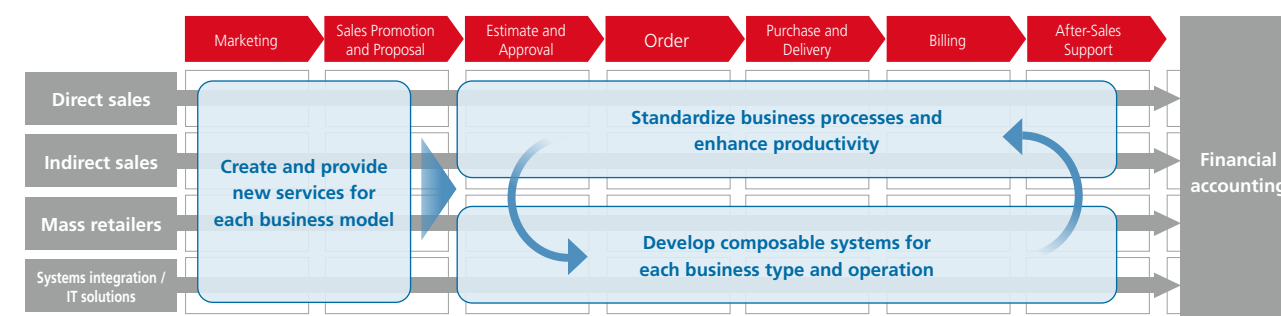
Standardizing and Simplifying Our Business Processes

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.



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

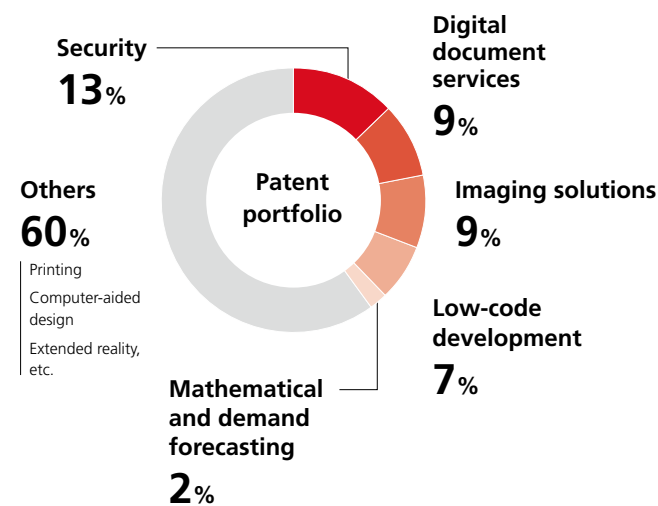
At the Canon MJ Group, new ideas emerge not only from our research and development and product development divisions but also from our sales divisions, where we engage directly with customers. We treat these ideas as inventions and create a patent portfolio to protect our businesses by obtaining patents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



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

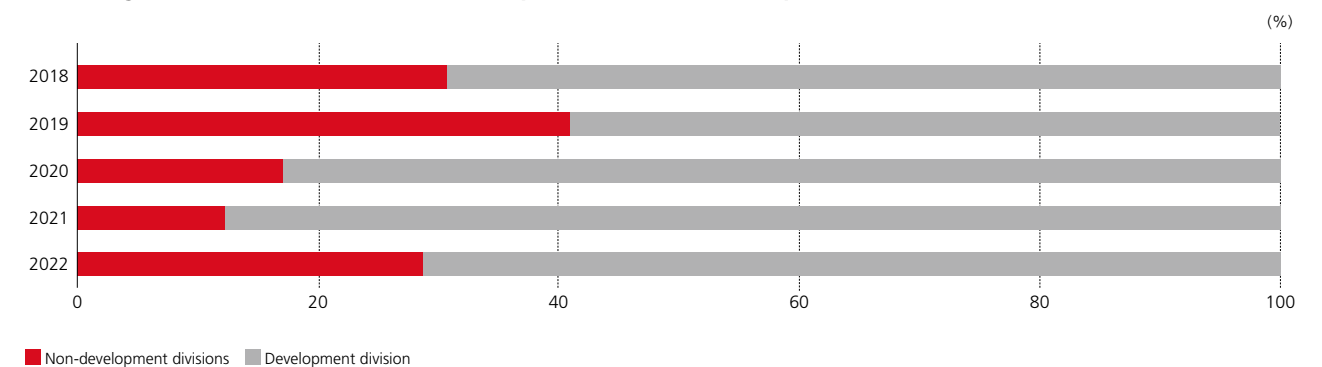
Through patent application activities and intellectual property training, the Canon MJ Group nurtures innovative personnel with the desire and skills to create inventions who are considered valuable human assets. In the Canon MJ Group, there are around 20 employees who have filed for more than 20 patents. 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



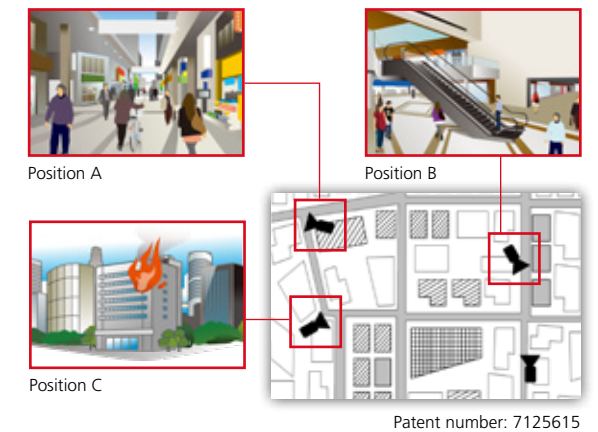
Note: The graph shows the number of patent inventors from the development division and non-development divisions as a percentage of the total number of employees who invented patents (100%).

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.



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.

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



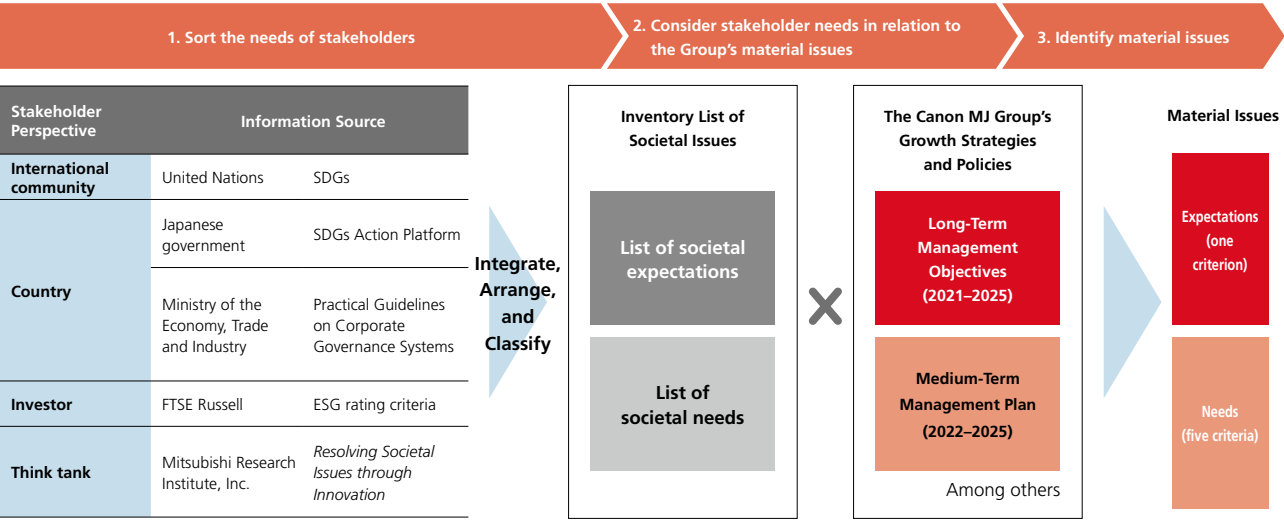
reported for discussion and approval by the Board of Directors. In January 2023, we added four new members and enhanced the structure of the Sustainability Promotion Committee, which has taken the lead in promoting sustainability management initiatives throughout the Canon MJ Group. Also, due to the 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.



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

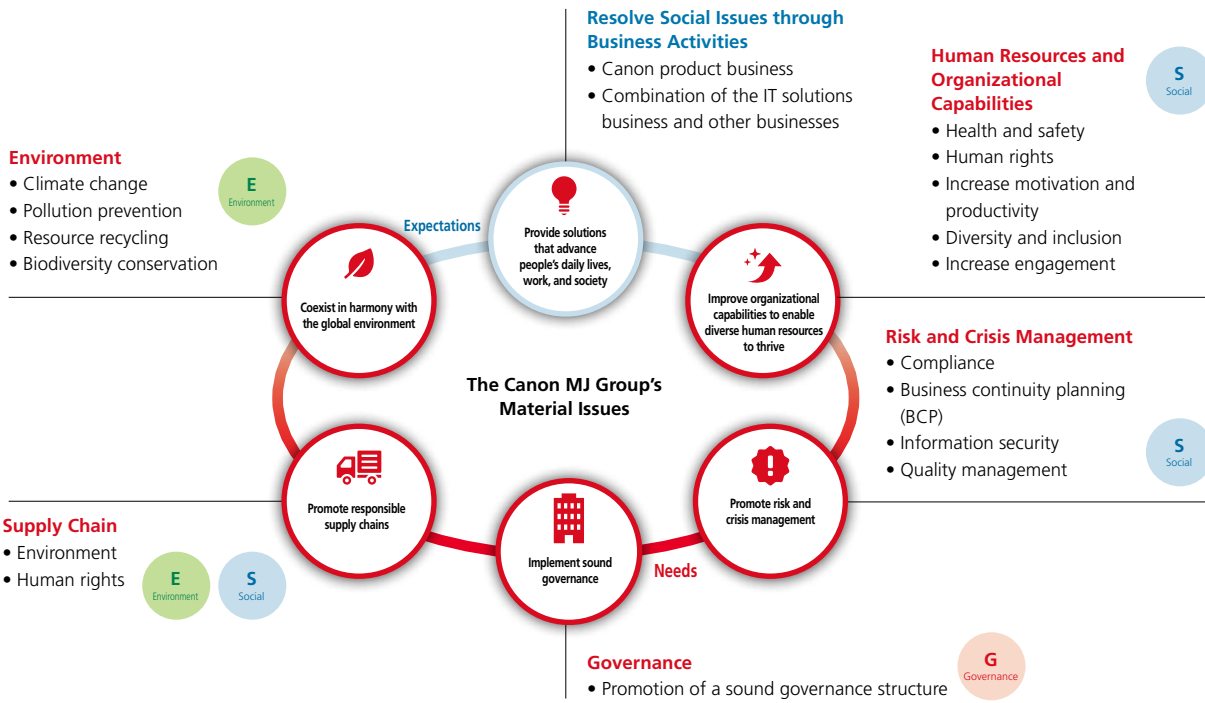
receiving advice from outside experts, sorting the needs of our various stakeholders, and taking the Canon MJ Group's growth strategies and policies into consideration.



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.



Coexist in Harmony with the Global Environment

Relevant material issue



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.

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' CO₂ 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' CO₂ 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.

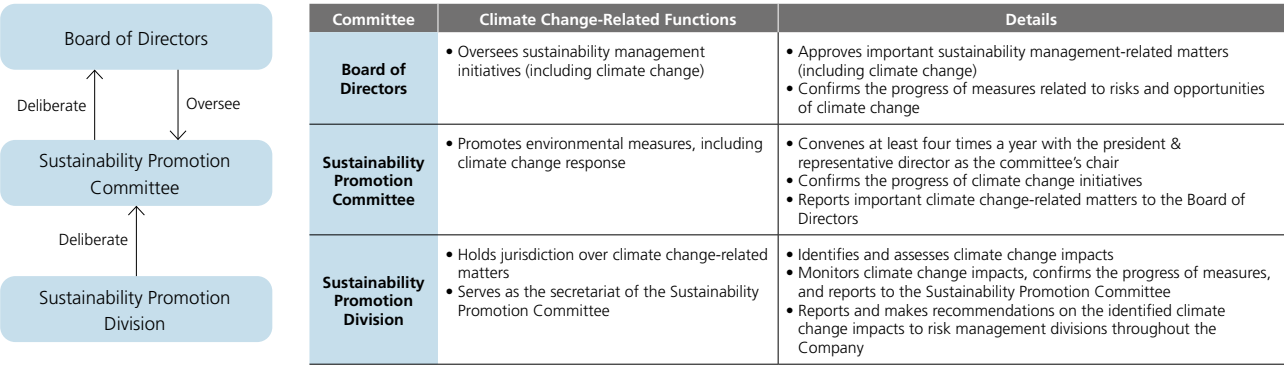


Shuichiro Suzuki
President
WasteBox, Inc.

Initiatives for TCFD Recommendations

Governance

Climate Change Response Promotion Structure



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 CO₂ 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 CO₂ 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	Impact on Business							Financial Impact	Countermeasures	
		Risk	Details / Specific Examples	Business Sites	Data Centers	Systems Integration Services	Printers and MFPs				
Transition risks	1.5°C	Government policies / legal frameworks	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	<ul style="list-style-type: none">Collect information on and analyze and address recent trends in environmental regulationsPromote measures to achieve the Canon MJ Group 2030 Medium-Term Environmental Targets (including the consideration of establishing renewable energy facilities and CO₂ emissions reduction initiatives)Collect information on and consider the adoption of renewable energy based on the global situation	
		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		
		Technology	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 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
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	Impact on Business						Financial Impact	Measures
			Opportunities	Details / Specific Examples	Business Sites	Data Centers	Systems Integration Services	Printers and MFPs		
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	<ul style="list-style-type: none">Increasing need for demand forecasting and supply-demand planning solutions that help reduce CO₂ emissions by optimizing and streamlining logistics operationsDeclining use of paper in manufacturing processes and growing need for DX that contributes to greater productivity along the engineering chainRising 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
			Increased opportunities for data center businesses	<ul style="list-style-type: none">Growing demand for zero-carbon data centers that contribute to reductions in customers' Scope 3 emissionsGreater 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
		4°C								

Initiatives to Support Sustainable Growth

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

Relevant material issues

Promote responsible supply chains

Improve organizational capabilities to enable diverse human resources to thrive

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

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.

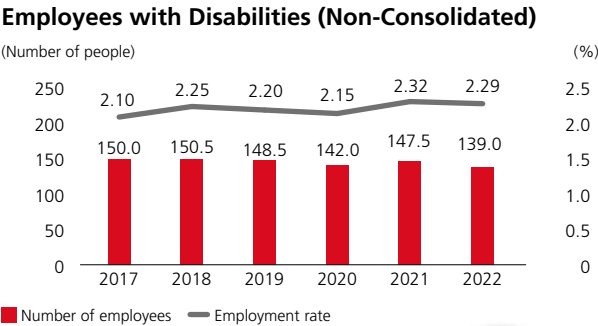
Wages of Canon MJ's Female Employees as a Percentage of Male Employees	
All employees	79.0%
Of whom, permanent employees	75.1%
Of whom, contract employees	150.8%

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.



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.



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.

Relevant material issues



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.

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

Relevant material issue



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



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.

Directors and Audit & Supervisory Board Members (as of April 1, 2023)



8 Shiro Hamada
Standing Audit & Supervisory Board Member

9 Masatoshi Tanise
Standing Audit & Supervisory Board Member

6 Toshiharu Hasebe
Director Outside Independent

3 Hatsumi Hirukawa
Director & Vice President

7 Hiroko Kawamoto
Director Outside Independent

1 Masachika Adachi
President & Representative Director

2 Minoru Mizoguchi
Director & Senior Vice President

4 Tsuyoshi Osato
Director & Vice President

5 Yoshio Osawa
Director Outside Independent

10 Iwao Hashimoto
Standing Audit & Supervisory Board Member Outside Independent

11 Nobutoshi Matsumoto
Standing Audit & Supervisory Board Member Outside

12 Shigeo Hasegawa
Audit & Supervisory Board Member Outside Independent



Please refer to our corporate website for details on the professional backgrounds of our directors and Audit & Supervisory Board members.

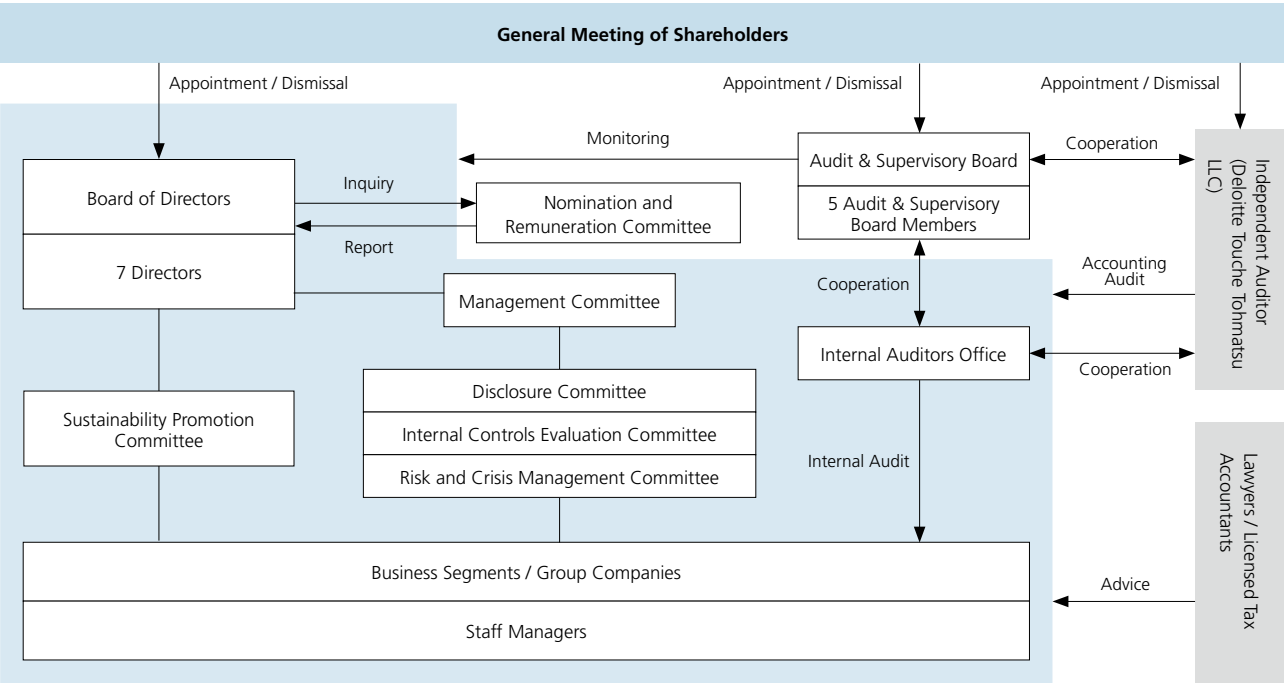
Basic Stance on Corporate Governance

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
Use of Executive Officer System	Yes
Number of Executive Officers	20

Corporate Governance Structure (As of April 1, 2023)



Principal Meeting Bodies

Board of Directors

Members: 7 in total

Term of office: 1 year

Ratio of Outside Directors

43%

Meetings held in fiscal 2022

13 times

The Company's Board of Directors maintains a structure in which the representative director oversees Companywide business strategies and execution while supervision of business domains and headquarters functions is primarily carried out by executive directors. There are two or more independent outside directors to ensure sound business management. In accordance with laws and ordinances, the Board of Directors monitors the making and implementation of important decisions. Other decisions are handled by the representative director or under their direction and supervision by 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 financial results, executive appointments, and other matters, the Board of Directors extensively discusses and makes decisions on important matters relating to legal affairs and Board regulations at the Board of Directors' meetings, which are held once a month, in principle, or at extraordinary meetings of the Board of Directors when necessary, and at Management Committee meetings attended by the directors of Canon MJ and the presidents of major subsidiaries.

Audit & Supervisory Board

Members: 5 in total

Term of office: 4 years

Ratio of Outside Audit & Supervisory Board Members

60%

Meetings held in fiscal 2022

17 times

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 a person who satisfies the independence standards and qualifications separately prescribed by the Board of Directors. The Audit & Supervisory Board cooperates with the accounting auditors and the internal audit division of the Company to audit the execution of duties by directors and the status of assets of the Company to ensure sound business 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, examining important documents, and conducting rigorous audits by examining business operations and the status of financial assets in accordance with the auditing policies and division of duties determined by the Audit & Supervisory Board.

Nomination and Remuneration Committee

Members: 4 in total

Ratio of Outside Directors

50%

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

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

The Executive Officer Meeting is held twice a year as a venue for intensive 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 at an off-site location over one and a half days to provide an opportunity to foster communication between officers. Sometimes study meetings are held in which lecturers, with expertise matching the meeting theme, are invited from outside the Company. In 2022, the meetings resulted in lively discussions on the growth of the IT solutions business, our human resources and investment strategies, and other areas of operations.

Status and Skills Matrix of Directors

				Skills Matrix					
		Time in Office	Attendance at Board of Directors' Meetings in Fiscal 2022	Corporate Management	Sales & Marketing	Finance & Accounting	Human Resources	Legal Affairs & Risk Management	IT Solutions & DX
Outside / Independent	Masachika Adachi	President & Representative Director	8 years ★ 100% (13/13)	●	●			●	●
	Minoru Mizoguchi	Director & Senior Vice President	2 years 100% (13/13)	●			●	●	
	Hatsumi Hirukawa	Director & Vice President	3 years 100% (13/13)	●	●			●	
	Tsuyoshi Osato	Director & Vice President	1 year 100% (10/10)	●		●		●	
	Yoshio Osawa	Director	5 years 100% (13/13)	●	●				●
	Toshiharu Hasebe	Director	1 year 100% (10/10)	●	●				●
	Hiroko Kawamoto	Director	— —	●	●		●		

★ Chairperson

Note: Attendance at the Board of Directors' meetings for Tsuyoshi Osato and Toshiharu Hasebe is for meetings held after they were elected as directors at the 54th Ordinary General Meeting of Shareholders convened on March 29, 2022.

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 and assessments and advises on all business activities from the perspectives of the 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 approval of the Board of Directors, we implemented our Independence Standards for Independent Directors/Audit and Supervisory Board Members in order to clarify the standards for ensuring the independence of outside directors and outside Audit & Supervisory Board members in keeping with Japan’s Corporate Governance Code and the independence criteria set by securities exchanges in Japan. 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 have dedicated

organizations or employees to assist outside directors or outside Audit & Supervisory Board members in their duties. Executive directors 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 matters and 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 on the effectiveness of the Board of Directors and analyzed and evaluated the effectiveness of the Board of Directors. The assessment criteria were (1) deliberations of the Board of Directors, (2) the composition of the Board of Directors, (3) succession planning, and (4) the sufficiency or process of discussions. These talks confirmed the overall effectiveness of the Board of Directors. Going forward, we will strive to ensure and improve the effectiveness of the Board of Directors even further by continuing to enhance discussions on matters to be considered by the Board of Directors as well as its composition, management training, and other matters. In this way, we will improve the decision-making function of the Board of Directors by incorporating the opinions of directors and Audit & Supervisory Board members obtained

through the questionnaire into the operation of the Board of Directors, thereby achieving sustainable growth and increasing corporate value over the medium to long term.

Based on the results of the evaluation in fiscal 2022, the Company has considered the composition of the Board of Directors, and from the perspective of improving service quality and ensuring diversity, at the 55th Ordinary General Meeting of Shareholders held on March 29, 2023, the Company appointed one female outside director with extensive experience in and exceptional insight into corporate management, the service industry, and diversity.

Initiatives to Enhance Corporate Governance

2011	Adopts executive officer system
2014	Appoints one outside director
2016	Increases number of outside directors to two
	Establishes standards for independent outside directors
	Complies with the principles of Japan’s Corporate Governance Code

2018	Establishes Nomination and Remuneration Committee
2021	Complies with the revisions to Japan’s Corporate Governance Code
2022	Increases number of outside directors to three
2023	Appoints one female outside director

Appointment and Nomination Procedures

To nominate director or Audit & Supervisory Board member candidates and appoint vice presidents (including successors and candidates for president & representative director), the president & representative director first nominates candidates from among those who fulfill the prescribed requirements. Nominations are submitted at a meeting of

the Board of Directors after the Nomination and Remuneration Committee confirms that they are 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 to deliberate on 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 if they have committed illegal, unfair, or treasonous acts; if they have failed to fulfill their roles; or if they have

otherwise proven themselves unfit 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

The Nomination and Remuneration Committee verifies the appropriateness of the remuneration system for directors and executive officers who are vice presidents or above, including the standards for calculating basic remuneration and bonuses and the criteria for granting stock compensation-type stock options. The amount of individual remuneration is determined in line with the remuneration structure, of which basic calculation approaches were resolved at meetings of the Board of Directors and have been 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)
Yoshio Osawa (Outside Director)
Toshiharu Hasebe (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 in the fiscal year; and stock compensation-type stock options as incentives to promote improvements in medium- to long-term business performance 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 a 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 on, considered, and executed by the Board of Directors to ensure that the interests of minority shareholders of the Company are not damaged, after independent outside directors provide objective opinions rooted in extensive

experience and superior knowledge of corporate management and other matters. The Company acts appropriately and fairly in all transactions, not only those with its controlling shareholder, to avoid compromising its independence and interests and to safeguard the interests of all shareholders.

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 of other entities and provides IT solutions in response to customer needs. To develop our own businesses, we must 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 helps 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. and no directors of the parent company hold concurrent positions with us. Half of the members of our voluntary Nomination and Remuneration Committee are independent outside directors, ensuring transparency and fairness. When engaging with Canon Inc., such as determining purchase prices and setting interest rates for loans, we ensure that transactions do not disadvantage either party and they are conducted through the exchange of written agreements.

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 eliminate all relationships with antisocial forces.

Status of Preparations

- In addition to setting out action guidelines to eliminate 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 general affairs division of the head office of the Company has been designated as 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, attorneys-at-law, and other external organizations.
- 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 Company has determined the basic policy for its internal control system to ensure appropriate business practices and is deploying that system in line with the policy. The Internal Controls Evaluation Committee has been established for the purpose of developing an internal control system for the entire Canon MJ Group, consisting of officials representing corporate departments and subsidiaries.

Canon Inc. 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.

Strategic Shareholdings

The Canon MJ Group only holds shares of other listed companies when these shareholdings help to improve the corporate value and the medium- to long-term development of the Group, taking into consideration factors such as management strategies, business alliances, the maintenance and strengthening of transactions, the development of collaborative businesses, and the creation of new forms of synergy.

The Company reviews the reasonableness of individual reciprocal cross-shareholdings at meetings of the Board of Directors in a comprehensive assessment that considers the significance of shareholdings and other results of a qualitative evaluation as well as a quantitative evaluation of the value of transactions with investment targets and

dividends and whether unrealized gains are commensurate with capital costs, on a regular basis each year.

As a result of the assessments, when it is judged that holding certain shares is no longer reasonable, the holding will be reduced through the sale of said shares. As of December 31, 2022, the Company held 49 listed stocks as cross-shareholdings, a decline from the 59 listed stocks held as strategic shareholdings as of December 31, 2021. In addition, the shares of the company to which the Company’s outside director is affiliated have been sold as of December 31, 2022.

Policy for Constructive Dialogue with Shareholders

To contribute to the sustainable growth and medium- to long-term enhancement of corporate value, the Company holds constructive dialogue with shareholders through various means, such as general

meetings of shareholders, briefings on long-term management objectives and medium-term management plans, financial results briefings, and interviews with major institutional investors.

Status of 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, the Management Committee, and other decision-making entities 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 investor relations (IR) disclosure, which is disclosed on the IR website.

Results of Activities in Fiscal 2022

Individual Investors

- Holding of Company briefings (online) by the president & representative director, the managing executive officer overseeing IR, and other executives (three times a year)
- Renewal of website for individual investors
- Distribution of email newsletters by the personnel in charge of IR

Securities Analysts and Institutional Investors (Japan and Overseas)

- Holding of medium-term management plan briefings (online) by the president & representative director
- Holding of financial results briefings (online) by the managing executive officer overseeing IR
- Holding of individualized IR information sessions* by the president & representative director (seven times a year), the managing executive officer overseeing IR (11 times a year), and personnel in charge of IR (75 times a year)
- Holding of small meetings specific to each business segment (twice a year)
- Feedback based on investor reviews for business officers

* Information sessions for fund managers and analysts, who belong to the active, passive, growth, and value funds in Japan and overseas

Roundtable Discussion between Outside Directors



Hiroko Kawamoto
Outside Director

Yoshio Osawa
Outside Director

Toshiharu Hasebe
Outside Director

Unlocking the Full Potential of the Canon MJ Group

Outside Directors Yoshio Osawa and Toshiharu Hasebe, together with newly appointed Outside Director Hiroko Kawamoto, sat down to discuss the challenges facing the Canon MJ Group in its efforts to push forward even further with its growth strategy.

Progress over the Past Year and Challenges That Lie Ahead

Osawa: Despite its challenging business environment, Canon MJ has been steadily improving business results and increasing its corporate value. Under these circumstances, I would have to say that its challenge is to transition from a business model centered on product sales to one centered on services, providing not only standalone hardware products but also comprehensive IT solutions that encompass system development, networks, cloud computing, maintenance, and operations. It is imperative that the Company continues to speed up the pace of this transition. Changing the mindset of each employee and enhancing their skills are essential to achieving this goal.

In 2023, the Company transitioned to a system that expedites the decision-making processes for transitioning to a service-based business model and carrying out growth investments by giving more decision-making authority to the directors in charge, depending on the amount of investments. The decisions made by the directors in charge are, of course, ultimately reported to the Board of Directors, which performs a supervisory role.

Meanwhile, changing the mindsets of employees and enhancing their skills are pivotal to the Group's transition to a service-based business model. In 2018, the organizational structure also began to shift from a product-oriented structure to a customer-oriented

one, thereby enhancing the proposal skills of the IT solutions business—and the results are becoming clearly apparent in the financial statements. However, in the Area segment where the business centers on small and medium-sized enterprises (SMEs) across Japan, this change in employees' way of thinking is still a work in progress, despite the extraordinary efforts on the front lines. There is tremendous potential for this segment to play a prominent role in the digital transformation (DX) activities of customers by drawing on its strong customer ties that span the country and changing employees' way of thinking to service-based sales. While the Company is working to enhance the skills of its employees as it further promotes the change in focus to service-based sales, the speed of the development of these skills remains an issue.

Hasebe: I have felt the same way over the past year. While the president and other members of management are exceptionally quick and decisive in their decision-making, I also feel that there is still room for improvement when it comes to changing employees' frame of mind.

I think Canon MJ's greatest strength is the fact that it has earned the trust of various customers throughout the country by adhering

closely to their needs and drawing on sales and coordination skills. The Group's growth to date has been underpinned by its frontline employees who are intimately familiar with the diverse needs and issues of its customers. For that reason, unless the mindsets of those on the front lines shift to a service-oriented approach, the Group will not be able to raise its top line and accelerate the speed of growth.

During my years at the NTT Group, we launched the IT solutions business. In doing so, we also faced the monumental task of figuring out how to change the mindsets of our countless employees in Japan. This is why I believe the Company's approach to changing employees' frame of mind is a major issue to be addressed by 2025.

Canon MJ is a very family-oriented company that values people. Rather than losing hope in those who do not change their way of thinking, I hope the Company can engage with each of its approximately 16,000 employees and thoroughly educate them.

Kawamoto: Upon assuming the position of outside director, I received various explanations from the person in charge. Although I have yet to visit the front lines or monitor the situation, I believe that promoting diversity and inclusion (D&I) will lead to more timely decision-making and the achievement of discontinuous growth.

To change employees' way of thinking, the Company must provide fair and equal opportunities, without bias toward age, gender, or workstyle, and create an environment where everyone can take on a variety of challenges. Many people tend to come up

with excuses for why they cannot do something before they are given the opportunity, and because of this we must create opportunities and an environment for them to learn. This does not mean that people will take action simply by giving them opportunities, but I believe it is an important stepping stone to that end. Similar to the way the pledge to "leave no one behind," the underlying principle of the Sustainable Development Goals (SDGs), is realized in practice—through dialogue and care—a talent management system that emphasizes dialogue with individuals, rather than with groups, has become extremely important and, in fact, an accepted mode of practice. Employees' skills must be developed in a way that recognizes the individual's understanding and progress.

Osawa: I fully agree. I have also heard that making the proposal of IT solutions is something that employees, particularly those in senior positions, who have traditionally excelled at selling devices are finding it difficult to get used to. Figuring out how to create and invest in tools that support such employees is also an issue that needs to be addressed.

To enhance employee motivation toward the IT solutions business, upper management has been firmly engaged in sharing best practices and recognizing employees through the presentation of awards. As senior-level employees have also been recognized for these awards to date, I believe the perspectives of the entire company will change by continuing to pursue these measures with conviction.

Spurring Innovation through the Creation of an Environment That Encourages People to Speak Out

Osawa: Director Kawamoto is drawing interest for being the first female director at Canon MJ, but I am truly pleased to work alongside a manager of her caliber, regardless of gender. As you spoke of earlier in regard to D&I, there will be many opportunities for you to

share your views based on your experience, and I expect the discussions at the Board of Directors' meetings to be held from perspectives unlike those of the past.



The decision-making process has picked up speed over the past year. The Company will need to move quickly in transforming itself into a service-oriented business model and changing the mindsets of its employees.



In recent years, the Company has transitioned to a more robust corporate structure that generates more profit. To continue to achieve top-line growth toward 2030, it must leverage its existing products within their shrinking markets and successfully carry out large-scale M&As.

Hasebe: At Canon MJ, there are still not enough women in management positions. I hope that Director Kawamoto will serve as a role model for the other female employees and inspire them to pursue management roles.

Kawamoto: For example, while mixing the colors red and blue to create a new color is considered innovation, sharpening blue and distinguishing it from the rest of the palette through discussion as a group is also a form of innovation. In order to engage in such discussions, we must ensure that there is a certain level of psychological safety that allows people to discuss matters without being afraid to do so. Creating such an environment where diverse discussions can take place is, I believe, my role and what is expected of me.

Prior to joining Canon MJ, I was a flight attendant at All Nippon Airways, where I gained experience in frontline operations. When I joined the company, I was only involved in domestic flights, but I later became involved in international flights as well. As the number of large aircraft increased, so did the number of jobs. Accordingly, the number of people I managed grew, allowing me to gain experience in both in-flight operations and ground operations management. As a manager, I was mainly responsible for improving service quality and developing the employees and organization to ensure high levels of customer service. Upon assuming the role of executive officer, I began to see the bigger picture of management. As an outside director of Canon MJ, I hope to draw on my years of experience and my unique sensibilities to look at things from a neutral perspective and communicate in my own way.

Relationship with the Canon Group and the Appropriateness of a Parent-Subsidiary Listing

Osawa: Because the Company is a listed subsidiary of Canon Inc., it has an obligation to clearly explain the appropriateness of a parent-subsidiary listing to each shareholder and investor. There have been concerns raised recently over the fact that the Company's ¥180.0 billion short-term loan to its parent company may halt growth investments. This loan, however, gives an advantage to Canon MJ because the interest rate is higher than that of banks and the funds can be reclaimed at any time if needed. As an independent outside director, I am particularly careful when monitoring the protection of interests of minority shareholders. Regardless, there have not been any cases of moral hazard in which the parent company undermines the interests of the general shareholders of its subsidiary for the sake of its own interest. If the Company were a wholly owned subsidiary, it would likely be able to only sell Canon products. However, because Canon MJ is a publicly

listed company and therefore has discretionary authority, it can develop its own business independently into one where IT solutions other than Canon products account for around half of the Company's net sales by leveraging synergies with Canon products. **Hasebe:** While I commend the fact that the merits of a parent-subsidiary listing are being demonstrated in this case, I believe there is room for further improvement. Because the service-based business is largely being pursued by Canon MJ on its own while Canon has proprietary technologies in the visual and document fields at its disposal, I believe there will be more opportunities to collaborate, such as by incorporating these technologies into new DX solutions. From the standpoint of medium- to long-term growth, I would like to see the Company take greater advantage of its relationship with the parent company.

Kawamoto: Prior to learning more about the Company's business, my impression was that the Canon product business accounted for a high percentage of Canon MJ's net sales. However, when I learned that the highly promising IT solutions business accounts for roughly 41% of its net sales, I came to realize that Canon MJ is a highly independent company. The Company has been developing a range of new businesses in recent years without relying on the strength of Canon's brand. Having said that, because Canon MJ is a part of the Canon brand, one that is rich in history, it is important that it makes the most of both approaches.

Osawa: Canon MJ is an exceptionally cash-rich company and already has nearly ¥300.0 billion in funds. Its shareholders and investors will most certainly expect an increase in dividends and a buyback of the Company's shares. In this context, the Company will need to strike a sound balance between business investments and shareholder returns by investing in its business to enhance corporate value and maintaining stable dividends based on a payout ratio of 30% or more, its basic dividend policy. I believe it is essential that the Company continues to grow as a listed company independent from its parent company, Canon, while also creating synergies.

2023 Marks the Start of the Journey toward Achieving Unmet Goals

Osawa: The year 2023 marks the midpoint of the Long-Term Management Objectives that began in 2021. At this point in time, we must conduct a thorough review of how much progress has been made with the Company's strategies. The information we need, such as key performance indicators (KPIs) and key goal indicators, is all there and has been provided to us, so it is abundantly clear what the Company has achieved and what it has not. I believe 2023 marks the start of Canon MJ's journey toward achieving its unmet goals. We must also look ahead to the next medium-term management plan that will cover the period up to 2030 and succeed the current medium-term management plan, which will wrap up in 2025, by taking into account the declining number of employees involved in productivity improvements and human resource development as well as management efficiency.

Hasebe: Because KPIs are established from a variety of angles, such as on a department or product basis, it is fairly clear to us which are the areas of focus and which are the areas in need of improvement. For that reason, it is easy to hold discussions based on these matters. In recent years, the Company has transitioned to a more robust corporate structure that generates more profit. However, to

continue to achieve top-line growth toward 2030, it must leverage its existing products within their shrinking markets, speed up the transformation into a service-based business, and successfully carry out large-scale M&As. I hope 2023 turns out to be a year in which the Company makes a fresh start in these endeavors. **Kawamoto:** The Canon Group has the amazing corporate philosophy of *Kyosei*, which, simply stated, seeks to realize a society in which all of humanity can live and work happily together. I hope the Canon MJ Group can also embrace this corporate philosophy and founding spirit. In order to revitalize the Japanese economy, I think it would be a good idea to not only view the Company's competitors as rivals but also as partners and to start discussing how to work together as an industry rather than as individual companies.

Hasebe: I believe that upper management and the managers of each business segment are already looking in the same direction. I am looking forward to seeing the change in mindsets that will enable the Company's approximately 16,000 employees to follow the same route and the transition to a service-oriented business model.

I would like to see the Company provide fair and equal opportunities, without bias toward age, gender, or workstyle, and create an environment where everyone can take on a variety of challenges. It must also ensure that there is a certain level of psychological safety that allows people to discuss matters without being afraid to do so.

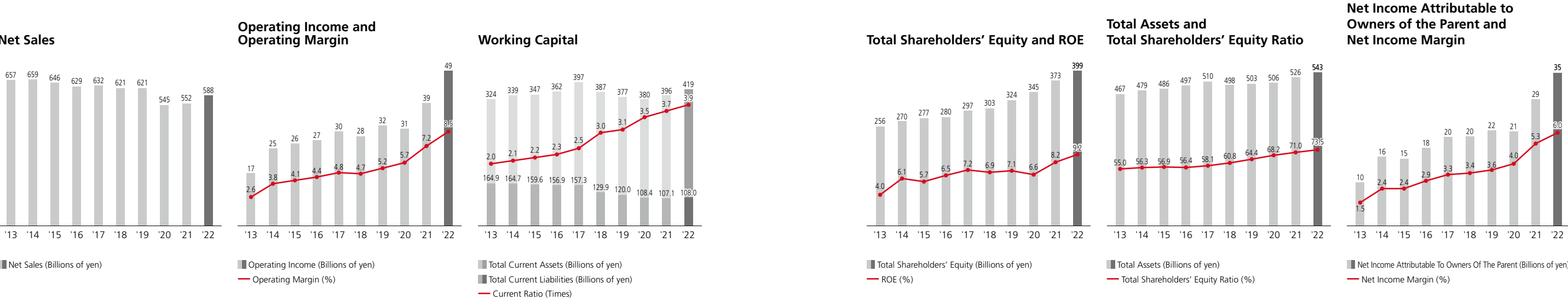


10-Year Consolidated Financial Summary

(Millions of yen) (Thousands of U.S. dollars*)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
For the year:											
Net sales	¥ 657,215	¥ 659,432	¥ 646,002	¥ 629,313	¥ 632,189	¥ 621,591	¥ 621,134	¥ 545,060	¥ 552,085	¥ 588,132	\$ 4,422,045
Operating income	17,012	25,087	26,647	27,676	30,406	28,941	32,439	31,317	39,699	49,947	375,541
Net income before income taxes	17,054	25,858	27,497	28,903	30,918	30,708	33,302	33,463	43,094	51,523	387,391
Net income attributable to owners of the parent	10,167	16,030	15,670	18,161	20,679	20,826	22,250	21,997	29,420	35,552	267,308
At year-end:											
Equity	257,075	270,352	277,438	280,919	297,522	303,570	325,092	346,114	374,676	400,372	3,010,316
Total assets	467,076	479,747	486,502	497,727	510,832	498,790	503,698	506,604	526,418	543,740	4,088,271
Cash flows:											
Cash flows from operating activities	28,780	38,190	29,730	33,306	28,885	16,990	22,052	38,490	32,756	37,725	283,647
Cash flows from investing activities	(25,757)	(15,221)	(44,536)	(19,460)	7,963	(10,526)	(94,584)	(26,174)	(15,894)	(10,107)	(75,992)
Cash flows from financing activities	(9,105)	(4,544)	(6,224)	(6,086)	(7,145)	(7,838)	(8,557)	(6,587)	(9,160)	(11,260)	(84,662)
Cash and cash equivalents at end of year	102,182	120,607	99,573	107,285	136,979	135,571	54,493	60,131	68,028	84,632	636,331
Per share of common stock:											
Equity	¥ 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	¥ 3,081.07	\$ 23.17
Net income*1	76.67	123.62	120.84	140.06	159.48	160.61	171.60	169.65	226.88	274.16	2.06
Cash dividends*2	24.00	40.00	45.00	50.00	60.00	60.00	60.00	60.00	75.00	90.00	0.68

The amounts shown have been rounded down to the nearest million yen.
Notes: *1 Net income per share is based on the weighted-average number of shares of common stock outstanding during the respective fiscal years.
*2 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.
*3 The figures have been presented in U.S. dollars by translating all Japanese yen amounts at ¥133 to US\$1, the prevailing exchange rate as of December 31, 2022.



Note: The yen amounts indicated on the graphs above have been rounded down to the nearest billion yen.

Consolidated Balance Sheet

Canon Marketing Japan Inc. and Consolidated Subsidiaries
December 31, 2022

(Millions of yen)

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	¥ 84,632	¥ 68,029
Notes accounts receivable-trade and contract assets	110,432	—
Notes and accounts receivable-trade	—	107,368
Inventories	38,521	35,236
Short-term loans receivable	180,013	180,004
Other current assets	6,154	5,469
Allowance for doubtful receivables	(44)	(24)
Total current assets	419,708	396,082
PROPERTY, PLANT AND EQUIPMENT:		
Land	28,360	28,360
Buildings and structures	80,189	74,946
Machinery and vehicles	167	167
Furniture and fixtures	15,225	16,092
Rental assets	35,913	36,735
Lease assets	40	40
Construction in progress	897	2,393
Total	160,791	158,733
Accumulated depreciation	(75,514)	(73,579)
Net property, plant and equipment	85,277	85,154
INTANGIBLE ASSETS:		
Software	5,365	6,227
Goodwill	327	—
Facility utilization rights	303	303
Other intangible assets	0	1
Total intangible assets	5,995	6,531
INVESTMENTS AND OTHER ASSETS:		
Investments in securities	13,312	17,353
Long-term loans receivable	16	36
Prepaid pension and severance costs	393	421
Lease deposits	2,768	2,962
Deferred tax assets	12,904	14,975
Other investments and other assets	3,555	2,999
Allowance for doubtful receivables	(188)	(95)
Total investments and other assets	32,760	38,651
Total assets	¥ 543,740	¥ 526,418

(Millions of yen)

	2022	2021
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Notes and accounts payable-trade	¥ 47,376	¥ 46,323
Current portion of long-term lease obligations	46	53
Accrued income taxes	7,453	6,955
Consumption taxes payable	5,426	6,089
Accrued expenses	16,628	16,127
Accrued bonuses	3,440	4,148
Accrued directors' bonuses	119	98
Accrued product warranties	243	292
Accrued loss on contracts	115	309
Other current liabilities	27,216	26,715
Total current liabilities	108,062	107,109
LONG-TERM LIABILITIES:		
Long-term lease obligations	74	81
Allowance for long-term continuous service rewards	749	899
Accrued pension and severance cost	32,142	40,914
Other long-term liabilities	2,341	2,738
Total long-term liabilities	35,306	44,632
COMMITMENTS AND CONTINGENT LIABILITIES		
EQUITY:		
SHAREHOLDERS' EQUITY:		
Common stock:		
Authorized, 299,500,000 shares; issued, 131,079,972 shares as of December 31, 2022 and 2021.	73,303	73,303
Capital surplus	82,827	82,824
Stock acquisition rights	29	—
Retained earnings	233,355	208,825
Treasury stock, at cost; 1,404,790 shares in 2022 and 1,403,572 shares in 2021	(2,093)	(2,092)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on available-for-sale securities	5,203	7,873
Deferred gain (loss) on derivatives under hedge accounting	(15)	23
Foreign currency-translation adjustments	294	126
Defined retirement benefit plans	6,668	3,068
Total	399,571	373,950
NON-CONTROLLING INTERESTS	801	727
Total equity	400,372	374,677
Total liabilities and equity	¥ 543,740	¥ 526,418

Consolidated Statement of Income

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Year Ended December 31, 2022

	(Millions of yen)	
	2022	2021
NET SALES	¥ 588,132	¥ 552,086
COST OF SALES:	388,843	361,810
Gross profit	199,289	190,276
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:	149,342	150,577
Operating income	49,947	39,699
OTHER INCOME (EXPENSES):		
Interest income	300	275
Dividend income	210	283
Interest expense	(12)	(12)
Insurance income	459	506
Foreign exchange gains	29	—
Foreign exchange losses	—	(6)
Gain on investments in partnership	—	278
Loss on investments in partnership	(29)	—
Gain on sales of long-lived assets	3	6
Insurance income due to disaster	—	203
Gain on sales of investments in securities	730	1,255
Loss on sales of investments in securities	(18)	—
Gain on sales of shares of subsidiaries and associates	—	896
Loss on sales of shares of subsidiaries and associates	—	(40)
Loss on sales and disposal of long-lived assets	(124)	(124)
Loss on disaster	—	(169)
Loss on impairment of investments in securities	(58)	(18)
Other, net	86	63
Total other income (expenses)	1,576	3,396
Net income before income taxes	51,523	43,095
INCOME TAXES:		
Current	14,244	12,971
Deferred	1,652	628
Total income taxes	15,896	13,599
Net income	35,627	29,496
NET INCOME ATTRIBUTABLE TO:		
Non-controlling interests	75	76
Owners of the parent	35,552	29,420
Net income	¥ 35,627	¥ 29,496
(Yen)		
PER SHARE DATA:		
Net income attributable to owners of the parent		
-Basic	¥ 274.16	¥ 226.88
-Diluted	274.10	226.83
Cash dividends applicable to the year	90.00	75.00

Consolidated Statement of Comprehensive Income

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Year Ended December 31, 2022

	(Millions of yen)	
	2022	2021
NET INCOME	¥ 35,627	¥ 29,496
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on available-for-sale securities	(2,673)	3,644
Deferred gain (loss) on derivatives under hedge accounting	(38)	52
Foreign currency-translation adjustments	194	136
Defined retirement benefit plans	3,600	4,312
Total other comprehensive income	1,083	8,144
COMPREHENSIVE INCOME	¥ 36,710	¥ 37,640
COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	¥ 36,612	¥ 37,547
Non-controlling interests	98	93

Consolidated Statement of Changes in Equity

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Year Ended December 31, 2022

(Thousands of shares / Millions of yen)							
	Shareholders' equity						
	Common stock		Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	
	Shares	Amount				Shares	Amount
Balance at January 1, 2021	131,080	¥ 73,303	¥ 82,815	—	¥ 188,482	(1,413)	¥ (2,104)
Net income attributable to owners of the parent	—	—	—	—	29,420	—	—
Cash dividends	—	—	—	—	(9,077)	—	—
Purchase of treasury stock	—	—	—	—	—	(1)	(2)
Disposition of treasury stock	—	—	9	—	—	9	14
Net income attributable to non-controlling interests	—	—	—	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—
Net change in the year	—	—	—	—	—	—	—
Balance at January 1, 2022	131,080	73,303	82,824	—	208,825	(1,405)	(2,092)
Net income attributable to owners of the parent	—	—	—	—	35,552	—	—
Cash dividends	—	—	—	—	(11,022)	—	—
Purchase of treasury stock	—	—	—	—	—	(1)	(4)
Disposition of treasury stock	—	—	3	—	—	2	3
Net income attributable to non-controlling interests	—	—	—	—	—	—	—
Cash dividends paid to non-controlling interests	—	—	—	—	—	—	—
Net change in the year	—	—	—	¥ 29	—	—	—
Balance at December 31, 2022	131,080	¥ 73,303	¥ 82,827	¥ 29	¥ 233,355	(1,404)	¥ (2,093)

(Millions of yen)							
	Accumulated other comprehensive income (loss)					Non-controlling interests	Total equity
	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		
Balance at January 1, 2021	¥ 4,231	¥ (29)	¥ 5	¥ (1,244)	¥ 345,459	¥ 656	¥ 346,115
Net income attributable to owners of the parent	—	—	—	—	29,420	—	29,420
Cash dividends	—	—	—	—	(9,077)	—	(9,077)
Purchase of treasury stock	—	—	—	—	(2)	—	(2)
Disposition of treasury stock	—	—	—	—	23	—	23
Net income attributable to non-controlling interests	—	—	—	—	—	76	76
Cash dividends paid to non-controlling interests	—	—	—	—	—	(22)	(22)
Net change in the year	3,642	52	121	4,312	8,127	17	8,144
Balance at January 1, 2022	7,873	23	126	3,068	373,950	727	374,677
Net income attributable to owners of the parent	—	—	—	—	35,552	—	35,552
Cash dividends	—	—	—	—	(11,022)	—	(11,022)
Purchase of treasury stock	—	—	—	—	(4)	—	(4)
Disposition of treasury stock	—	—	—	—	6	—	6
Net income attributable to non-controlling interests	—	—	—	—	—	75	75
Cash dividends paid to non-controlling interests	—	—	—	—	—	(24)	(24)
Net change in the year	(2,670)	(38)	168	3,600	1,089	23	1,112
Balance at December 31, 2022	¥ 5,203	¥ (15)	¥ 294	¥ 6,668	¥ 399,571	¥ 801	¥ 400,372

Consolidated Statement of Cash Flows

Canon Marketing Japan Inc. and Consolidated Subsidiaries
Year Ended December 31, 2022

(Millions of yen)		
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income before income taxes	¥ 51,523	¥ 43,095
Depreciation and amortization	9,593	10,246
Amortization of goodwill	30	—
Increase (decrease) in allowance for doubtful receivables	111	(243)
Increase (decrease) in accrued pension and severance costs	(3,480)	(544)
Decrease (increase) in prepaid pension and severance costs	(46)	(45)
Increase (decrease) in accrued bonuses	(716)	(1,486)
Loss (gain) on sales and disposal of property, plant and equipment, net	108	112
Loss (gain) on sales of investments in securities	(712)	(1,255)
Loss on impairment of investments in securities	58	18
Loss (gain) on sales of shares of subsidiaries and associates	—	(856)
Loss (gain) on investments in partnership	29	(278)
Decrease (increase) in notes and accounts receivable	(2,895)	(1,988)
Decrease (increase) in inventories	(3,280)	(7,467)
Increase (decrease) in notes and accounts payable-trade	986	2,222
Income taxes paid	(13,820)	(13,104)
Other, net	236	4,330
Net cash provided by operating activities	37,725	32,757
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for purchases of property, plant and equipment	(8,890)	(14,587)
Proceeds from sales of property, plant and equipment	24	18
Payments for purchases of intangible assets	(894)	(2,242)
Payments for purchases of investments in securities	(676)	(1,089)
Proceeds from sales of investments in securities	1,330	1,893
Payments for purchases of shares of a subsidiary	(210)	—
Proceeds from sales of shares of a subsidiary	—	847
Decrease (increase) in short-term loans receivable, net	11	3
Other, net	(802)	(737)
Net cash used in investing activities	(10,107)	(15,894)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of finance lease obligations	(56)	(62)
Payments for purchases of treasury stock	(4)	(3)
Dividends paid	(11,020)	(9,073)
Dividends paid to non-controlling interests	(24)	(22)
Other, net	(156)	—
Net cash used in financing activities	(11,260)	(9,160)
Effect of exchange rate changes on cash and cash equivalents	245	195
Net increase in cash and cash equivalents	16,603	7,898
Cash and cash equivalents at beginning of year	68,029	60,131
Cash and cash equivalents at end of year	¥ 84,632	¥ 68,029

ESG Data

ENVIRONMENT*1	2018	2019	2020	2021	2022
GHG emissions (Scope 1 and 2) (t-CO ₂)					
Scope 1*2	7,864	7,275	5,765	5,800	5,916
Scope 2*3	40,922	43,501	45,733	51,952	49,489
Total	48,786	50,776	51,498	57,752	55,405
GHG emissions (Scope 3) (t-CO ₂)*4					
Category 1. Purchased goods and services*5	236,406	313,133	284,892	632,093	606,018
Category 2. Capital goods*6	27,726	65,341	41,807	38,966	34,286
Category 3. Fuel- and energy-related activities not included in Scope 1 or 2*7	4,601	8,993	9,061	11,349	12,382
Category 4. Upstream transportation and distribution*8	4,039	4,175	3,785	4,944	4,999
Category 5. Waste generated in operations*9	137	153	93	975	1,153
Category 6. Business travel*10	9,048	12,032	6,119	2,476	2,488
Category 7. Employee commuting*11	5,401	6,915	7,445	8,712	7,488
Category 8. Upstream leased assets*12	0	0	0	0	0
Category 9. Downstream transportation and distribution*13	1,122	1,073	967	1,450	1,293
Category 10. Processing of sold products	0	0	0	0	0
Category 11. Use of sold products*14	88,590	86,309	83,331	87,844	107,649
Category 12. End-of-life treatment of sold products*15	15,749	15,118	16,269	21,059	19,833
Category 13. Downstream leased assets*16	219	461	518	366	941
Category 14. Franchises	0	0	0	0	0
Category 15. Investments	0	0	0	0	0
Total	393,038	513,703	454,287	810,234	798,530
Water intake and wastewater discharge of applicable buildings (m ³)*17					
Water intake (water supply) Public water	—	114,389	115,863	124,891	125,183
Recycled water	—	19,455	13,999	9,596	10,543
Groundwater	—	21,895	22,001	19,750	18,486
Total	—	155,739	151,863	154,237	154,212
Wastewater discharge Sewerage system	—	91,137	82,508	75,480	77,364
Total	—	91,137	82,508	75,480	77,364
Waste emissions (t)					
Total emissions	18,635	21,098	15,670	14,075	14,879

ESG Data Notes

*1 The scope of environmental data covers 11 Group companies in Japan, which account for 99% of the Group's net sales. (Canon Marketing Japan Inc., Canon System & Support Inc., A&A Co., Ltd., Canon IT Solutions Inc., SuperStream Inc., Qualysite Technologies Inc., Canon Production Printing Systems Inc., Canon ITS Medical Inc., Canon BizAttenda Inc., Canon Business Support Inc., and Canon Customer Support Inc.)

*2 Scope 1: Direct emissions (town gas, liquefied petroleum gas, diesel, kerosene, gasoline, etc.)

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

*4 In 2021, the scope of data was expanded to cover Group companies indicated in *1 and the method of calculation was revised. Results for 2021 are based on the revised calculation logic. Results for 2021 based on the previous method can be accessed on our corporate website. <https://canon.jp/corporate/csr/esgdata> (in Japanese only)

*5 Calculated by multiplying the Group's purchases by per-unit emissions of individual purchases based on the number obtained by multiplying the carbon footprint of products (CFP) data of core products by the number of products. In the case of businesses for which CFP data is not available, calculated by multiplying the amount purchased by per-unit emissions indicated on the Input-Output Tables of the Ministry of Economy, Trade and Industry

*6 Calculated by multiplying the amount of capital goods purchased by the Group by emissions intensity per price of capital goods

*7 Calculated by multiplying the amount of fuel and energy consumed by the Group by the emissions intensity at the time of fuel procurement (resource extraction, production, and delivery)

*8 Deliveries to customers are calculated using the fuel consumption method. Deliveries between warehouses are calculated using the ton-kilometer method. Storage is calculated by multiplying the average annual inventory volume by energy intensity.

*9 Calculated by multiplying the Group's total volume of waste, excluding the volume of used Canon products previously recorded under Category 12, by the emissions intensity by type of waste and treatment method

*10 Calculated by multiplying the number of Group employees by per-unit emissions of business trips

*11 Calculated by multiplying the amount paid for each mode of transportation by per-unit emissions of each mode. In the case of private car commuting, calculated by converting the total mileage to fuel usage and multiplying it by per-unit emissions for fuel combustion

*12 Encompasses leased buildings and vehicles and included in Scope 1 and 2

*13 Calculated by determining average transportation distances and weights of distributed products for each region and multiplying it by per-unit emissions of transportation

*14 Calculated by determining the lifetime power consumption for main products and multiplying it by per-unit emissions for nationwide average power consumption

*15 Calculated by multiplying the CFP data of main products by the number of these products. In the case of businesses for which CFP data is not available, calculated by multiplying the sales ratio

*16 Calculated by determining annual power consumption of each leased product and multiplying it by per-unit emissions for nationwide average power consumption

*17 Scope of data for water intake and wastewater discharge of applicable buildings covers Canon Marketing Japan (Headquarters, Konan office, Makuhari office, Aomori office, and Kumamoto office), Canon IT Solutions (Nishi-Tokyo office), and Canon Customer Support (Akita office), which account for roughly 38% of the Group's employees

*18 The figure in parentheses indicates the number of men.

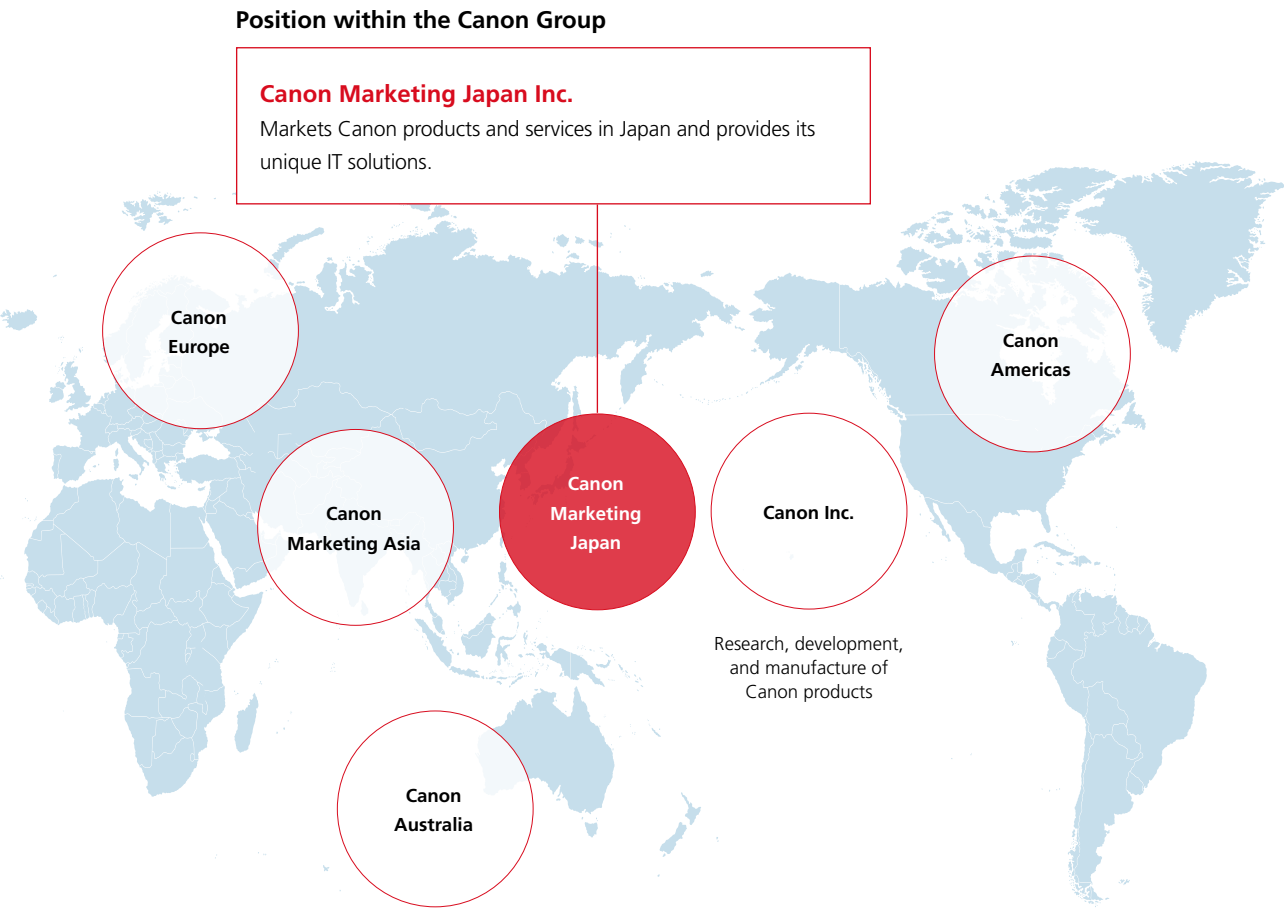
*19 The figure in parentheses indicates the percentage of Group employees returning to work that were men.

*20 Average of both directors and Audit & Supervisory Board members

*21 As of December 31 each year

SOCIETY	2018	2019	2020	2021	2022
Group employees					
Number of men	14,202	13,890	13,385	13,007	12,682
Number of women	3,078	3,110	3,159	3,213	3,291
Total	17,280	17,000	16,544	16,220	15,973
Group management					
Number of men	3,131	3,037	2,898	2,785	2,683
Number of women	92	97	106	108	117
Total	3,223	3,134	3,004	2,893	2,800
Percentage of Group employees taking paid leave (%)	68.3	74.5	64.5	63.6	73.5
Number of Group employees taking childcare and family care leave*18					
Childcare leave	202 (15)	144 (18)	143 (26)	136 (43)	145 (62)
Family care leave	9 (4)	4 (0)	9 (5)	3 (3)	5 (3)
Percentage of Group employees returning to work after taking childcare and family care leave*19 (%)					
Childcare leave	97.1 (100.0)	82.4 (100.0)	95.6 (100.0)	95.8 (100.0)	96.1 (100.0)
Family care leave	87.5 (100.0)	75.0 (—)	100.0 (100.0)	100.0 (100.0)	100.0 (100.0)
Number of Group retirees and reemployed workers					
Number of retirees	290	319	304	469	478
Number of reemployed workers	175	163	192	239	286
Average age of Group employees	44.6	44.7	44.8	45.5	45.7
Average number of years of service of Group employees	18.9	19.6	19.6	19.5	20.0
Number of employees with disabilities (non-consolidated)					
Number of employees	150.5	148.5	142.0	147.5	139.0
Percentage of employees (%)	2.25	2.20	2.15	2.32	2.29

GOVERNANCE	2018	2019	2020	2021	2022
Number of directors					
In-house (men)	5	4	4	4	4
In-house (women)	0	0	0	0	0
In-house total	5	4	4	4	4
Outside (men)	2	2	2	2	3
Outside (women)	0	0	0	0	0
Outside total	2	2	2	2	3
Total	7	6	6	6	7
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*20, 21	62.6	63.4	62.3	62.3	63.7
Number of Board of Directors' and Audit & Supervisory Board meetings					
Number of Board of Directors' meetings	15	16	18	16	13
Number of Audit & Supervisory Board meetings	18	20	17	17	17
Number of executive officers	23	23	23	23	20



Segment		Company Name
Enterprise Business Unit		Canon IT Solutions Inc., SuperStream Inc., Qualysite Technologies Inc., Canon Software America, Inc., Canon IT Solutions (Thailand) Co., Ltd., and Material Automation (Thailand) Co., Ltd.
Area Business Unit		Canon System & Support Inc. and A&A Co., Ltd.
Professional Business Unit	Production Printing	Canon Production Printing Systems Inc.
	Healthcare	Canon ITS Medical Inc.
BPO Services		Canon BizAttenda Inc., Canon Business Support Inc., and QB5 Inc.
Service & Support		Canon Customer Support Inc.

The Group comprises 14 consolidated subsidiaries.

Third-Party Assessments / Awards Received

Canon MJ has been selected for the FTSE4Good Index Series for 19 consecutive years since fiscal 2004 and for the FTSE Blossom Japan Index for six consecutive years since fiscal 2017.

In addition, we have been included in numerous indexes, including the SOMPO Sustainability Index for 12 consecutive years since 2012 and the MSCI Japan ESG Select Leaders Index, a general ESG index developed by MSCI Inc., for four consecutive years since 2018.



Canon MJ Selected for “Most Liked!” IR Award

Canon MJ was selected for the “Most Liked!” IR Award at the 2022 IR Awards, organized by the Japan Investor Relations Association (JIRA). This award was established in 2020 with the aim of encouraging companies to actively share their IR activities and strive to realize best practices. Canon MJ was one of 20 companies selected for the award through a voting system that considered entries from 207 companies.



Canon MJ Receives Two-Star Rating in the Information Technology Federation of Japan’s Cyber Index Corporate Survey 2022

The Cyber Index Corporate Survey is a survey conducted by the Information Technology Federation of Japan on the cybersecurity initiatives of companies comprising the Nikkei 500 index and their disclosure of such information, aimed at encouraging private companies to disclose the details of their cybersecurity measures. Canon MJ was one of 11 companies to receive two stars, the highest honor established from the current fiscal year, as a company that continues to demonstrate outstanding commitment to and information disclosure of cybersecurity measures.

Canon MJ Ranked atop Nikkei Computer Customer Satisfaction Survey for 10th Consecutive Year

Canon MJ was ranked No. 1 in the Nikkei Computer Customer Satisfaction Survey 2022–2023 in the security products category. This marks the 10th year in a row that we have ranked atop this survey, which is a testament to our unwavering commitment to providing products and services that cater to the needs of customers and a comprehensive line of maintenance and operational support by drawing on the strengths of our long-cultivated know-how and our outstanding cybersecurity professionals.



Canon IT Solutions Recognized for EDI Technology Patent

Canon IT Solutions was recognized at Kanto Region Invention and Innovation Awards 2022, held by the Japan Institute of Invention and Innovation, for its development of technology that utilizes electronic data interchange (EDI) to monitor job execution.

Trade Name	Canon Marketing Japan Inc.	Description of Business	Domestic marketing of Canon products and related solutions
Date of Establishment	February 1, 1968	Number of Employees	Consolidated: 15,973 Non-consolidated: 4,653
Common Stock	¥73,303 million	Main Locations of Operations	Headquarters, Konan office, Makuhari office, and branches (Sapporo, Sendai, Nagoya, Osaka, Hiroshima, and Fukuoka)
Headquarters	16-6, Konan 2-chome, Minato-ku, Tokyo 108-8011, Japan	Stock Listing	The Tokyo Stock Exchange, the Prime Market (from April 4, 2022) Securities code: 8060

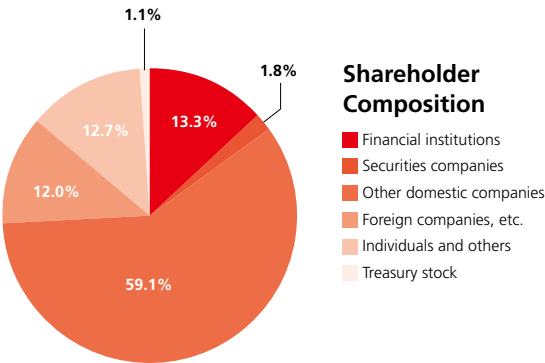
CANON STOWER

Major Shareholders

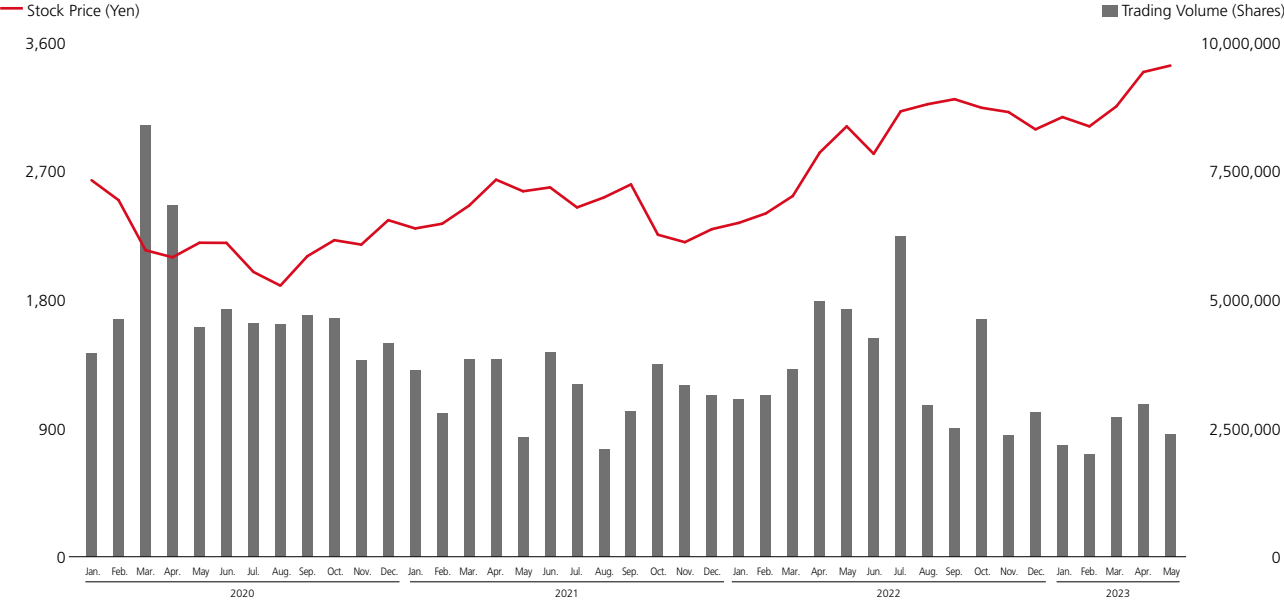
Name of Shareholder	Number of Shares Held (Thousands)	Percentage of Ownership (%)
Canon Inc.	75,708	58.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,809	6.8
Canon Marketing Japan Group Employee Stock Ownership Association	5,577	4.3
Custody Bank of Japan, Ltd. (Trust Account)	3,688	2.8
STATE STREET BANK AND TRUST COMPANY 505001	1,478	1.1
Canon Marketing Japan Group Business Partner Stock Ownership Association	1,265	1.0
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,239	1.0
SMBC Nikko Securities Inc.	1,082	0.8
Mizuho Bank, Ltd.	1,001	0.8
The Dai-ichi Life Insurance Company, Limited	879	0.7

Status of Shares

Total number of shares authorized	299,500,000 shares
Number of shares issued	131,079,972 shares
Number of shareholders	11,166



Stock Price / Trading Volume



Canon MJ Website

Canon MJ maintains a website that includes information on its financial results, management plan, and sustainability initiatives, including those related to ESG, to further facilitate communication with shareholders. The website contains the following:

Investor relations website
canon.jp/8060e-ir

- News for investors
- Financial results and other financial information
- Information on Long-Term Management Objectives and Medium-Term Management Plan
- Stock information
- Information for individual investors
- Integrated reports

Sustainability website
canon.jp/corporate/en/sustainability

Information on:

- Environmental, social, and governance (ESG) initiatives
- Sustainability management policy and structure
- Value creation process
- The Canon MJ Group's material issues



Member of the Integrated Report 2022 editorial team

Integrated Report 2022: Editor's Postscript

Thank you for taking the time to read *Integrated Report 2022*. Based on the various opinions and feedback we received from our stakeholders in regard to *Integrated Report 2021*, we have enhanced the content of the report to provide a better understanding of our business and growth story.

Integrated Report 2022 is the fourth integrated report issued by the Group and was prepared based on the theme of "ability and speed to make change." We have endeavored to provide readers with an understanding of how the Canon MJ Group established its management foundation and its sound financial position as well as how it has accelerated the growth of its IT solutions business toward the realization of its Long-Term Management Objectives (2021–2025). In order to expand the Group's business with a greater sense of speed toward sustainable growth, we are aiming to transition to a service-based business model in the IT solutions business, and in view of this, we are focusing on developing highly skilled personnel and investing in growth as well as actively creating a culture of taking on new challenges. We hope that we are able to convey this aim and the measures we are taking to this end in *Integrated Report 2022*.

It is our hope that this report helps provide our stakeholders with a better understanding of the Canon MJ Group. We will continue to value opportunities to engage with our stakeholders, and therefore, we hope that you continue to share your honest opinions and feedback.

Takuya Joshin
Group Executive of Corporate Planning Headquarters