



Canon Marketing Japan Inc.

# Long-Term Management Objectives (2021-2025) Three-Year Management Plan (2021-2023)

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President  
April 23, 2021

## Contents

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**1** Review of Long-Term Management Objectives for the 2016-2020 Period

---

**2** Environmental Recognition and Canon Marketing Japan's Strengths

---

**3** Long-Term Management Objectives (2021-2025)

---

**4** Three-Year Management Plan (2021-2023)

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## 1 Review of Long-Term Management Objectives for the 2016-2020 Period

2 Environmental Recognition and Canon Marketing Japan's Strengths

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3 Long-Term Management Objectives  
(2021-2025)

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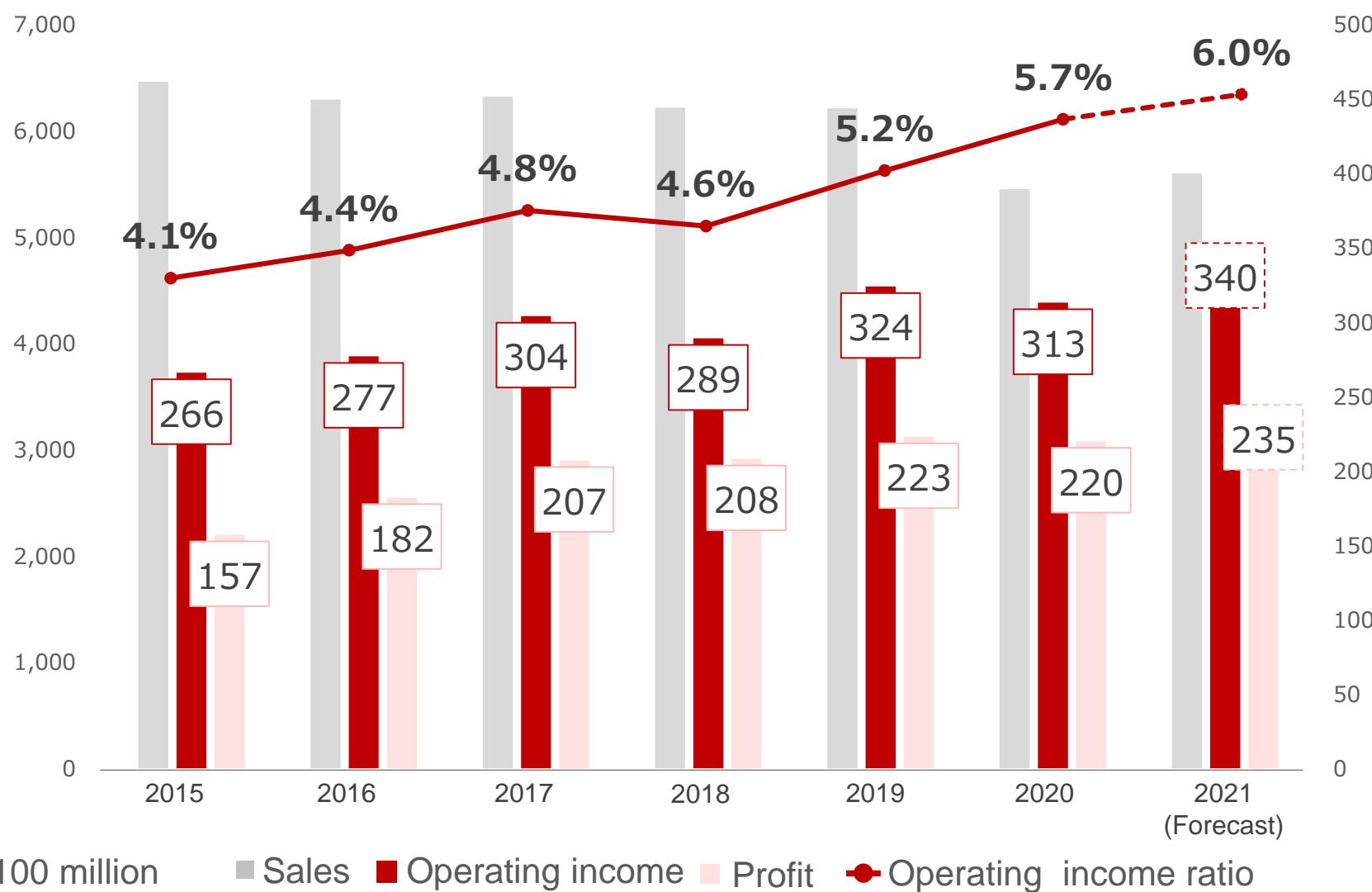
4 Three-Year Management Plan  
(2021-2023)

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## Financial Results

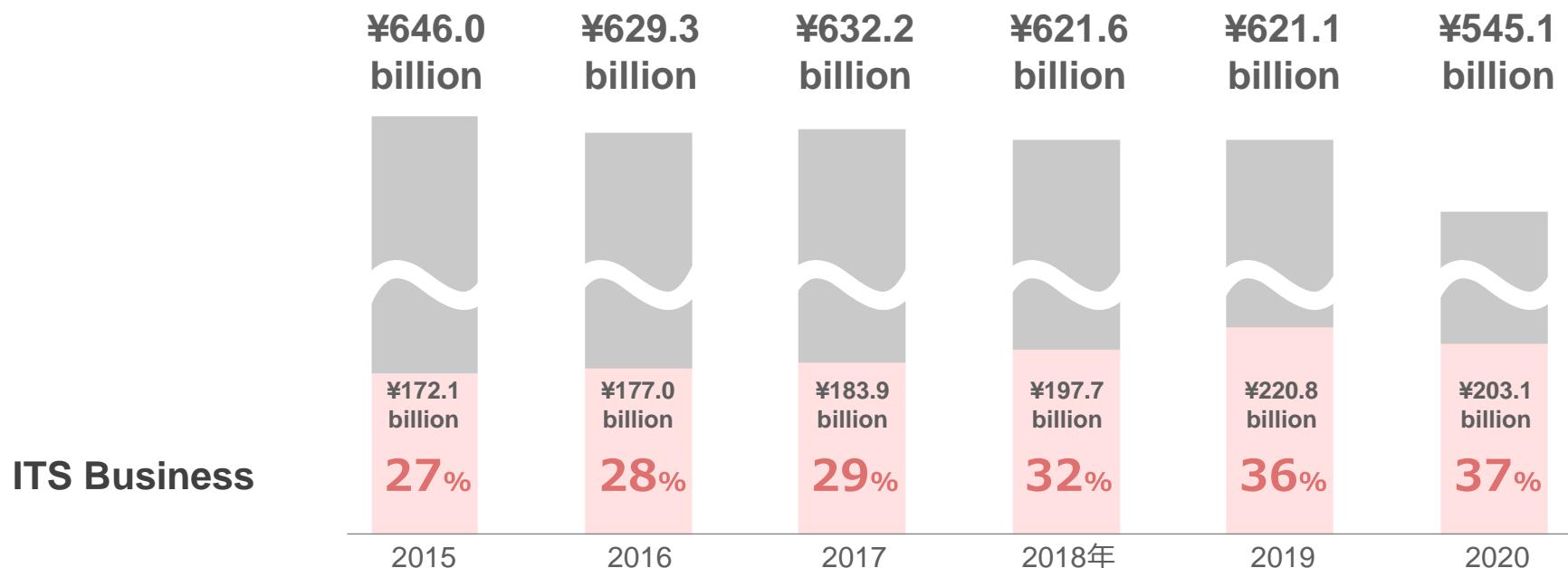
Operating income ratio increased through the reform of the business portfolio and the improvement of lean finance.

Achieved an operating income ratio higher than the previous year despite the COVID-19 pandemic in 2020.



# Growth of the IT Solution Business

Reform of the business portfolio focusing on ITS businesses in growth markets.  
Service business expanded to strengthen high value-added ITS business.



ITS sales	Comparison with 2015 Approx. 120%	¥172.1 billion → <b>¥203.1 billion</b>
Percent of sales from ITS	Comparison with 2015 Up approx. 10%	27% → <b>37%</b>
Sales from the data center business	Comparison with 2015 Approx. 5.0 times	Provides world-class operational quality <b>(M&amp;O certified)</b>

# Maintaining the Market Shares of Canon Products and Increasing profitability

Canon products remained No. 1 in terms of market share.

Productivity increased and SG&A expenses decreased through business restructuring.

Market shares in 2020 (according to Canon MJ research)



## Digital interchangeable lens cameras



Firmly maintained a leading market share

**Largest market share for 13 consecutive years**



## Inkjet printers



**Largest market share for 7 consecutive years**



## Laser printers



**Largest market share for 29 consecutive years**



## Large inkjet printers



**Largest market share for 12 consecutive years**



## Office MFP



Third largest market share

## ■Key reforms

### Business restructuring

- ✓ Built an optimal system for the Group's after-sale services
- ✓ Merged and closed some contact centers scattered throughout the Canon MJ Group
- ✓ Streamlined Consumer Segment

### Reduction of SG&A expenses

## ■SG&A expenses

**Reduced approx. ¥34 billion from 2015**

# Transformation to Customer-driven Matrix Management

Organization transformation from a product-oriented company structure to customer-driven matrix management.

System built to enable Canon MJ Group to deeply understand its customers, grow with them, and become a true partner.

Before Dec. 2017

Product-oriented company structure

Key products and channels

**Business Solution**

MFP	direct-selling
office devices	
document solutions	
PPS	business partners

**IT Solutions**

SI services	embedded systems
IT infrastructure services	IT products

**Imaging Systems**

printers and cameras	mass retailers, camera stores
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**Industrial / Medical**

After Jan. 2018

**Customer-driven matrix management**

Market/customers and solutions

**Business for consumers**

**Small- and medium-sized businesses Area**

**Large businesses Enterprise**

**Specialized areas Professional**

company-wide management division

Group head office

# Development of Working Environments and Social Contribution Efforts through Businesses

Developed comfortable working environments and supported employee growth.  
Earned external recognition for efforts to continuously improve safety and health.

## Development of working environments and growth support

- ▶ Increased staggered working hours, working from home, and satellite offices  
: 100% telecommuting (Canon MJ alone, as of end of Mar. 2021)
- ▶ Provided all employees with training to increase IT skill

## Social contribution

### Efforts to promote basic first aid through the AED business

- ▶ Number of participants in cardiopulmonary resuscitation (CPR) training : approx. 200,000
- (Total number of participants in CPR training from 2010 to 2020)



## External recognition

### Health & Productivity Stock Selection: certified for 2 consecutive years (2018 and 2019)

### Health & Productivity Management Outstanding Organization: certified for 5 consecutive years

### Received Platinum Kurumin certification

Canon Marketing Japan  
Canon IT Solutions



※Health & Productivity Management Outstanding Organization and Platinum Kurumin certification: certified in 2021 included

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---

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# Changes in the Social Environment

Given developments such as the realization of climate change impact, Canon MJ Group is aware that the implementation of countermeasures for the preservation and protection of the global environment is unavoidable.

In addition, it recognizes that the penetration of digitization and changes in labor force and work-styles will be accelerated due to the impact of the COVID-19 pandemic, and these trends are irreversible.

## Preservation and protection of the global environment

- ▶ Net-zero greenhouse gas emissions by 2050  
(carbon neutrality declaration / achieving a decarbonized society)
- ▶ Marine pollution caused by plastic waste

Source: Green Growth Strategy Through Achieving Carbon Neutrality in 2050, METI

## Penetration and acceleration of digitalization

- ▶ Approx. **60%** of companies continue to invest in DX even during the COVID-19 pandemic
- ▶ Approx. **40%** of companies recognize that the risk of cyber-attack has increased since the beginning of the COVID-19 pandemic

Source: "2020 Survey of Trends in the Digital Transformation of Domestic Companies,"  
IDC "Survey on Cyber Risk Awareness and Countermeasures 2020,"  
the General Insurance Association of Japan

## Changes in the labor force

- ▶ Population decline (The working age population will decrease approx. **5.7 million** people by 2030)
- ▶ Required human resources changes  
(There is a shortage of IT human resources while unemployment is increasing due to COVID-19.)

Source: "Population Projections," Statistics Bureau, MIC  
"2020 Corporate IT Trends Survey, Japan Users Association of Information Systems"

## Acceleration of work-style reforms

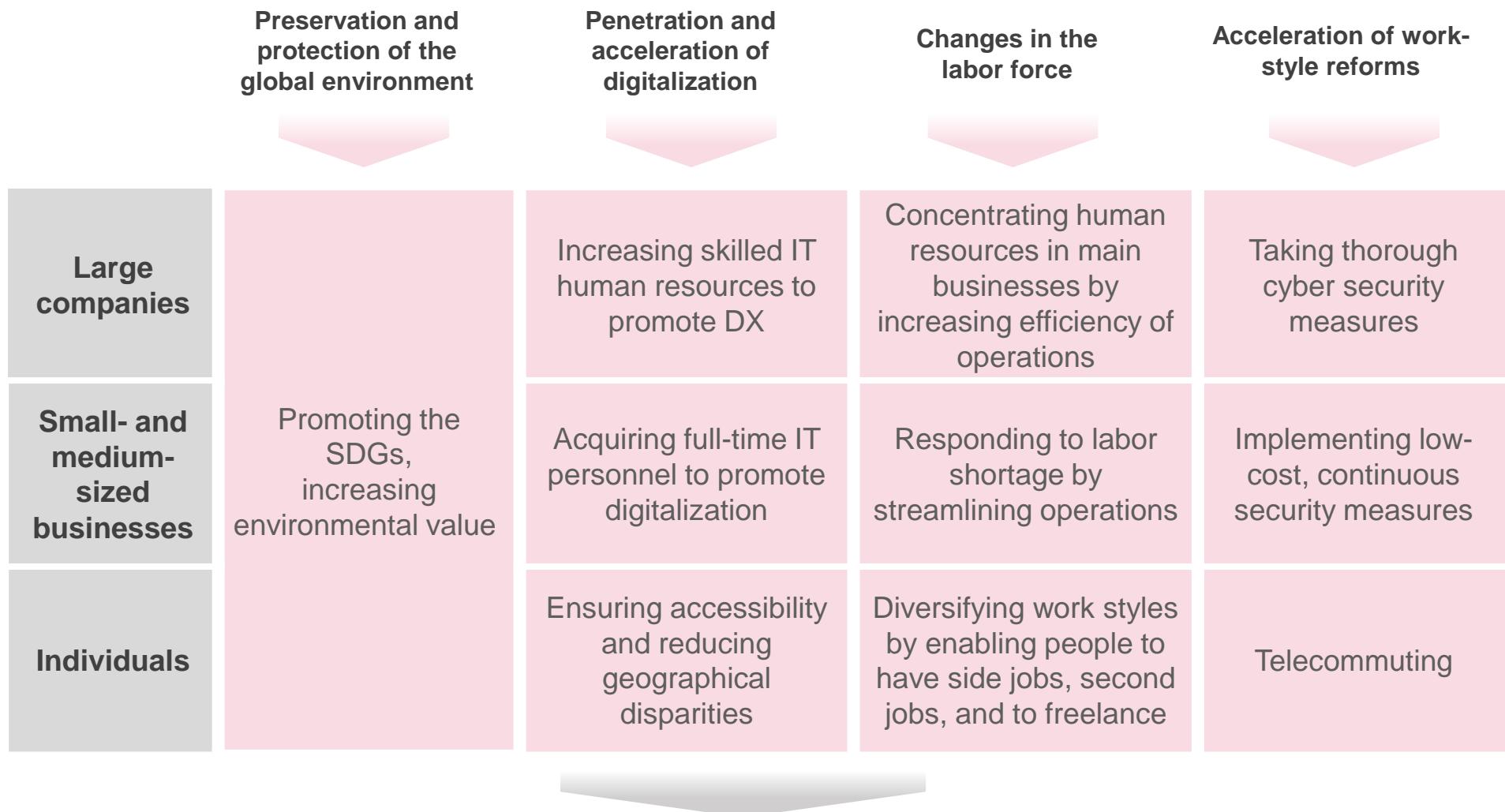
- ▶ Approx. **75%** of companies\* are permitting employees to telecommute.
- ▶ Increase and popularization of new workstyles  
(increase in side jobs, double employment, and freelance)

Source: "Discussion on Teleworking as Future Work Style," MHLW

\* Questionnaire survey of companies with 1,000 or more employees

# Impact and Issues Associated with Environmental Change

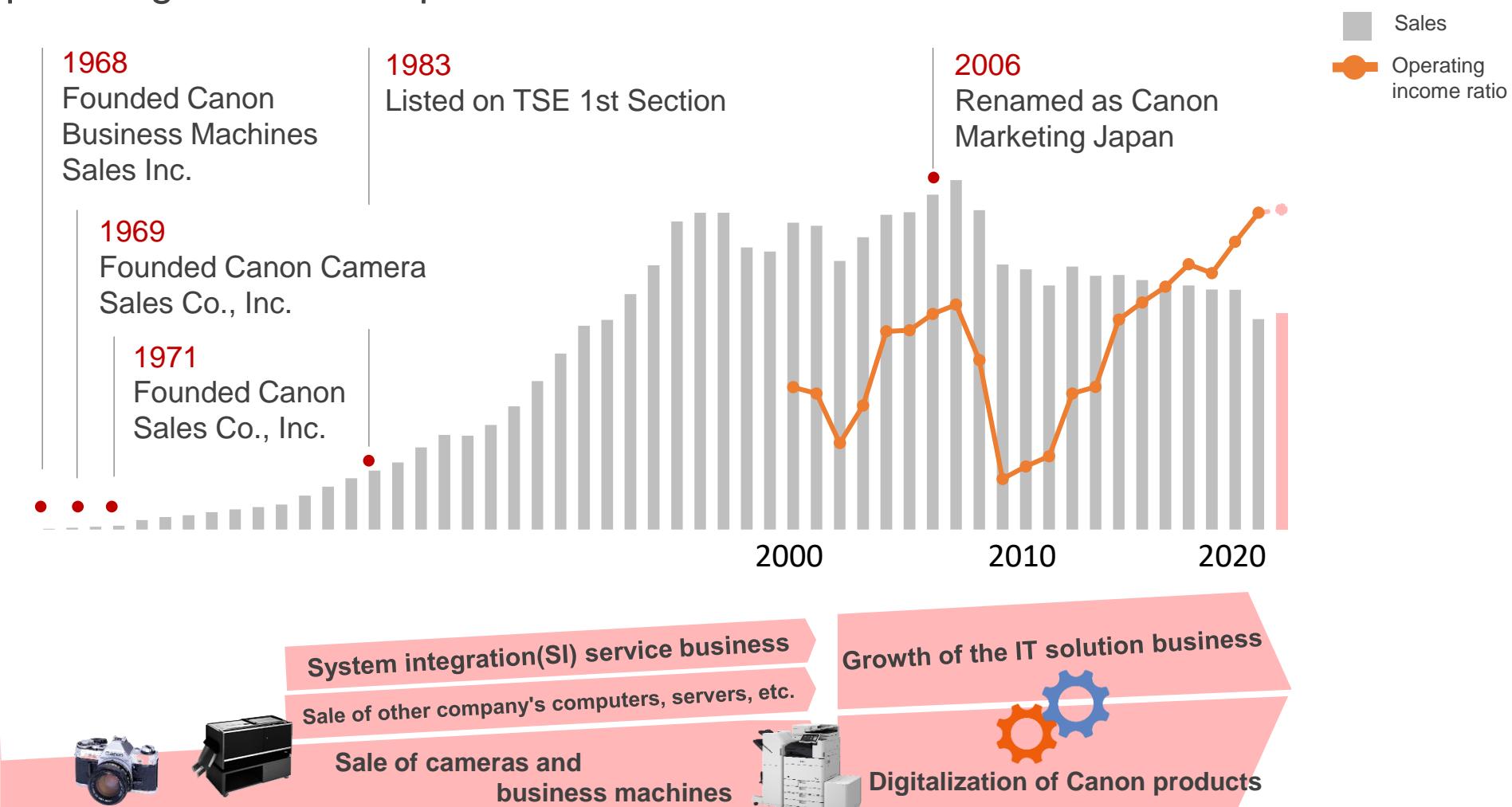
The impact of and issues caused by environmental change vary from customer to customer.



**Canon Marketing Japan Group will work to  
solve these issues faced by society and customers.**

# The Transition of Canon Marketing Japan Group

Canon MJ Group has been fulfilling the demands of its customers and society in line with changes in market environment and modifying and optimizing its business portfolio.



Recent  
M&As

2003 Acquired Sumitomo Metal System Solutions Inc.  
2007 Acquired Argo 21 Corp.  
2008 Established Canon IT Solutions

2010 Sold semiconductor equipment business to Canon Inc.  
2020 Sold all shares of Canon Lifecare Solutions Inc.

# Strengths and DNA of Canon Marketing Japan Group

Has increased its strengths by optimizing its business portfolio.

Continues to polish the DNA that has been passed down since the company's establishment as a foundation that never changes.

## Brand

(the trust of the customers built through business over many years)

## Technology

(approx. 4,000 system engineers and a nationwide organization of customer engineers)

## Customer base

(wide-ranging customer base covering everything from large companies to SMEs)

## Financial position

(strong financial base)

**Corporate culture to modify businesses to meet demands of society and customers while continuously taking on challenges**  
(enterprising nature)

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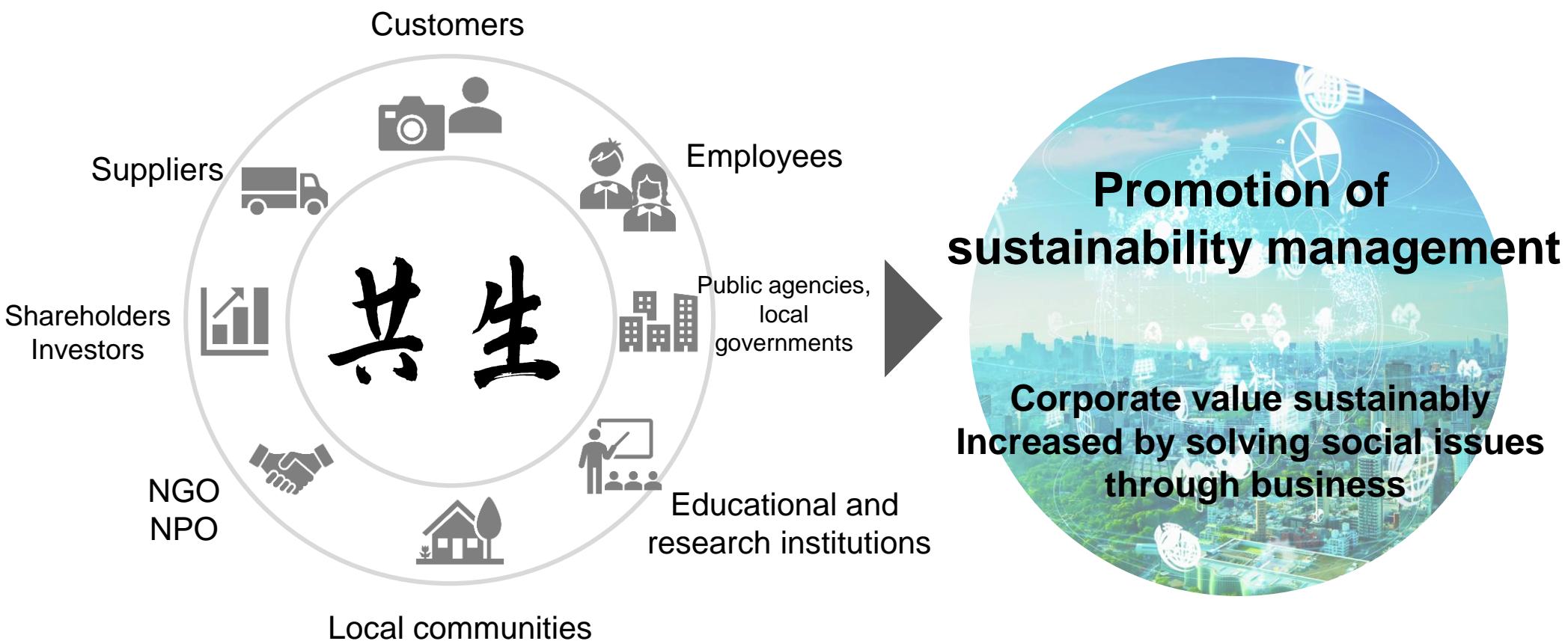
“Contributing to global prosperity and the well-being of mankind.”

*Kyosei :*  
**Living and working together for the common good**

**The Corporate DNA of the Canon Group  
"Enterprising nature"**

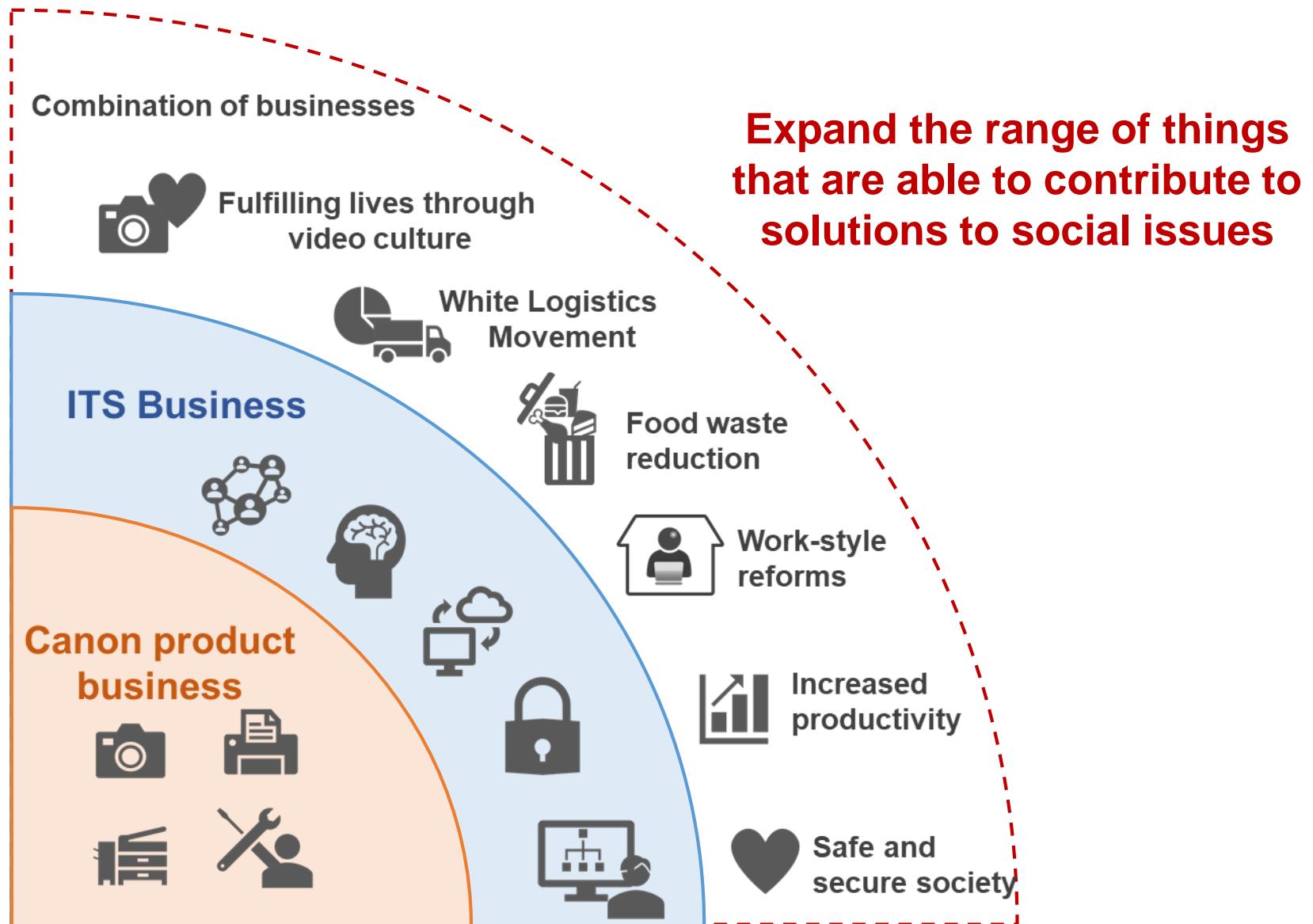
"Continue to pursue new values without being limited by past examples."

Canon MJ Group also pursues, with all of its stakeholders, the realization of a society in which all people live long lives, work together, and continue to live happily, based on the principle of coexistence.



# Canon Marketing Japan Group's Solving of Social Issues through Business

To promote sustainability management, expand the range of things it is possible to solve by combining the Canon product business and IT solution business and work on the solution of social issues through business.



# 2025 Vision, Basic Strategies, and Management Indicators

## 2025 vision

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

## Basic strategies

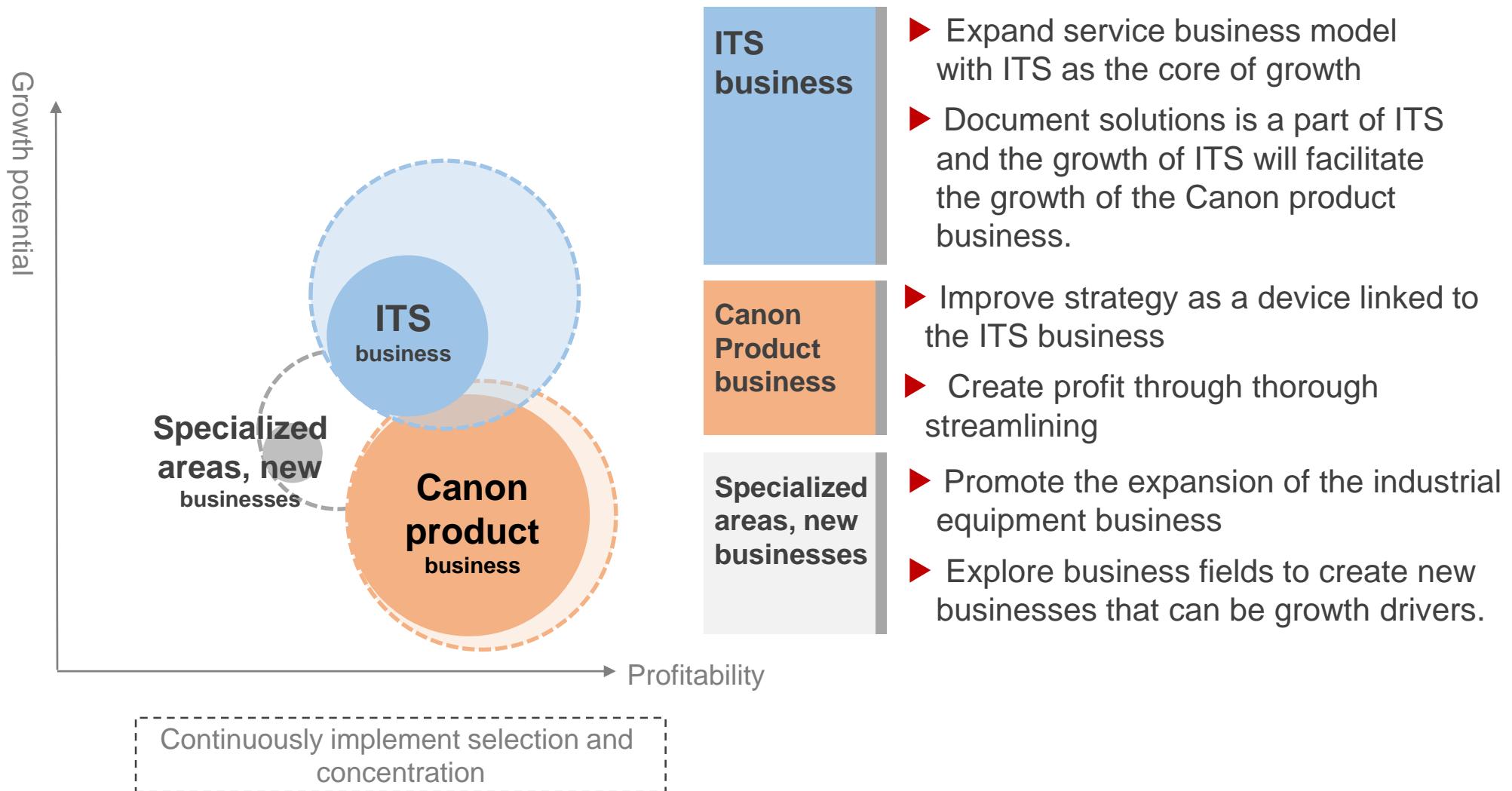
1. **Sustainably increasing corporate value by solving social issues through business**
2. **Becoming a high-profit corporate group**
  - ▶ Business reform placing IT solution business at the center of growth
  - ▶ Improving the sales system for each customer segment using the customer base
  - ▶ Increasing the added value and enhancing profitability with respect to the Canon product business
3. **Creating a virtuous circle by improving management capital**
  - ▶ Accelerating business growth by developing skilled human resources and increasing engagement
  - ▶ Accelerating business growth through strategic investment

## 2025 management indicators

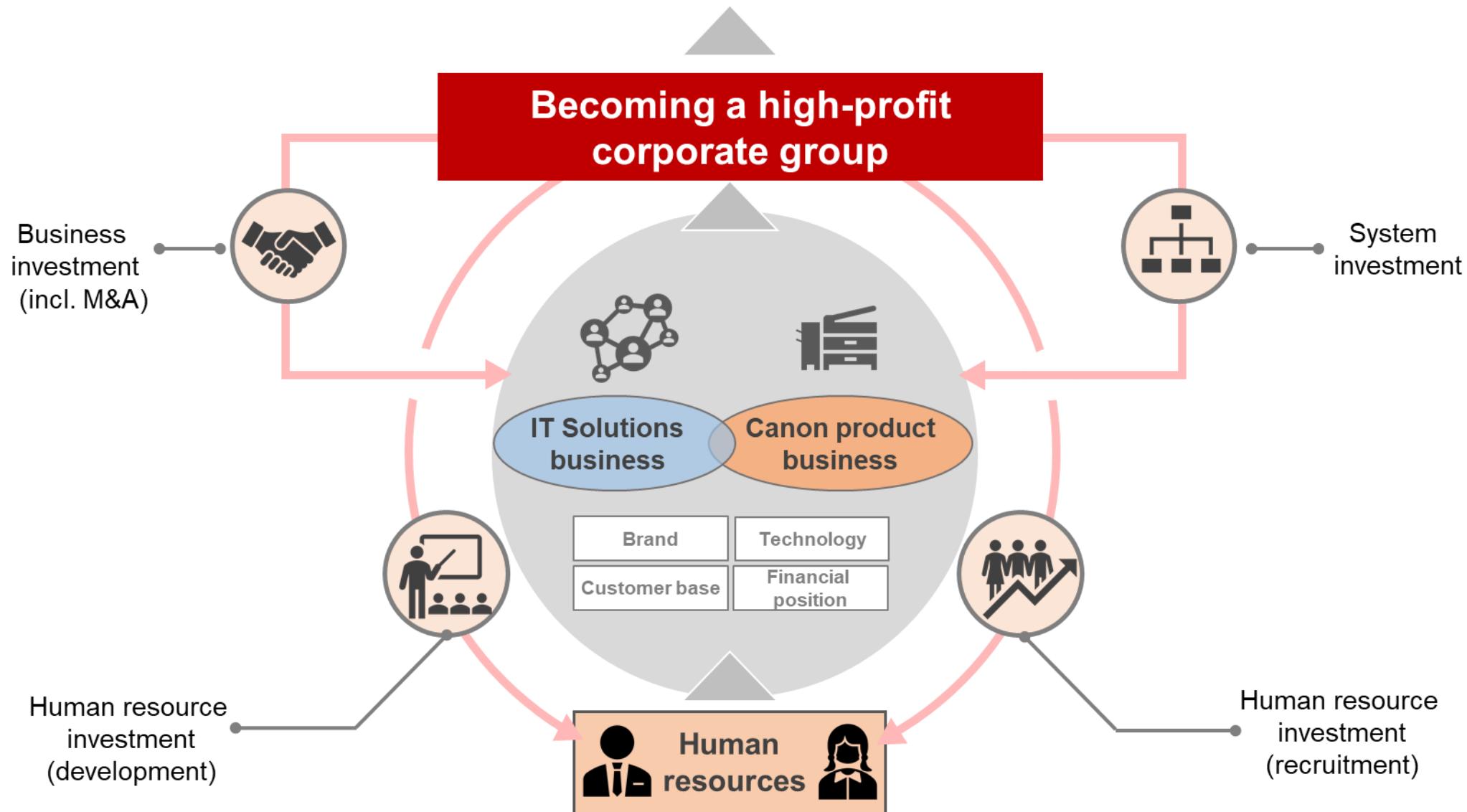
Operating income	<b>¥50.0 billion</b>
Sales	<b>¥650.0 billion</b>
of which, ITS sales	<b>¥300.0 billion</b>
ROE	<b>8.0 %</b>

# Business Portfolio Concept

Canon MJ Group operates its IT solution business as its core and reforms its business portfolio. It continuously improves and optimizes its business portfolio with the goal of achieving sustainable growth.



## Sustainably increasing corporate value by solving social issues through business



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# Three-Year Management Plan (2021-2023): Targets

	Results	Three-Year Management Plan	
	2020	2021 (Forecast)	2023 (Plan)
<b>Sales</b>	¥545.1 billion	¥567.0 billion	¥600.0 billion
<b>Operating income</b>	¥31.3 billion	¥34.0 billion	¥40.0 billion
<b>Operating income ratio</b>	5.7%	6.0%	6.7%
<b>Net income attributable to owners of parent</b>	¥22.0 billion	¥23.5 billion	¥26.5 billion
<b>ROE</b>	6.6%	6.7%	6.9%

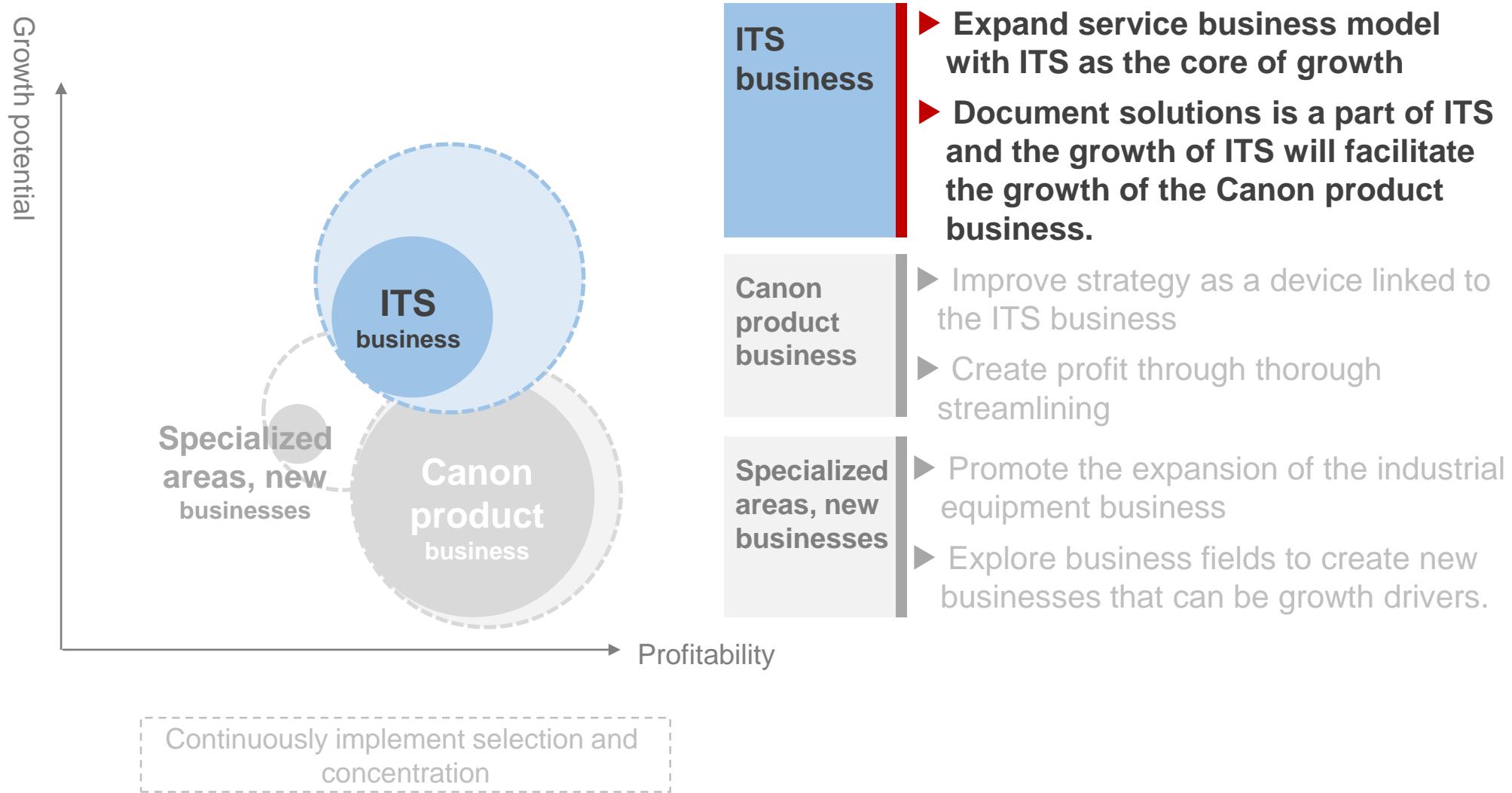
# Sales and Operating Income by Segment: Targets

	Results		Three-Year Management Plan			
	2020		2021 (Forecast)		2023 (Plan)	
	Net sales	Operating income (profitability)	Net sales (growth rate)	Operating income (profitability)	Net sales	Operating income (profitability)
<b>Consumers</b>	¥124.7 billion	¥12.3 billion (9.9%)	¥128.1 billion (+ 2.7%)	¥10.0 billion (7.8%)	¥117.5 billion	¥10.0 billion (8.5%)
<b>Enterprise</b>	¥184.6 billion	¥9.4 billion (5.1%)	¥192.7 billion (+ 4.4%)	¥11.9 billion (6.2%)	¥222.0 billion	¥15.0 billion (6.8%)
<b>Area</b>	¥223.7 billion	¥9.0 billion (4.0%)	¥228.5 billion (+ 2.2%)	¥11.7 billion (5.1%)	¥238.0 billion	¥14.5 billion (6.1%)
<b>Professional</b>	¥30.7 billion	¥1.9 billion (6.2%)	¥34.7 billion (+ 13.0%)	¥2.4 billion (6.9%)	¥42.5 billion	¥4.0 billion (9.4%)
<b>Consolidated, total</b>	¥545.1 billion	¥31.3 billion (5.7%)	¥567.0 billion (+4.0%)	¥34.0 billion (6.0%)	¥600.0 billion	¥40.0 billion (6.7%)

\*Part of the organization that conducted direct sales to medium-sized/second-tier companies in the Area segment was transferred to the Enterprise segment in 2021. Accordingly, results for 2020 have been reclassified between the segments.

# Business Portfolio Concept | IT Solutions Business

Canon MJ Group operates its IT solution business as its core and reforms its business portfolio. It continuously improves and optimizes its business portfolio with the goal of achieving sustainable growth.



# IT Solutions Business: Market Outlook

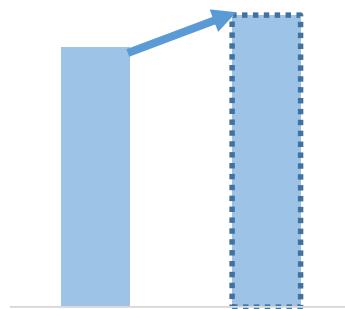
## Outlook for CAGR in the domestic IT market

(trends when 2020 is used as reference)



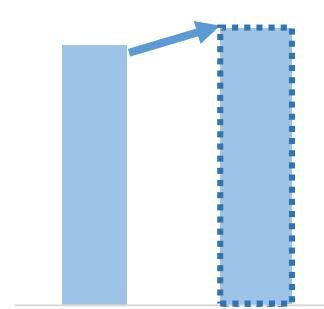
**Large and  
upper-medium-sized  
IT companies**

**+4.7%**



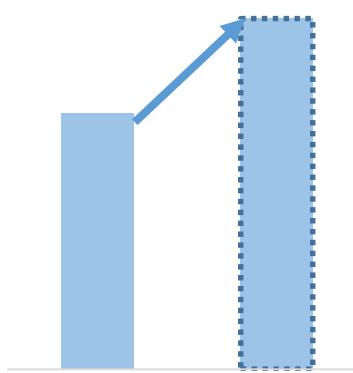
**small- and  
medium-sized  
IT companies**

**+3.7%**



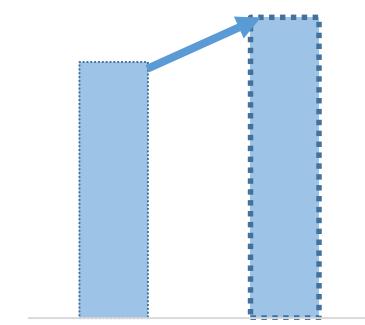
**Security  
companies**

**+11%**



**ITO·BPO**

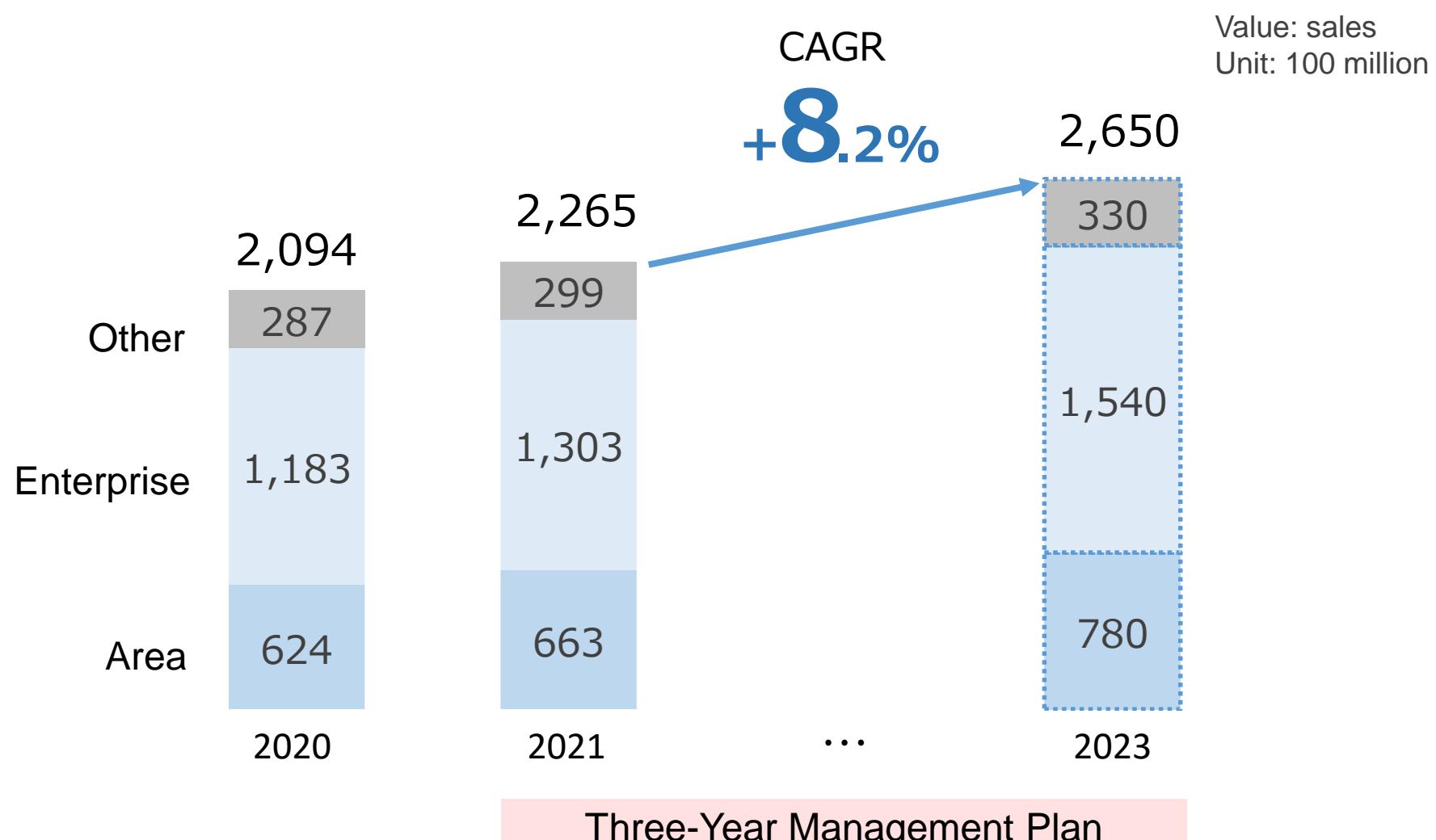
**+5.5%**



\*Outlook was prepared by Canon MJ based on publicly available external forecasts (IDC).  
\*Outlook for "large and upper-medium-sized companies" and "small- and medium-sized IT companies" excludes the device business.

# IT Solutions Business: Sales Targets (by Segment)

Enterprise and Area will lead the expansion of the IT Solutions Business.

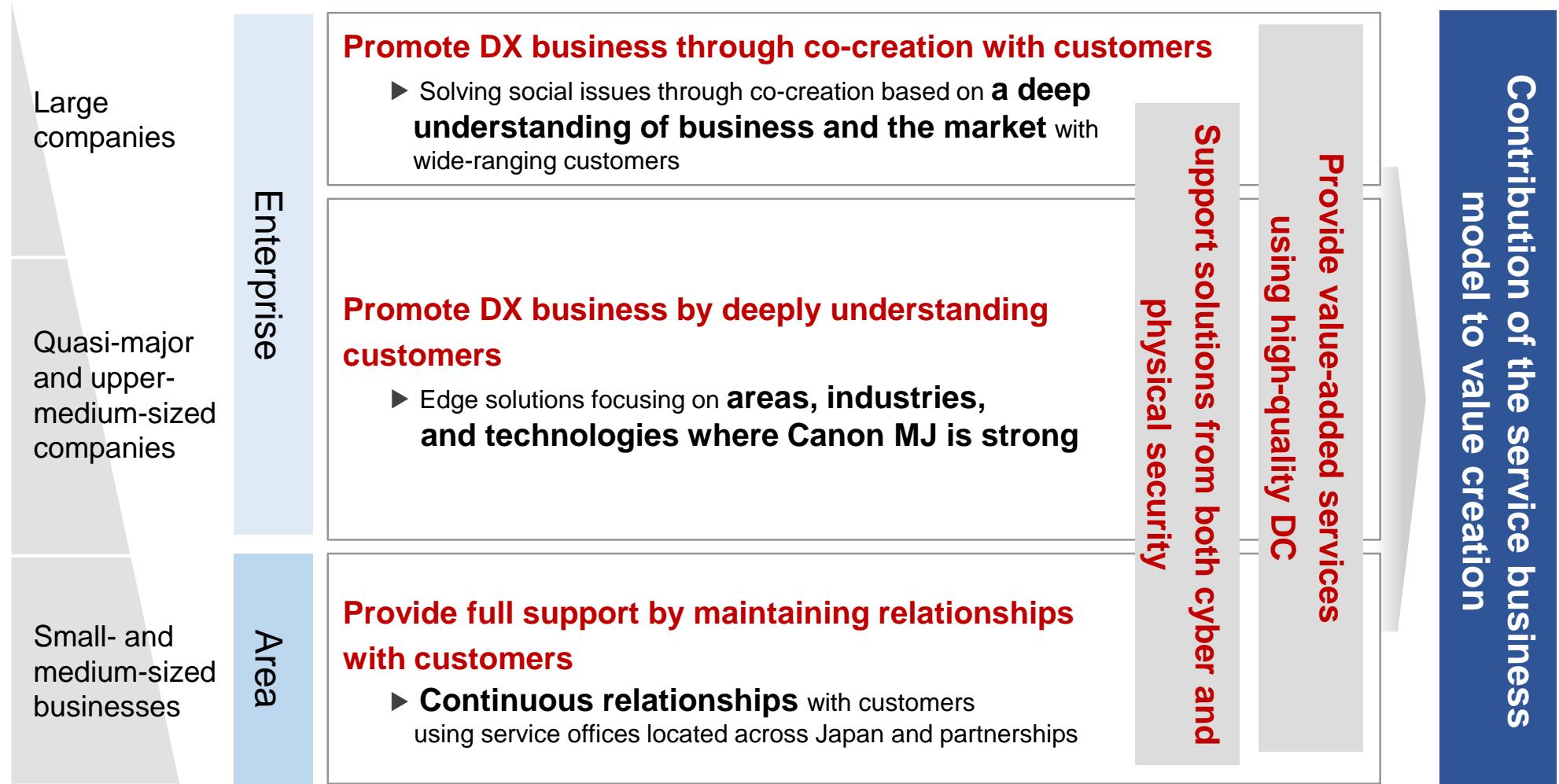


\*The FY2020 financial results have been subject to reclassification due to the inclusion of the business of certain products such as network cameras in sales of IT Solutions in FY2021.

# ITS Business by Customer Segment: Direction of Development

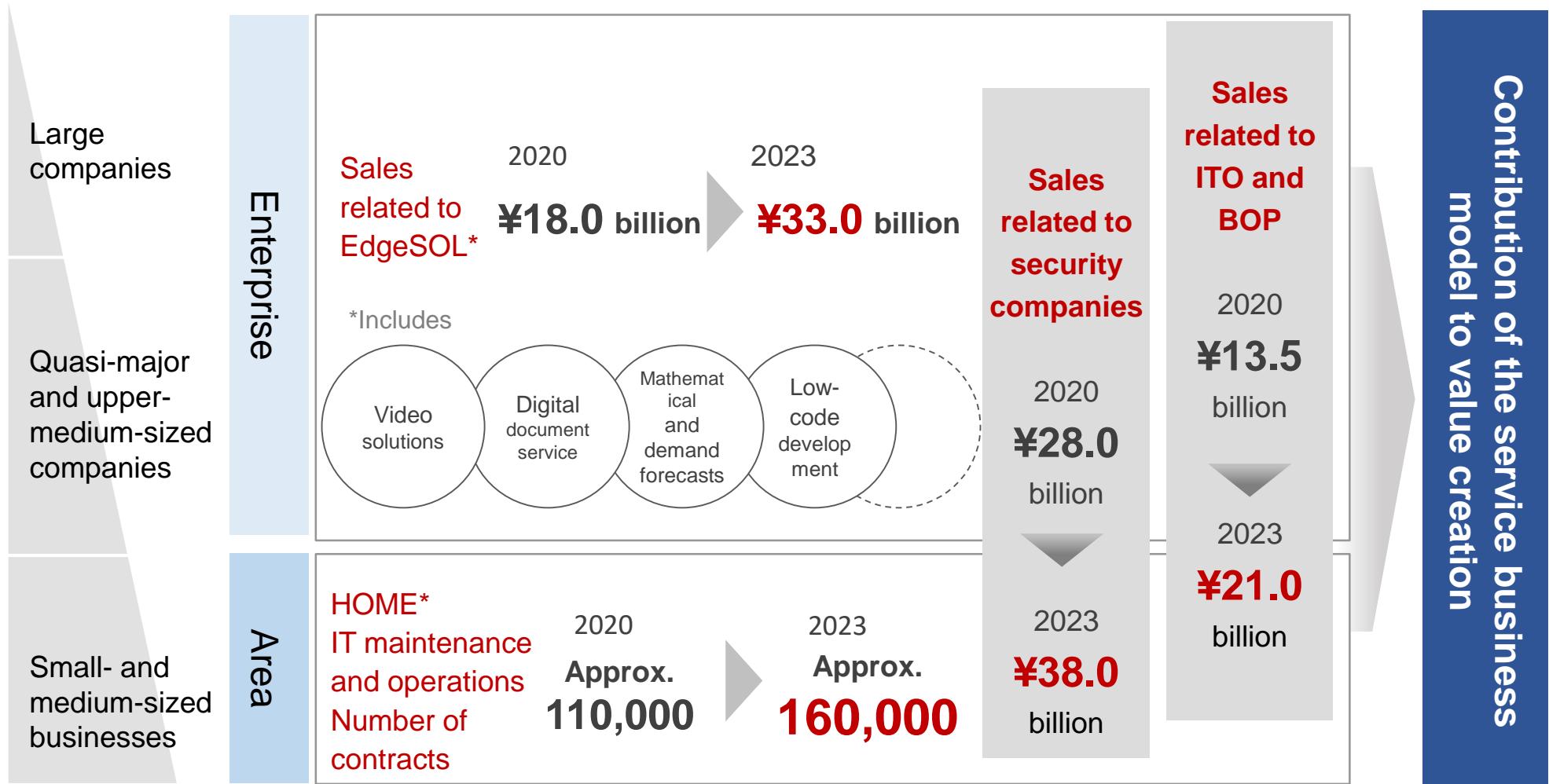
Different customer segments have different needs. Canon MJ Group will develop business appropriate for the needs of each customer segment.

Create and improve a service business model and work to achieve continuous profit growth.



# ITS Business by Customer Segment: Major KPIs

KPIs set for each focus area of each customer segment to ensure the growth of the ITS business.



\* HOME: IT support service for small and medium-sized offices

# Initiatives Implemented in Focus Areas

Increase our strengths by utilizing knowledge and experience with which we have worked on a range of issues.

Promotion of DX business through collaborative creation with customers

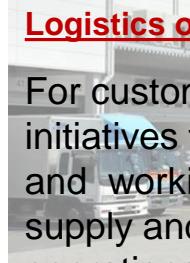


## Witness Matching System that improves efficiency of witness inspection of wide-area disasters

For customers wishing to expedite procedures for the payment of insurance money when a disaster occurs.

Establishment of systems that lead to solutions to issues in collaboration with customers.

Promotion of DX business through the process of knowing customers well

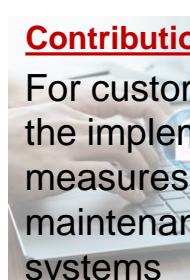


For customers wishing to advance initiatives to improve efficiency and working conditions regarding supply and demand-related operations

Contribution to the creation of a sustainable society

## Logistics operations reforms initiated through collaborative creation

Provision of full support through efforts to stay connected with customers



For customers wishing to protect medical workers from infectious diseases and prevent the spread of infection

Provision of safety and security through packages that appropriately address issues faced by hospitals and clinics

## Remote monitoring packages for medical institutions to support their efforts to prevent the spread of COVID-19

For customers wishing to outsource the implementation of security measures and the maintenance/operation of internal systems

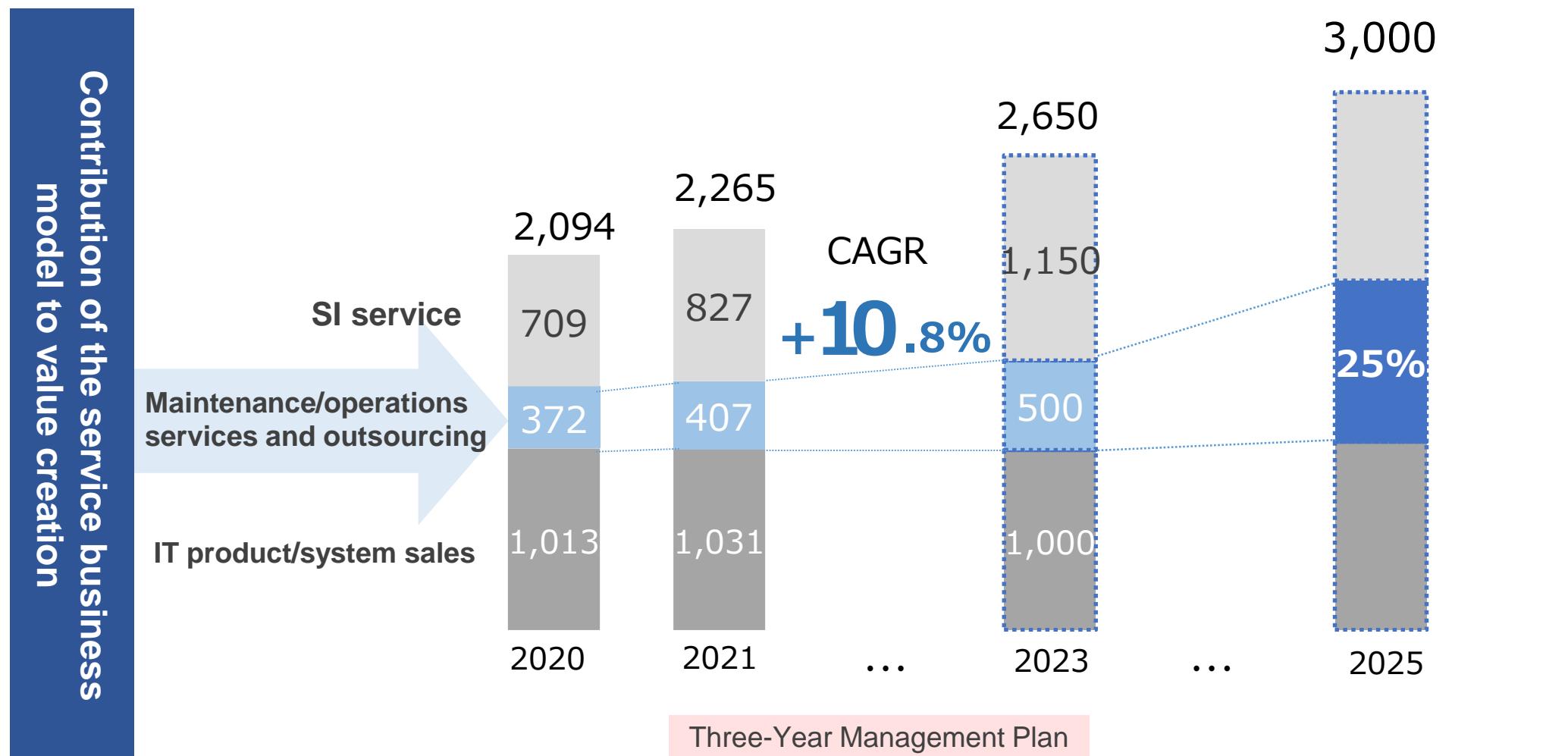
Supporting the evolution of customers through maintenance/operations services that meet their needs

Contribution of the service business model to value creation

# Net Sales Target for IT Solutions (by product/solution)

Strengthen the areas of maintenance/operations services and outsourcing by bolstering service-oriented business models and establish a highly profitable ITS business.

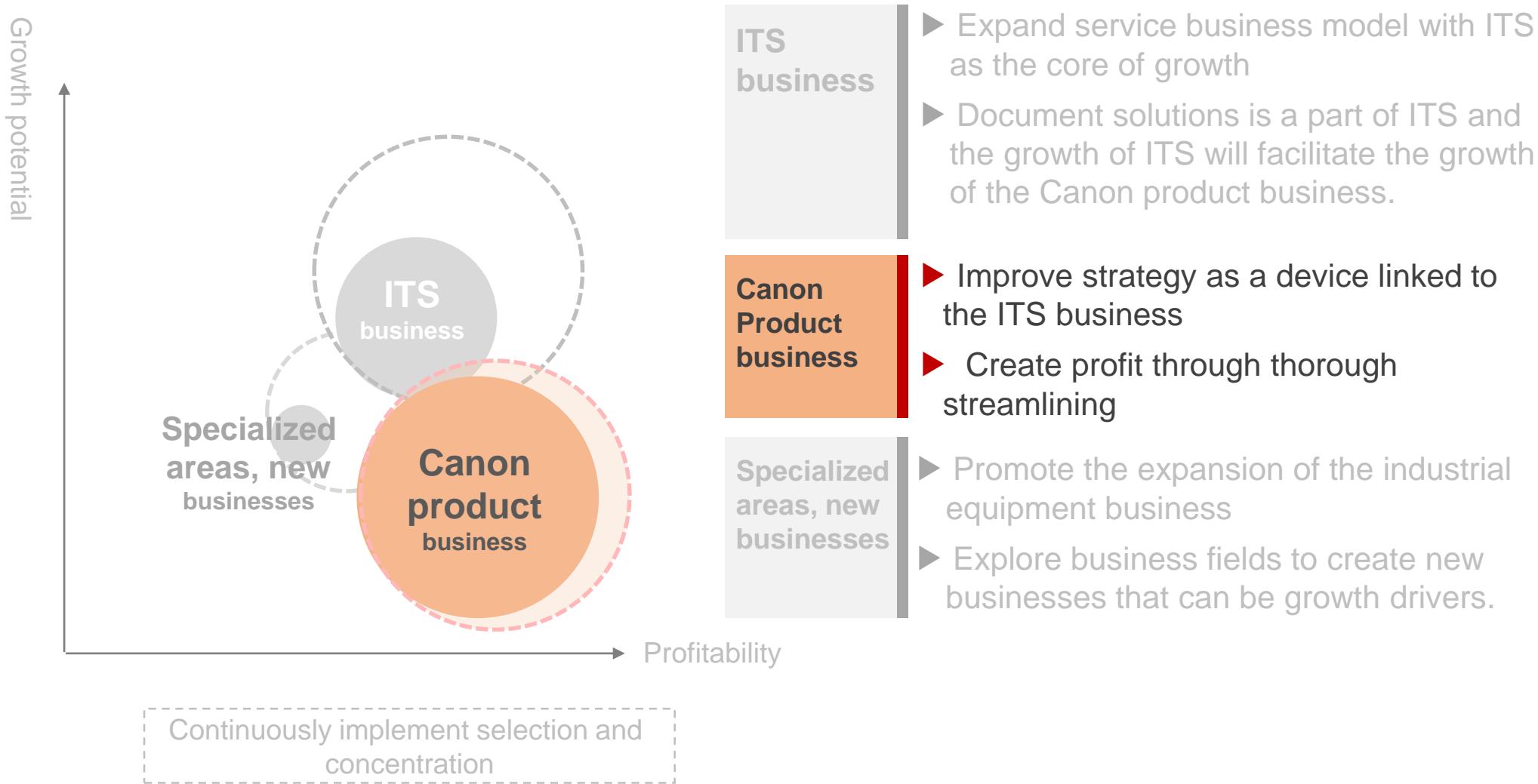
Numbers: Net sales  
Unit: 100 million



\*The FY2020 financial results have been subject to reclassification due to the inclusion of the business of certain products such as network cameras in sales of IT Solutions in FY2021.

# Business Portfolio Concept | Canon product business

Canon MJ Group operates its IT solution business as its core and reforms its business portfolio. It continuously improves and optimizes its business portfolio with the goal of achieving sustainable growth.



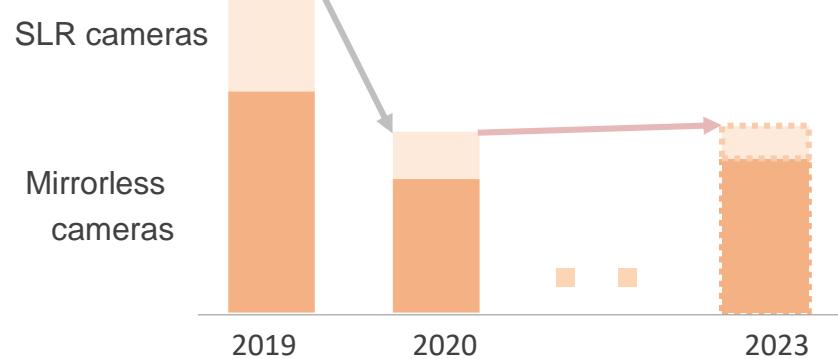
# Canon product business - Market outlook

## Market outlook of major products

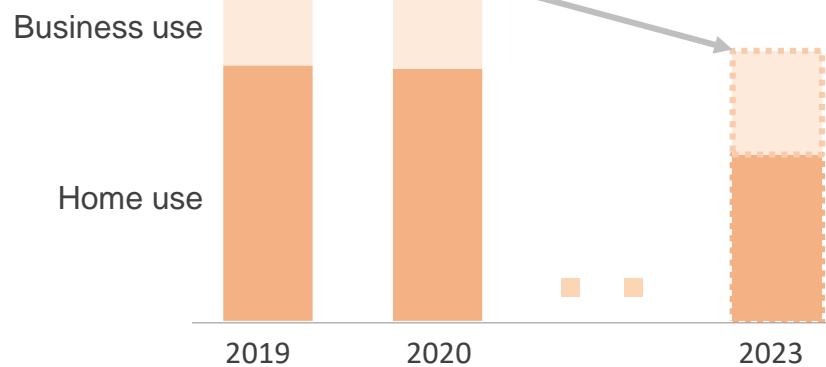
(Domestic shipments: changes with shipments in 2019 used as reference)



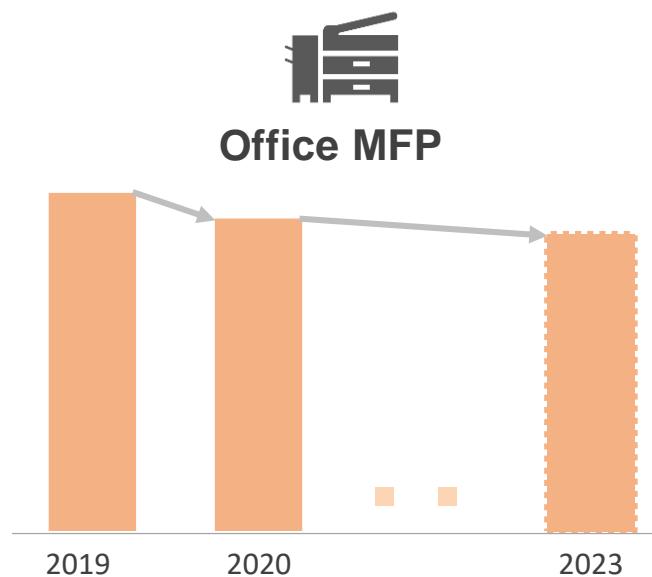
### Digital interchangeable lens cameras



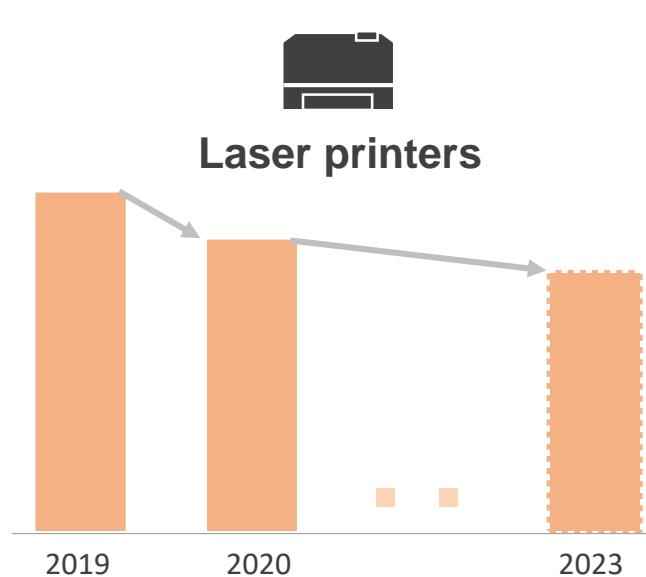
### Inkjet printers



### Office MFP



### Laser printers



# Canon product business -BtoC business For professionals

Pursue demand for professional use in the photoimaging area and maintain the leading market share, while simultaneously contributing to the creation of a photo culture.



Strengthening of hardware- and software-based solutions to respond to the goals of professional photographers



Inkjet printers and large format printers created through the pursuit of the high-quality images required by professional users



Production of images and new market development through the fusion of video image areas, and response to change in the communication environment



Discovery and development of new photographers, and creation of a photo culture by creating opportunities to displaying and release work

# Canon product business -BtoC business | For ordinary consumers

Provide pleasant sensations and enjoyable moments through photos and images, thereby contributing to the rich lives of each customer.

Build more consistent and efficient sales/support systems, thereby establishing a highly profitable business.



Support work creation by supplying lenses of different levels of brightness including wide-angle lenses and telephoto lenses to meet a variety of needs depending on the subject being photographed



Provision of advice on how to enjoy photographic expression through an array of means including one-sheet printing and photobooks



Establishing strong, continuing relationships with customers through real and digital marketing and adding more value through the provision of opportunities to experience



Improvement of profitability by strengthening the lineup of high priced and high print volume models for home use

# Canon product business -BtoCB business | Solutions for different business types and business operations.

Strengthen printing services that are suitable for specific business types and business operations.

Contribute to the improvement of the overall productivity of printing processes in commercial and industrial printing.



Strengthening of systems to respond to needs arising in different types of businesses and the enhancement of services, with a view toward overwhelmingly holding the largest share of the market



Expansion of the solution area for customers' issues through proposals combined with the pre- and post-process solutions for commercial and industrial printing



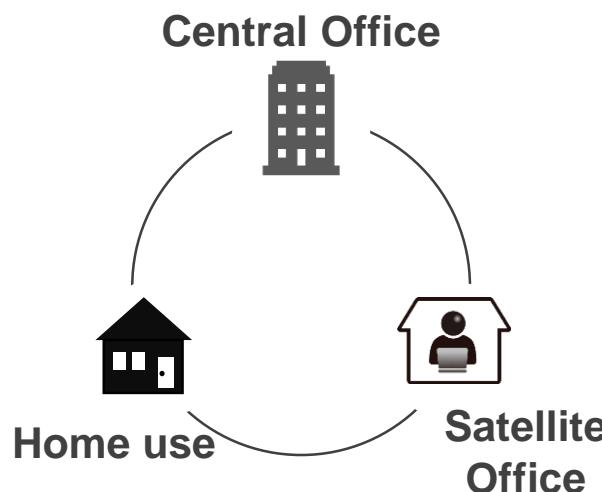
Enhancement of synchronization with applications according to business types and conditions



Reduction of customers' downtime and improvement of service efficiency through IoT-based failure prediction

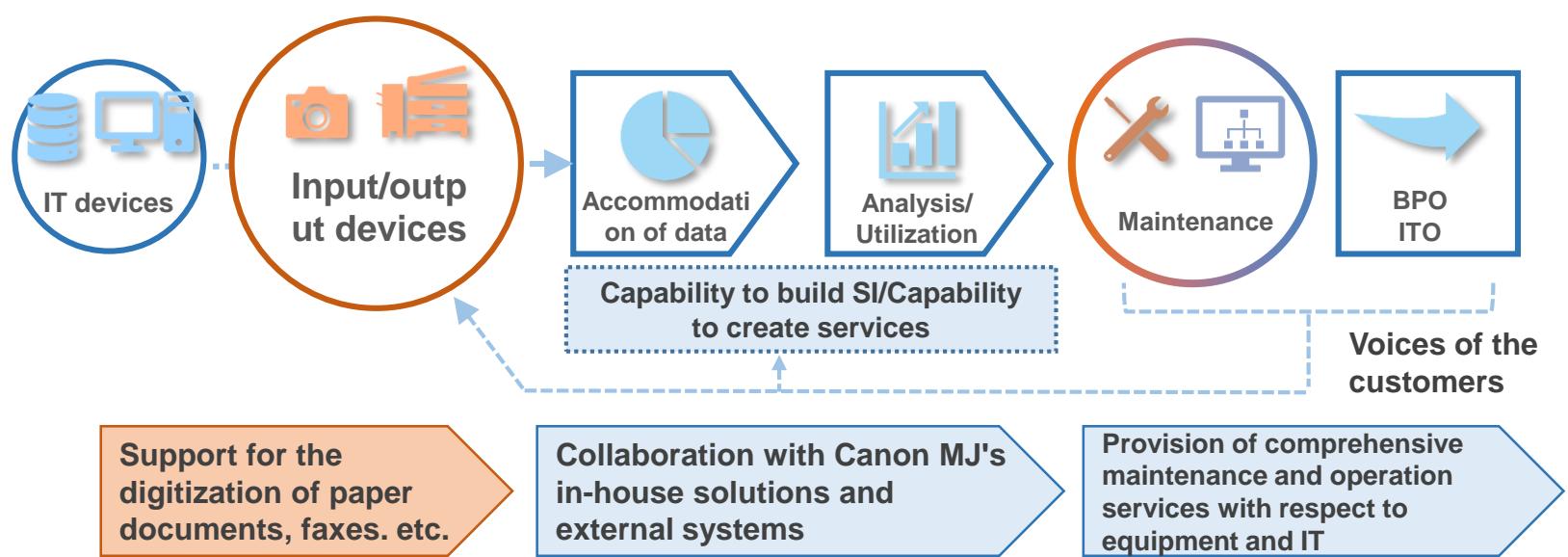
Strengthen the comprehensive printing service to contribute to workstyles during the new normal created by the COVID-19 pandemic.

In addition, strengthen the device strategy in sync with IT solutions and work to create synergies.



- Responding to new needs arising from workstyle reforms
- Support for the utilization of documents in any place by providing cloud-linked solutions and enhancing security measures
- Promotion of inkjet printers to address teleworking and homeschooling demand

## Strengthening the device strategy in sync with IT solutions



# Group's Human Resource Strategy

Work on the improvement of human resources and the increase of engagement to maximize the value of human assets which are the foundation of the sustainable improvement of corporate value.

## Improvement of human resources

### Improvement of the development of leaders

Development and promotion of leaders by generation with an emphasis on diversity

### Improvement of employees' skills

The improvement of support and the implementation of active investment in human resources to improve employees' skills and professionalism

### Active promotion of outside personnel

Continuous and active recruitment of outside personnel

## Increasing engagement

### Creation of an atmosphere that embraces challenge to represent the enterprising spirit of Canon

Company

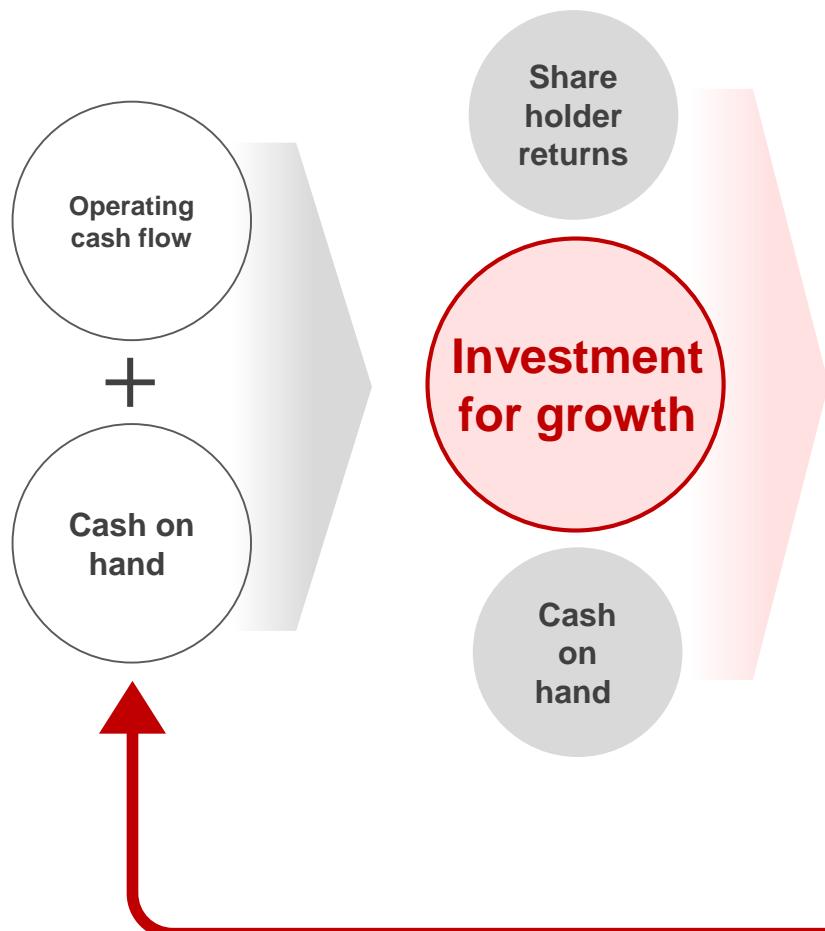


Employee

Visualizing engagement and facilitating understanding on monitoring philosophy and corporate DNA/vision through employee awareness surveys

# Investment strategy for the growth of business

Invest in businesses with an eye on capital efficiency and profitability, and facilitate a cycle enabling the profits produced by these investments are reinvested in growth businesses.



## Investment Policy

### Business Investment

- Investment in focus areas
- Construction of data centers and other facilities
- Investment and M&A

### System Investment

- Renewal of core systems
- Improvement of the productivity of existing businesses through internal DX

### Investment in human resources

- Development and promotion of leader candidates
- Support for employees' efforts to improve their skills

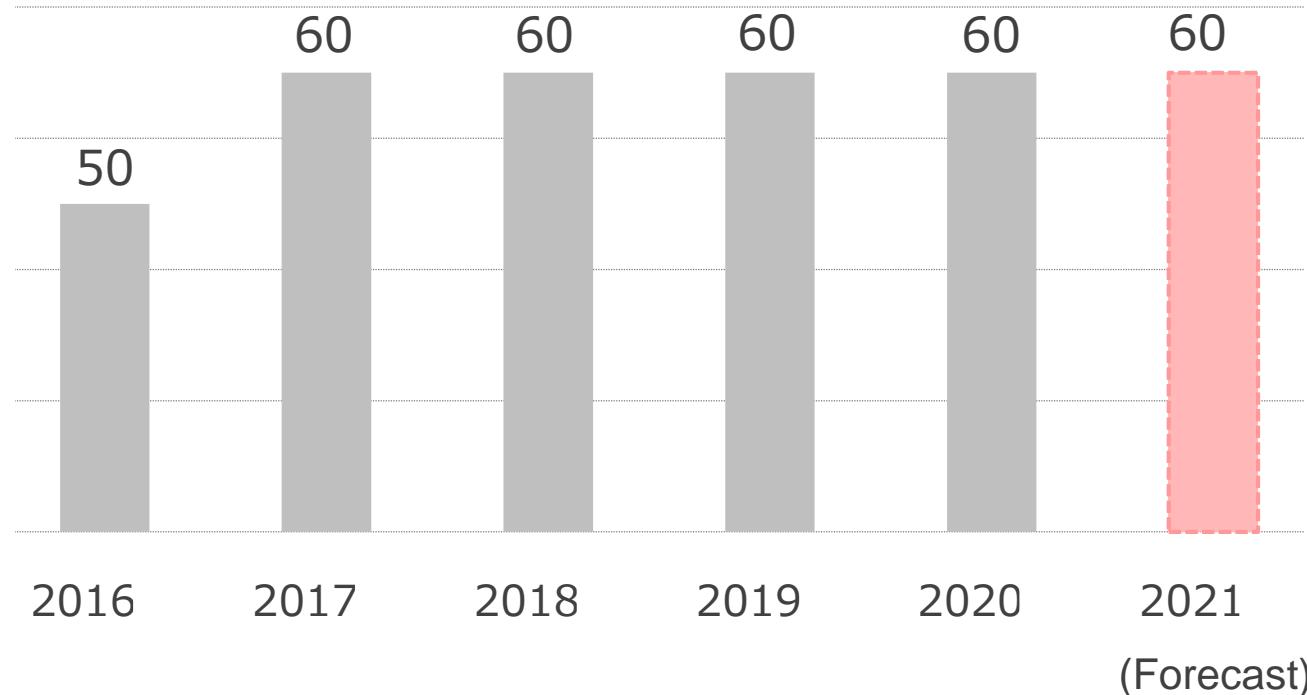
**Approx.  
100 billion yen**  
in three years

**Reinvestment in businesses that make profits  
and/or achieve growth**

## Dividend policy

Our basic policy is to pay dividends to shareholders based on a payout ratio of at least 30% while taking into comprehensive consideration of the medium-term profit forecast, investment plans, and cash flows.

Annual dividend per share (Yen)





**Canon Marketing Japan Inc.**

The performance and future projections made in this document are based on information available at the present time, and include potential risks and inaccuracies. Owing to various factors, actual results may differ substantially from these projections.