



# Medium-Term Management Plan (2022-2025)

2025 Vision

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

Basic Policy

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

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

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

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

Basic Policy

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## Expand ITS Business with Profit

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

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

Contributing value through service-based business model

### (1) Edge Solutions\*

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

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

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

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

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

### (3) Security

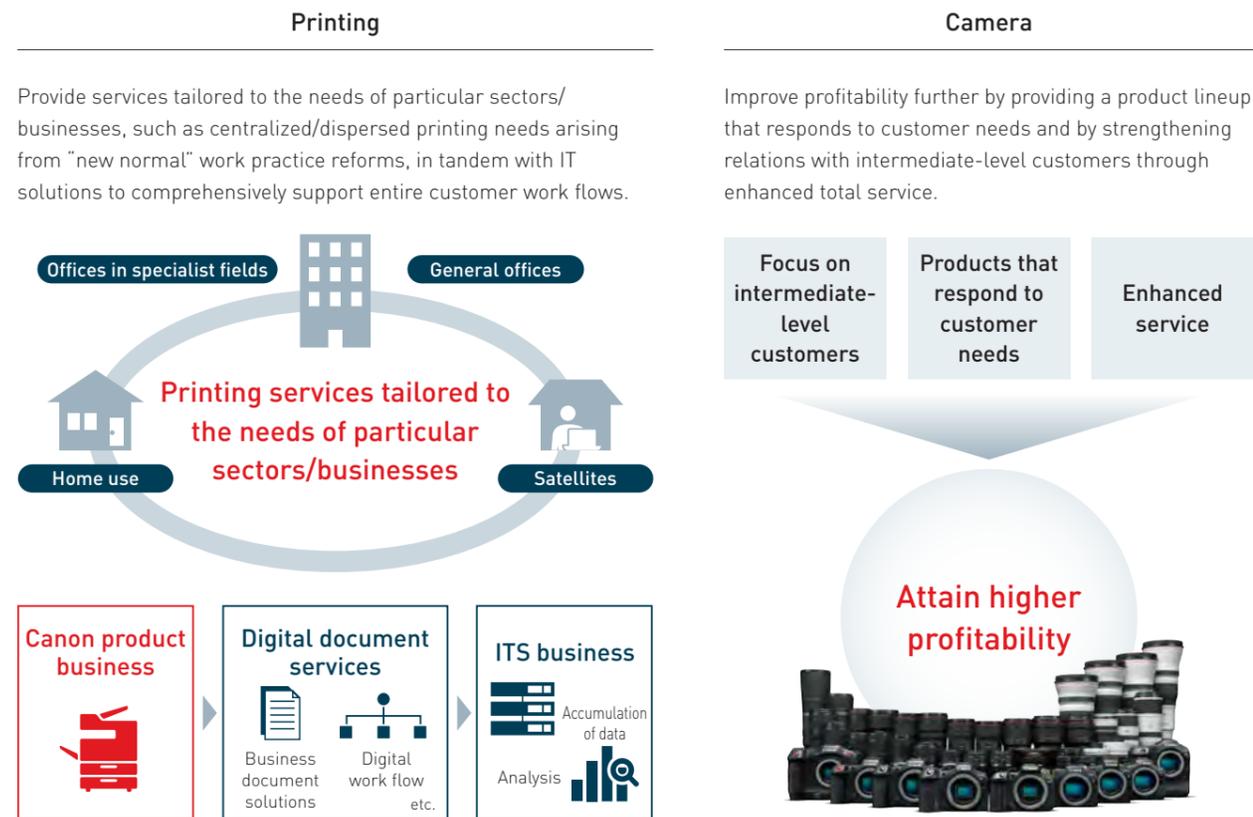
Amid a rise in cybersecurity threats, such as targeted attacks and phishing, we will address the needs of different customer segments with total security offerings that cover both physical security such as video surveillance and cyber security such as network intrusion detection, thus further increasing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

### (4) ITO and BPO

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

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

**Further Increase Profitability of Main Product Businesses**



**Execute Strategies Tailored to Customer Segment**

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

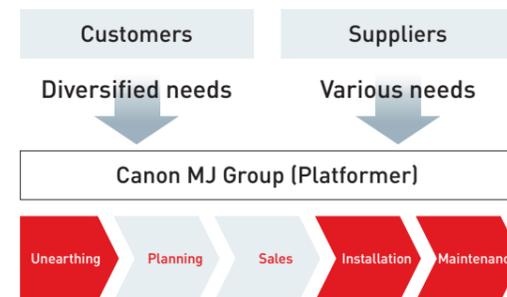
Target Customers	Segment	Strategy
Large corporations	Enterprise	<ul style="list-style-type: none"> <li>Use customer base to expand <b>sector-specific and operational-specific projects</b></li> <li>Capture <b>new document needs</b> generated by the diversification of offices under the COVID-19 pandemic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

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

**Further Growth in the Industrial Equipment Business**

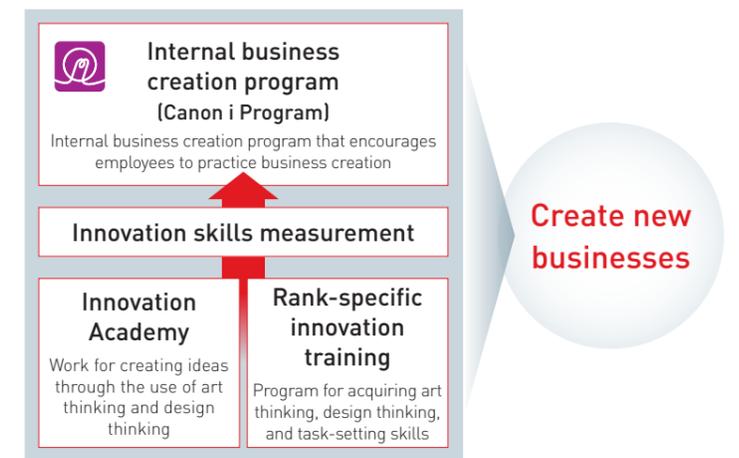
Keeping abreast of the world's latest technological trends, we are researching and pioneering excellent products overseas. Also, we will expand the size of our business through importing and selling various and diverse original merchandise, and having our highly specialist personnel provide maintenance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

**Business development utilizing strengths**



**Creating New Businesses**

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

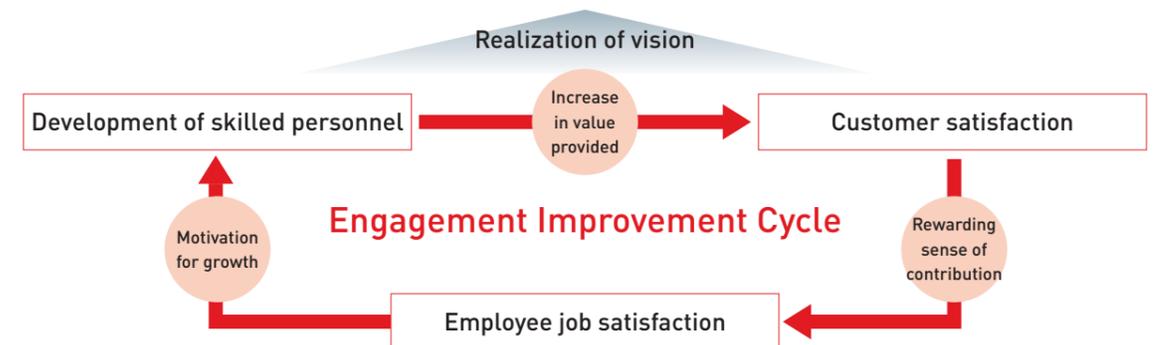


**Basic Policy 4 | Group Management Aimed at Continuous Growth**

**Establish an Engagement Improvement Cycle**

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

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



**Speed Up Business Investments for Growth**

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

# Financial Strategy (Financial Capital)

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

## Achieving Record Profits Despite a Difficult Business Environment

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

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

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

## Basic Policy on Financial Strategy

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

### [Improving Capital Efficiency]

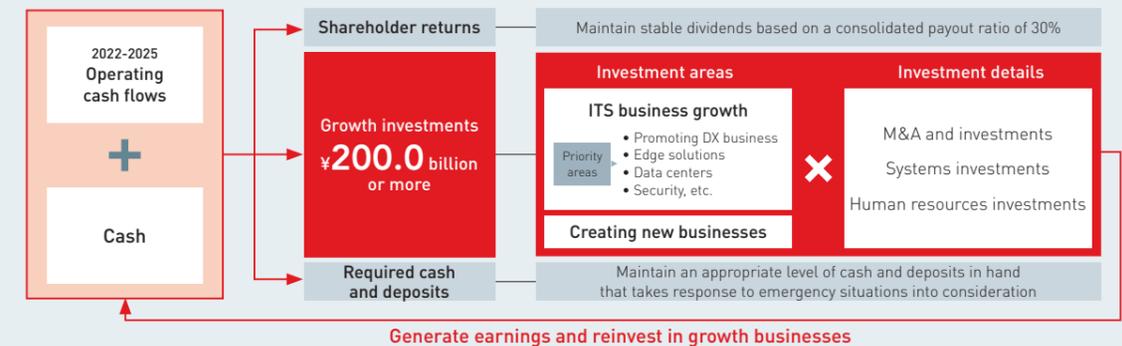
The 2025 management indicator targets that were set in the Long-Term Management Objectives include ROE of 8.0%, and we have already exceeded that level with the 8.2% we recorded in 2021. Going forward we will focus on maintaining a level of at least 8.0%, but with a total stockholders' equity ratio of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

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

### [Investing for Continuous Growth]

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

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



## Financial Discipline and Sustainability Management

### [Financial Discipline]

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

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

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

### [Sustainability Management]

Sustainability issues are having an increasing impact on

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

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



### Tsuyoshi Osato

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

Featured Topic

Canon MJ Group's  
Human Capital



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

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

Approaches to Human Capital

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

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

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

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

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

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

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

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

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

Canon MJ Group's Human Capital

How does Canon MJ Group view its personnel?

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

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

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

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

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

Featured Topic Canon MJ Group's Human Capital

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

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

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

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

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

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

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

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

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

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

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

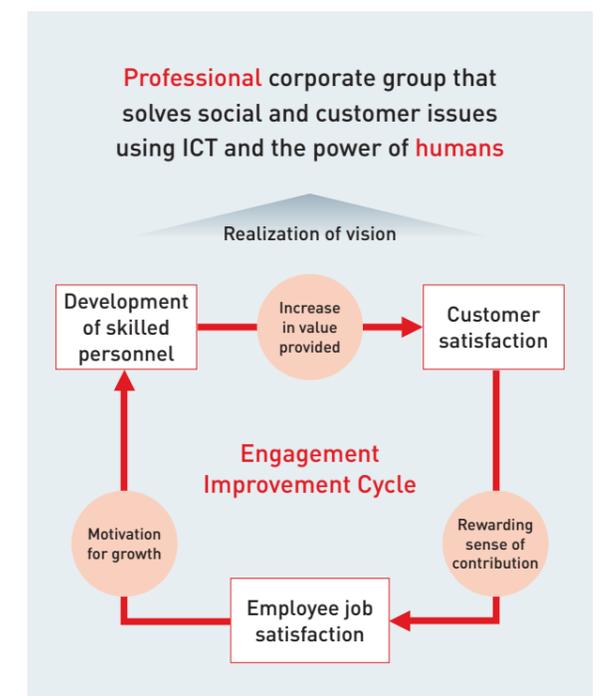
As a result, the value of proposals to customers will increase, and we will in return gain a higher level of expectation from customers. Increasing customer satisfaction leads to job satisfaction and makes life more rewarding. The pursuit of customer satisfaction results in employee growth, which leads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

Improving Employee Engagement

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

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

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



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

# Human Capital

## The ideal form of personnel

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

Policy of developing human resources

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

## Targeted Changes in Behavior

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



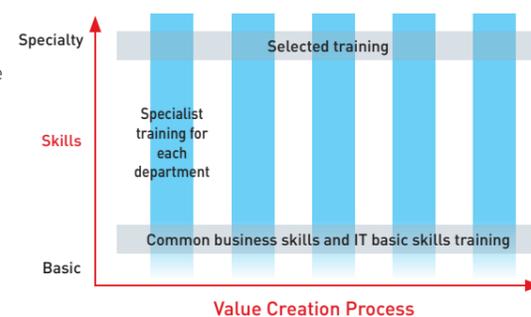
## Education and Training

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

### Basic Training

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

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



### Specialist Training

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

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

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

## Preparing to Execute the IT Solutions Strategy

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

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

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

conducts practical training to develop highly skilled human resources.

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

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

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

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

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

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

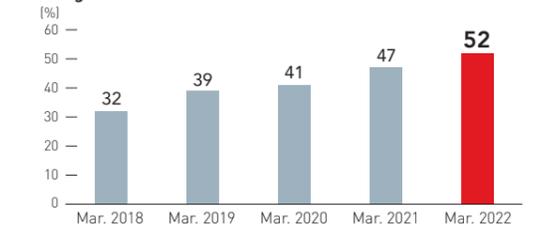
In the Service Creation Course, social issues and problems are identified, new services and business ideas are examined and the participants’ ability to give shape to ideas and launch businesses is fostered in order to create service-based businesses. The training is conducted as project research (approximately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

### Recruitment of IT Personnel

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

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

Proportion of systems engineers in new graduates and midcareer hires



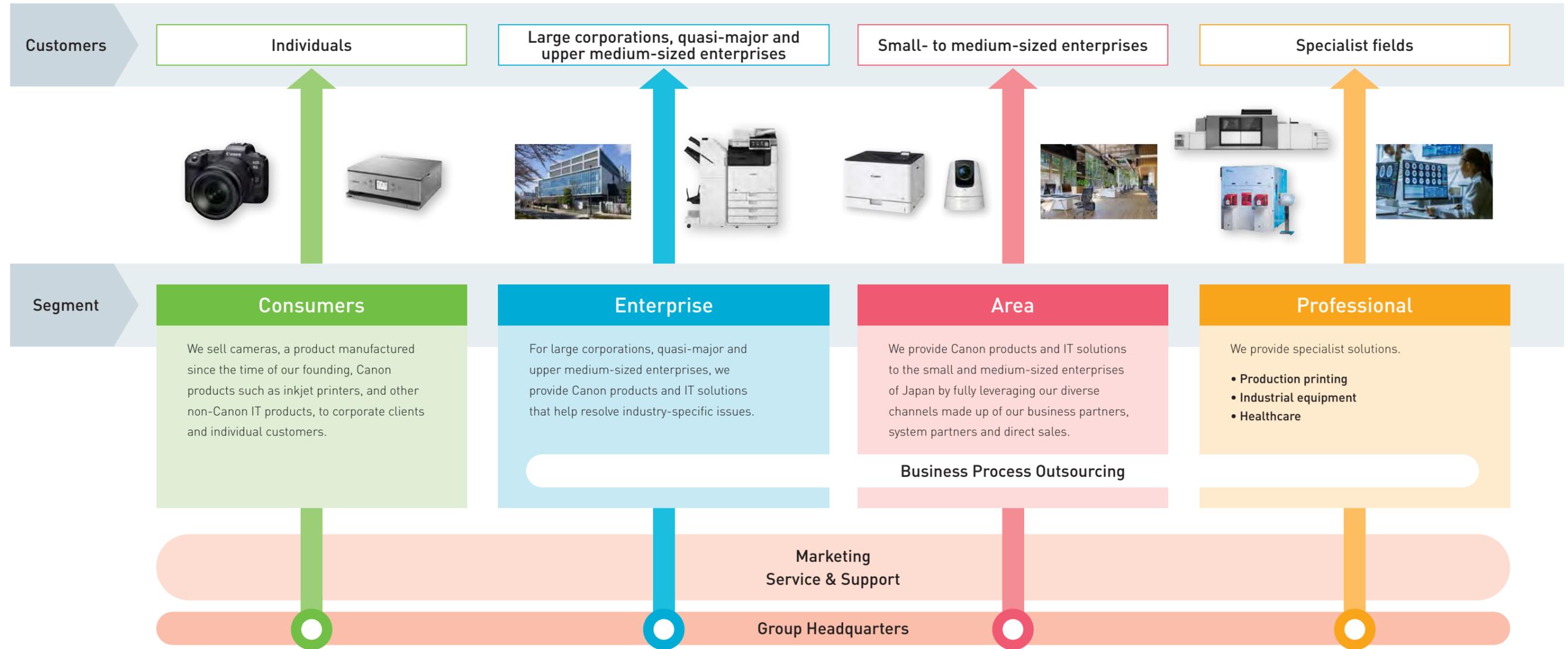
**Wakana Saiki**  
General Manager of Group Human Resources Development Center of General Administration & Human Resources Management Headquarters

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

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

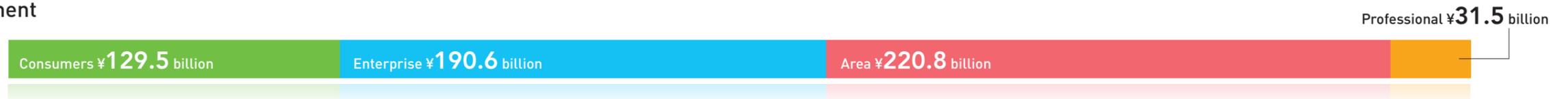
# Overview of Businesses by Segment

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



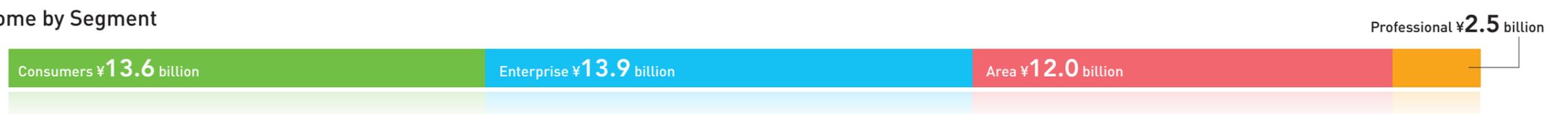
## Consolidated Sales by Segment

¥552.1 billion



## Consolidated Operating Income by Segment

¥39.7 billion



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

# Canon MJ Group Management Strategy

## Segment Strategies

### Consumers Segment

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

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



#### Mission

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

#### Business Strategies

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

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

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

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

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

#### 2021 Performance Topics

Segment overall

Sales ↑  
Operating income ↑

Expansion of marketing of priority products such as middle- and high-end mirrorless cameras and RF interchangeable lenses  
Increase in sales due to higher sales of inkjet printers and IT products  
Increase due to an increase in gross profit from higher sales of high-value-added products and due to lower SG&A expenses

**Sales ↑ Digital interchangeable lens cameras**  
Significant increase due to strong sales of high-priced mirrorless cameras such as full-frame sensor EOS R cameras, RF interchangeable lenses, etc.

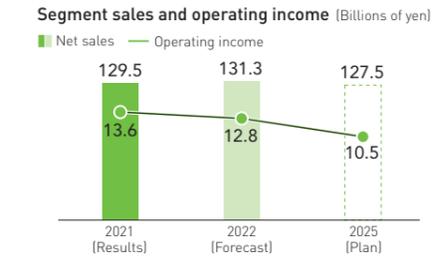
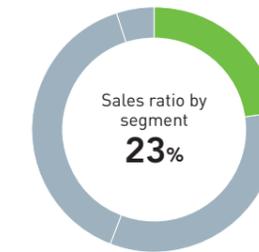
**Sales ↓ Ink cartridges**  
Decrease due to a shrinking market caused by factors such as a decline in color printing

**Sales ↑ Inkjet printers**  
Increase due to an increase in the composition of high-value-added products and a rise in sales of products equipped with the GIGA TANK, an extra-large capacity tank

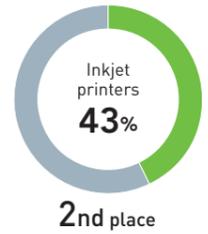
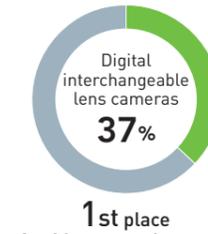
**Sales ↑ IT products**  
Increase due to a rise in sales of PC peripherals and gaming PCs

# CONSUMERS

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



#### Share information of 2021



#### Photography and Video Initiatives

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



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

#### Initiatives for Creating New Customers

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



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



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

## Enterprise Segment

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

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



### Mission

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

### Business Strategies

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

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

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

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

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

### 2021 Performance Topics

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

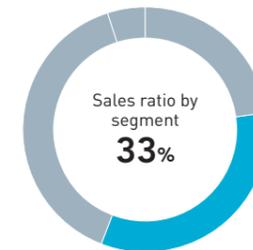
**Sales ↓** Office MFPs and laser printers  
 Decrease due to the impact of product supply shortages

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

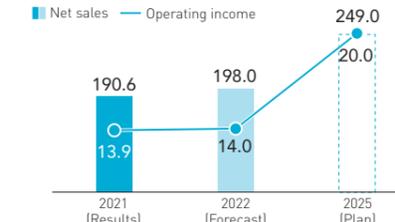
**Sales ↑** Ink cartridges for laser printers  
 Increase due to sales growth primarily in the financial sector

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

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

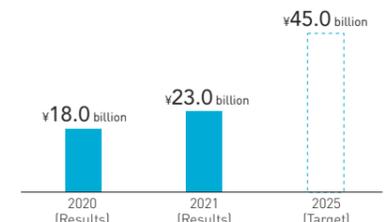


Segment sales and operating income (Billions of yen)



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

Edge solutions sales



## Canon IT Solutions Inc.

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



### Position within the Canon MJ Group

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

### VISION 2025

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

### Business Strategies

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

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

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

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

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

### 2021 Performance Topics

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

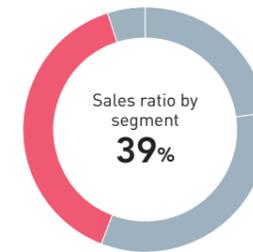
## Area Segment

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

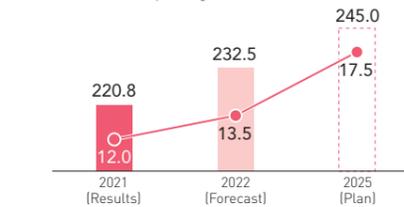
**Yasuyuki Uotani**  
Vice President  
Director of Area Segment



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

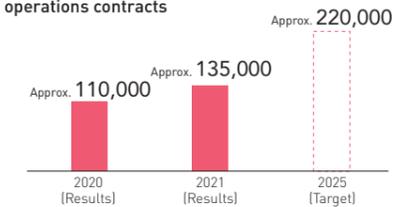


Segment sales and operating income (Billions of yen)  
■ Net sales — Operating income



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

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



### Mission

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

### Business Strategies

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

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

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

### 2021 Performance Topics

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

## Canon System & Support Inc.

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



### Position within the Canon MJ Group

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

### Mission

**Support evolution of the customer**

### Business Strategies

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

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

### 2021 Performance Topics

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

## Professional Segment

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



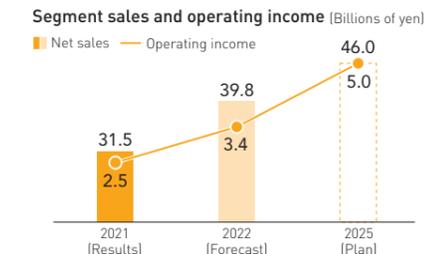
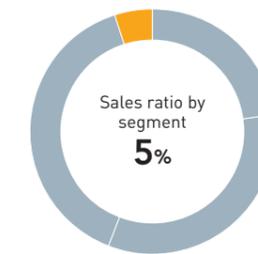
**Industrial Equipment**  
**Yasuhisa Oba**  
Vice President  
Group Executive of  
Industrial Equipment



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



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



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

### Production Printing

#### Business Strategies

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

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

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

### Industrial Equipment

#### Business Strategies

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

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

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

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

### Healthcare

#### Business Strategies

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

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

### 2021 Performance Topics

#### Segment overall



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



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

#### Sales ↓ Production printing

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

#### Sales ↑ Industrial equipment

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

#### Sales ↓ Healthcare

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

Using digital technology to enhance existing businesses

Increasing contact points with customers through the use of DX

Why promote this?

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

CANON INNOVATION LAB “WITH”

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



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

Business Solutions



Connect Studio

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



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

Creative Studio



Co-creation Space

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

Business Scene Use Cases

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

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

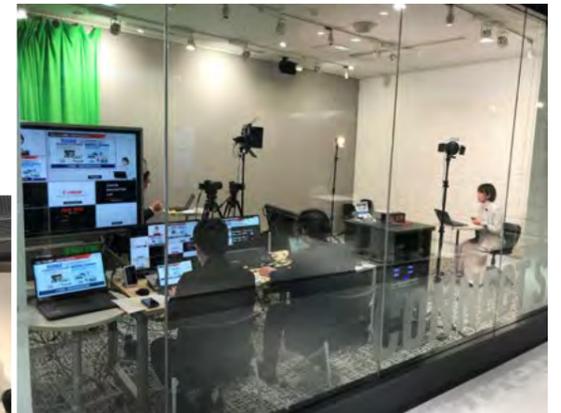


Event Use Cases

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

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

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



New Business-Related Example

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

