

Our Path to Business Transformation and Further Growth

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

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

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

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

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

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

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

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

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

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

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

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

Strengthening Our Financial Structure and Management Foundation

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

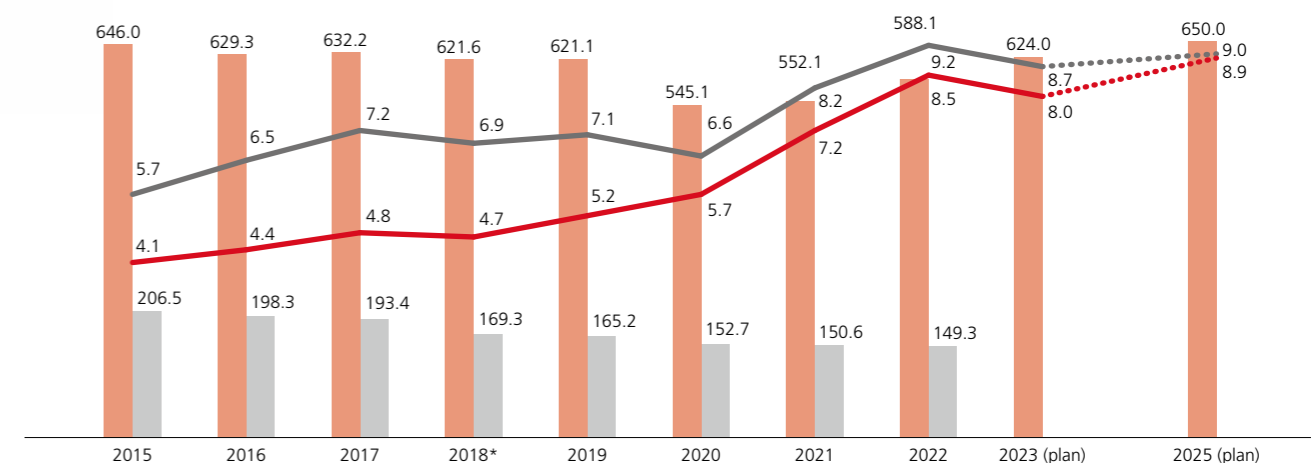
We are working to visualize the series of tasks being undertaken by each internal division and optimize overall efficiency. For example, we were able to improve customer satisfaction and internal productivity by enhancing the operating efficiency of our customer engineers, who provide maintenance and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

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

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

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

Performance Trend



* Labor costs for customer engineers have been included in cost of sales from fiscal 2018 and beyond.

Operating Income per Employee

Year	Operating Income per Employee (Millions of yen)
2015	1.5
2016	1.5
2017	1.7
2018	1.7
2019	1.9
2020	1.9
2021	2.4
2022	3.1

Toward Further Growth

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

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

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

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

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

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

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

History of the Canon MJ Group

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

1968

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

1969

Canon Camera Sales Co., Ltd. established

1971

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

Releases BP-1000 billing machine and enters office computer field

1981

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

1983

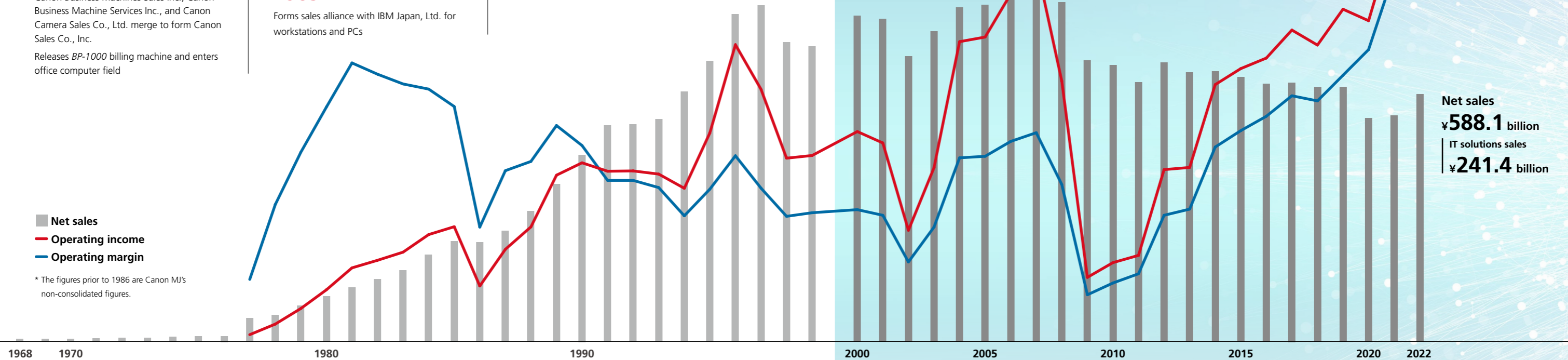
The Company lists on the First Section of the Tokyo Stock Exchange
Forms sales alliance with Apple Computer Inc.

1985

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

1990

Becomes Ministry of International Trade and Industry-certified systems integrator
Forms sales alliance with Sun Microsystems Japan K.K.



Roles of the Canon MJ Group

1990– Systems integrator function (systems integration business)

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

1968– Sale of cameras and business machines

2010– IT provider function

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



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

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

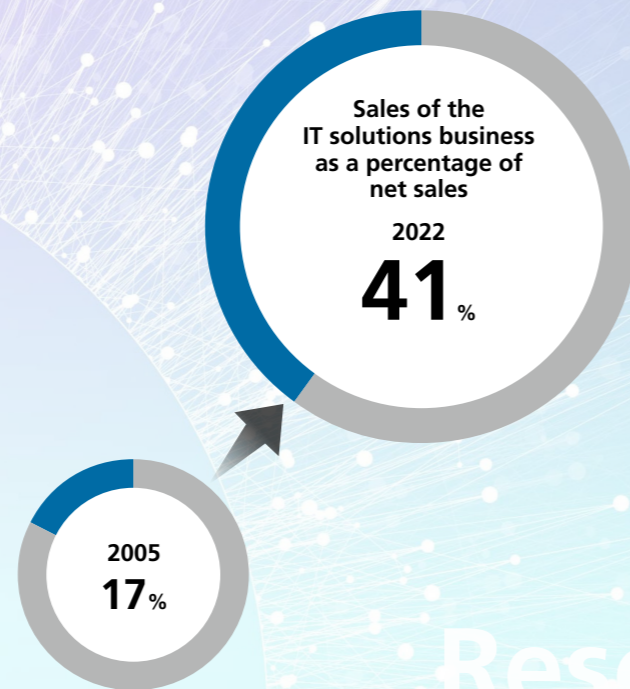
Today, the IT solutions business is our core business. Going forward, we will rapidly expand our business on the road to achieving our 2025 Vision of becoming a "professional corporate group that solves social and customer issues using ICT and the power of humans."

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

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

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

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



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

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

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

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



What makes the Group's IT solutions services unique?

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

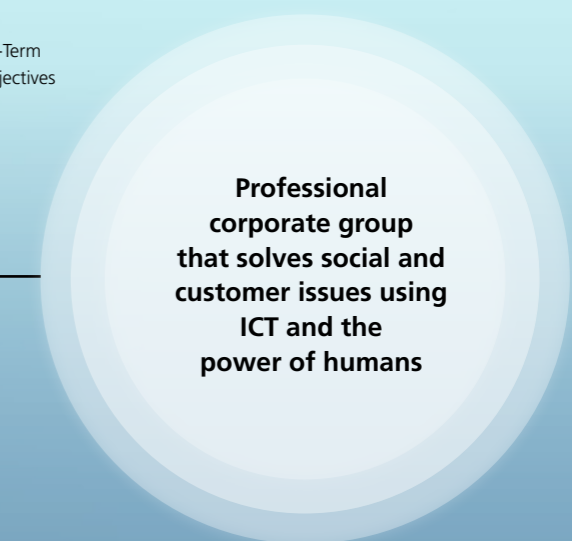
- Systems Integrator (System and Software Development) Function:** Development capabilities utilizing unique technologies that have been refined through our development of software for Canon products, M&As, and other aspects of our business
- Trading Company Function:** Ability to procure products that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

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



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

Resolving Social Issues with IT Solutions

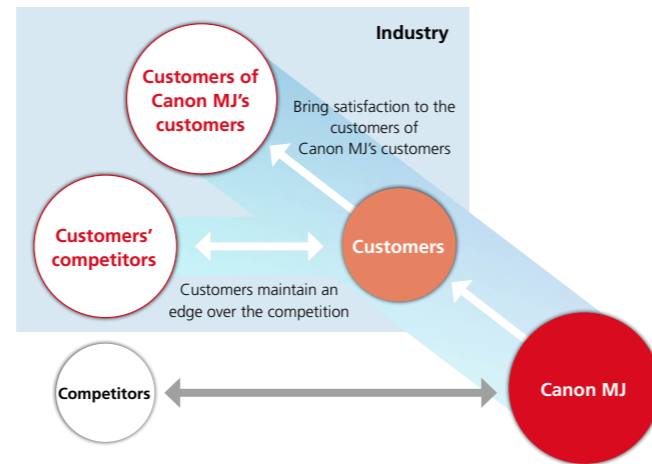


The Canon MJ Group Today

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

We take a scrupulously customer-centric approach in order to resolve the issues faced by our customers and to provide maximum value. As a practical way of always ensuring we stay customer-centric, we follow the rule of placing the customer as the subject of our sentences.

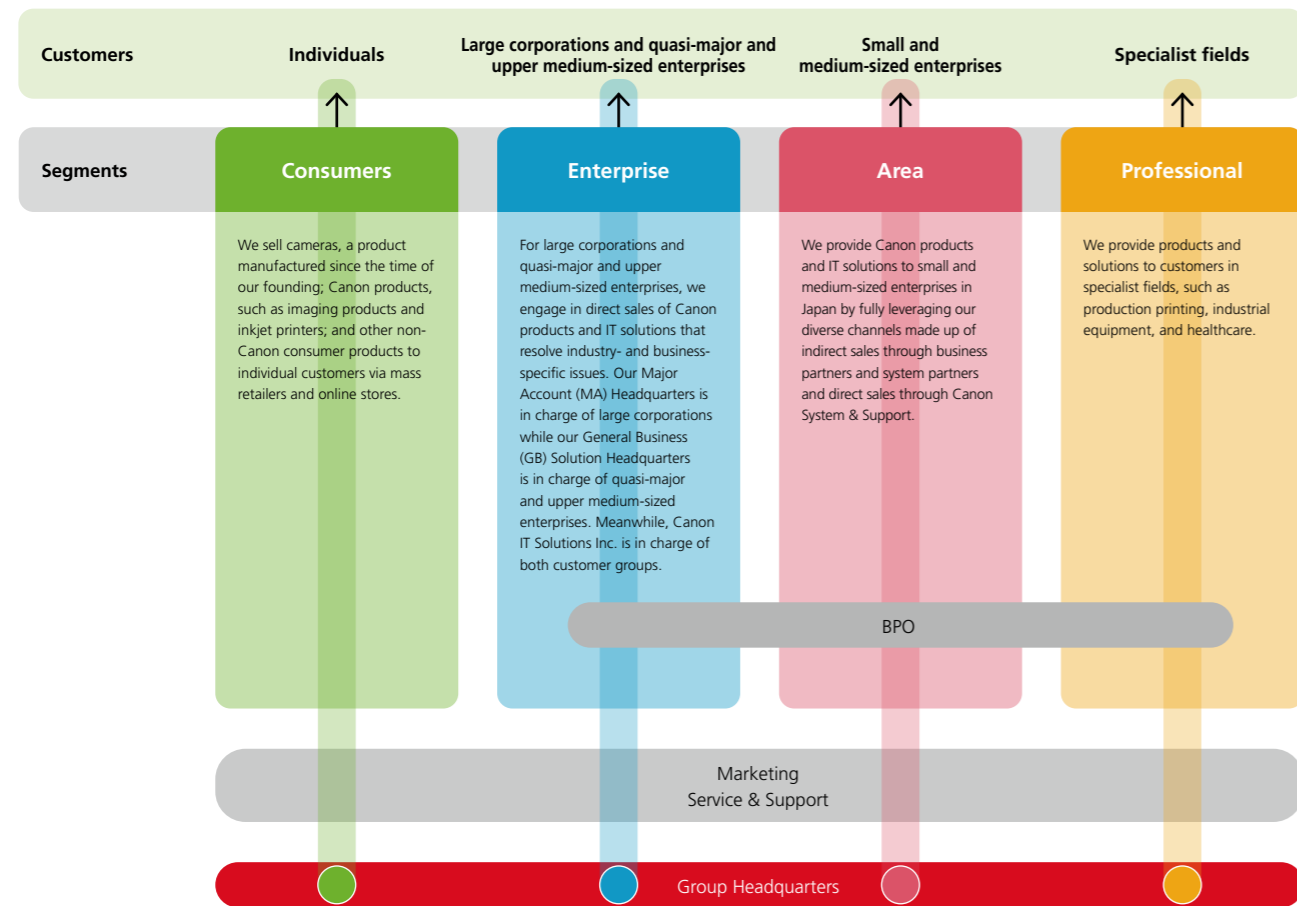
For example, rather than making us the subject by stating "Canon MJ will...", we begin with "The customer's issues are..." By using the customer's viewpoint based on the external environment they face, we will provide solutions that can truly meet their needs in order to bring them satisfaction and put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



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

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

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



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

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

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



Value Creation Process

Canon Group
Corporate Philosophy



Canon MJ Group
2025 Vision

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

(2022 results)

