



Canon Marketing Japan Group

# **Canon Marketing Japan Group Medium-Term Management Plan (2022-2025) Progress Report**

January 29, 2024

**Canon Marketing Japan Inc.  
Masachika Adachi, President**

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Hello, everyone.

I am president Masachika Adachi.

Thank you for taking the time out of your busy schedules to attend this briefing on our financial results and management policies.

I will start by describing our progress with the Medium-Term Management Plan(2022-2025).

- 1. Medium-Term Management Plan (2022-2025) progress report**
- 2. Strengthening Our Management Foundation**

I will be talking about the two subjects shown on this slide.

## 1. Medium-Term Management Plan (2022-2025) progress report

## 2. Strengthening Our Management Foundation

First I will report on our progress with the Medium-Term Management Plan, which we announced on January 2022 and runs from 2022 to 2025.

- 1** The Basic Policies and the Financial Plans are kept unchanged.
- 2** A focus will be continuously placed on the IT solution business in accordance with the basic strategy.
- 3** Investments are going to be accelerated for further growth.

The progress report on the Medium-Term Management Plan(2022-2025) has three key points.

- Our Basic Policies and Financial Plans as we look forward to 2025 are kept unchanged.
- We will continuously focus on the IT solution business in accordance with the basic strategy.
- Investments are going to be accelerated for further growth.

Today, I will talk about these three points in more detail.

**2021-2025  
Long-Term  
Management  
Objectives**

Vision

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

Financial targets

Operating income	<b>¥58 Billion</b>
Sales	<b>¥650 Billion</b>
of which, ITS sales	<b>¥300 Billion</b>
ROE	<b>9.0%</b>

**2022-2025  
Medium-Term  
Management  
Plan**

**Basic Policies**

Expand ITS business with profit

- Carry out and accelerate strategies for different customer groups
- Implement the service-type business model to expand the stock business

Increase earnings capacity of existing businesses

- Conduct strategies tailored to customer groups
- Increase the profitability of the business of main products

Strengthen specialized areas and create new businesses

- Continue growth of the industrial equipment business
- Create new businesses

**Group management aimed at continuous growth**

- Maximize human capital value
- Establish an engagement improvement cycle
- Speed up business investments towards growth

In our Long-term Management Objectives, we defined our vision as a "professional corporate group that solves social and customer issues using ICT and the power of humans."

We have set out the Basic Policies of the Medium-Term Management Plan in line with these Long-term Management Objectives, and are steadily implementing each strategy in accordance with these policies.

(Billions of yen)

	2023 (Actual)	2024 (Projection)	2025 (Projection)	2025 Changes from the figures announced 2023
<b>Sales</b>	<b>609.5</b>	<b>630.0</b>	<b>650.0</b>	-
of which, ITS sales	268.9	290.0	300.0	-
<b>Op. income</b>	<b>52.5</b>	<b>54.0</b>	<b>58.0</b>	-
margin	8.6%	8.6%	8.9%	-
<b>ROE</b>	<b>8.7%</b>	<b>8.4%</b>	<b>9.0%</b>	-

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As regards our Financial Plans, our 2023 results and 2024 projections are as explained earlier by Mr. Hirukawa.

For 2025, we will keep the plan figures announced last year unchanged.

We plan to achieve sales of 650 billion yen, operating income of 58 billion yen, and a ROE of 9.0%.

In the IT Solutions Business, which is an area of focus, we plan to achieve sales of 300 billion yen.

(Billions of yen)

		2023 (Actual)	2024 (Projection)	2025 (Projection)	2025 Changes from the figures announced 2023
■ Consumers	Sales	138.9	139.3	127.5	-
	Op. Income	14.1	13.7	13.0	-
	margin	10.1%	9.8%	10.2%	-
■ Enterprise	Sales	220.3	231.2	249.0	-
	Op. Income	19.7	20.5	22.5	-
	margin	8.9%	8.9%	9.0%	-
■ Area	Sales	229.7	235.0	245.0	-
	Op. Income	17.5	18.3	19.5	-
	margin	7.6%	7.8%	8.0%	-
■ Professional	Sales	40.2	44.0	46.0	-
	Op. Income	3.6	4.1	6.0	-
	margin	9.0%	9.3%	13.0%	-

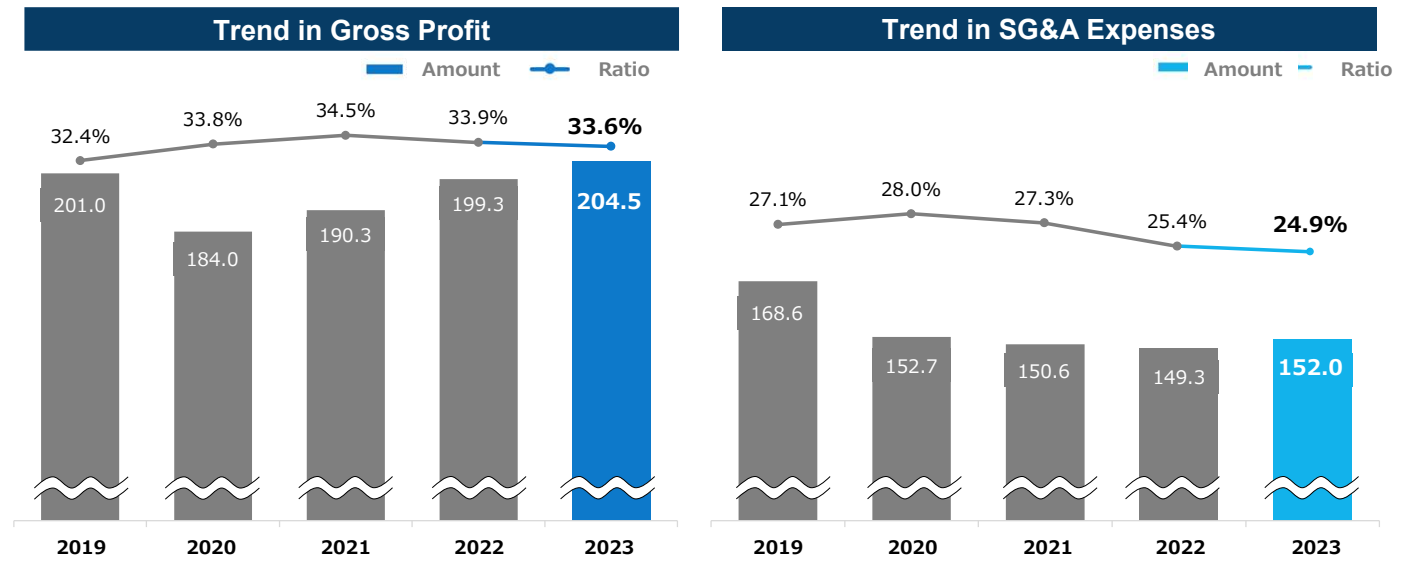
Next I would like to describe our projections for each segment.

The projection figures for 2025 are unchanged from those announced last year.

We will steadily implement strategies in accordance with the Basic Policies and work toward achievement of this projection.

Gross profit grew following business expansion with profits and improvement in profitability. We are shifting to a structure that generates profit by controlling SG&A expenses appropriately.

(Billions of yen)



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This shows the trend in gross profit and SG&A expenses.

In terms of gross profit, we are steadily achieving business expansion with profits and improvement in profitability as set out in our Basic Policies.

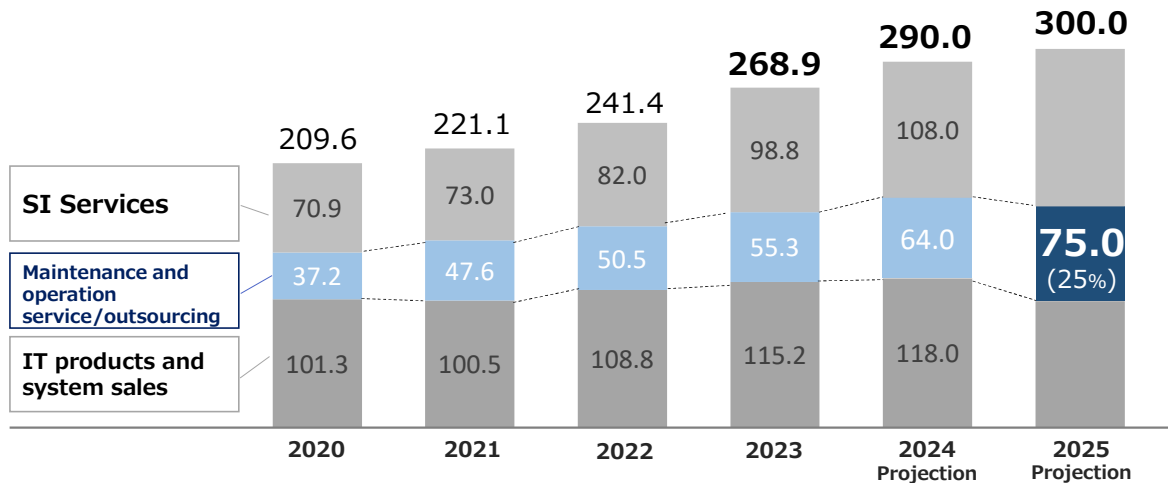
We have also succeeded in appropriately controlling SG&A expenses, and have made progress shifting to a structure that will continuously generate profit.



# [ITS Business] Sales Targets by Business Area

We achieved growth in all domains after focusing on the ITS business, centering on the creation and expansion of the service-type business model. We are making steady achievements towards the targets for 2025.

(Billions of yen)



\* FY2020 financial results have been reclassified because network camera business has been counted as an ITS business since FY2021.

\*\* A certain product business was reclassified in FY2022, but FY2021 results were not changed.

\*\*\* FY2024 Projection was announced on January 29, 2024.

I will now explain progress on the Basic Policy "Expand ITS business with profit."

Let me start by looking at sales targets by business area.

In the ITS Business, which is a priority business area, we have managed to achieve steady growth.

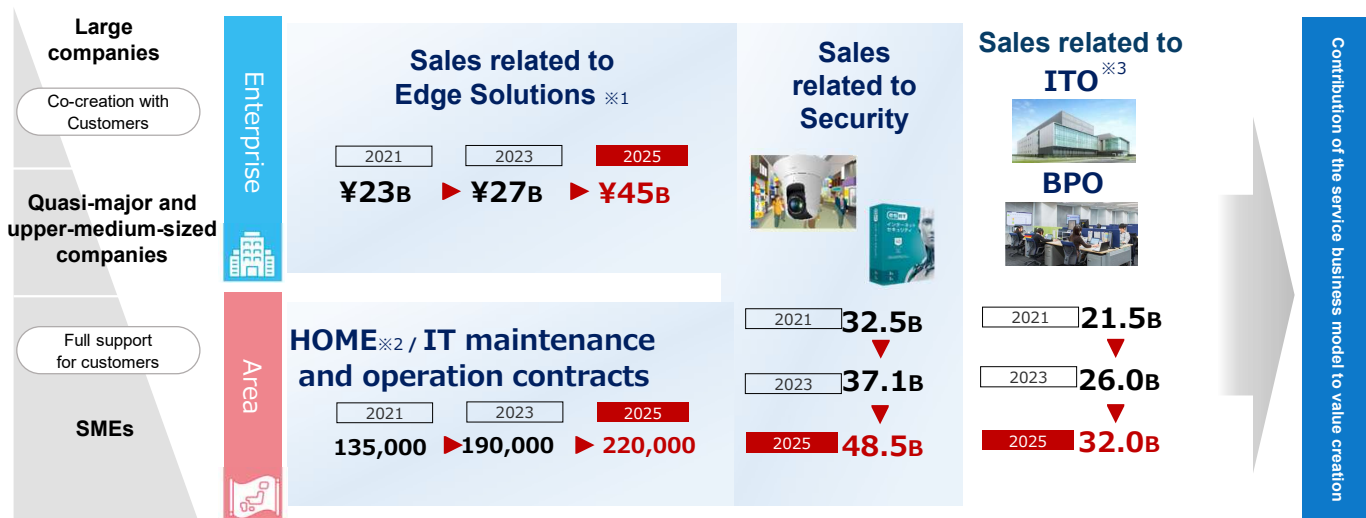
Our 2025 projection is also unchanged from the figure announced last year.

There is also no change in our direction which is to strengthen and expand the service-type business model to realize the Basic Policy "Expand ITS business with profit."

Looking to expand the "Maintenance and operation service/outsourcing" business area, which is an area of focus, we also welcomed Tokyo Nissan Computer System Co., Ltd. (now TCS), which is strong in this area, to the Group in 2023.

We will continue implementing proactive initiatives.

Steady rises in KPIs lead to enlargement of the IT solution business. We will capitalize on our strength in original technologies to upgrade the IT solution and to expand our areas of focus.



※1 Edge solutions : Video solution, Digital document service, Mathematical and demand forecasts, Low code development  
 ※2 HOME : IT support service  
 ※3 ITO : IT Outsourcing

This shows the ITS Business KPIs by Customer Segment, which have been set in order to realize the financial plans explained earlier.

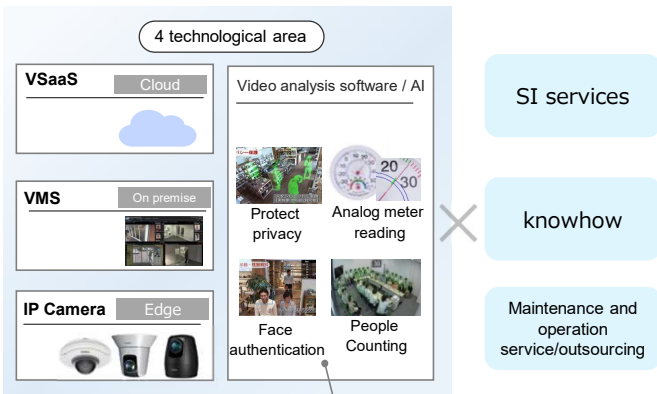
We have made steady progress since last year in every business area.

The 2025 projection figures are also unchanged.

Going forward, we will monitor these KPIs in each customer segment and try to expand the service-type business model.

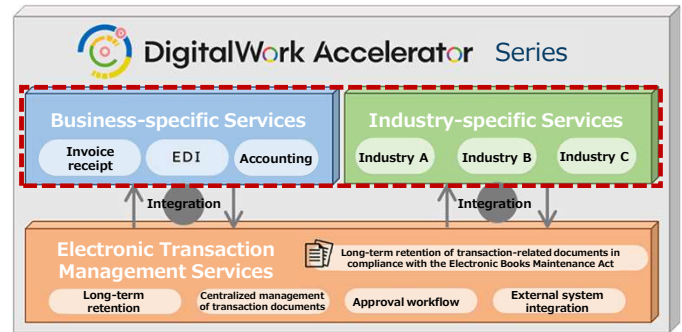
For video solutions, we will actively form capital and business alliances to expand the areas where we offer value. For digital document services, we will enhance the Digital Work Accelerator services to solve customers' issues.

## Video solution



concluded a capital and business alliance agreement with AWL, Inc. in 2023.

## Digital document service



I will now explain our strategies for achieving the individual KPIs.

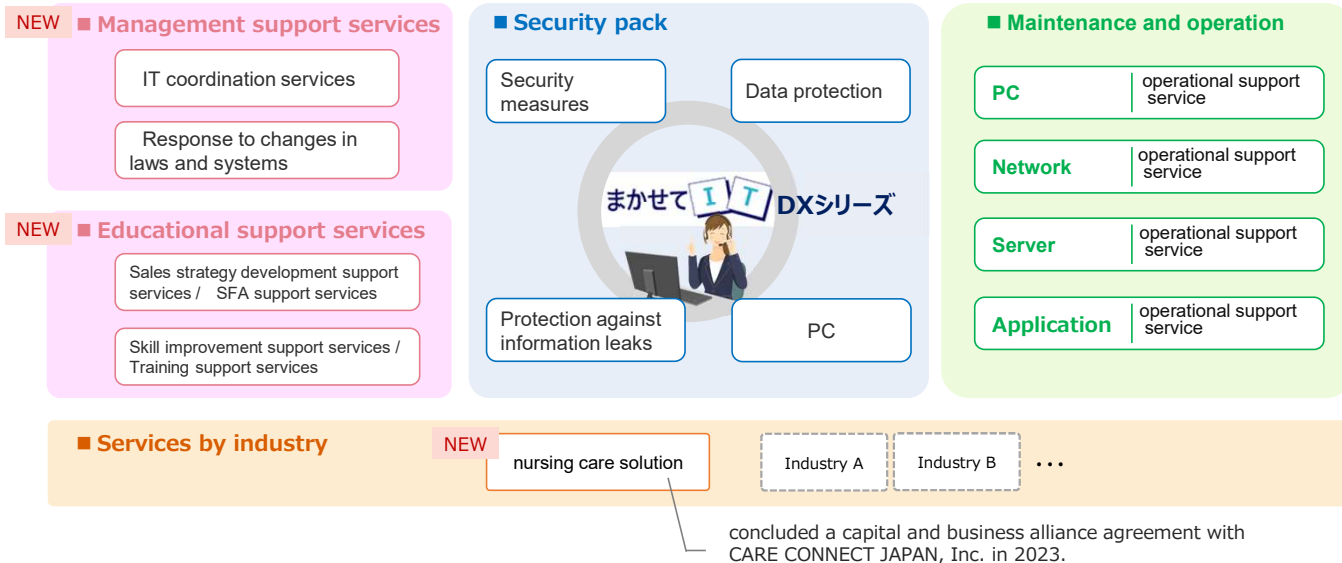
Regarding Edge Solutions, we will expand the areas where we can utilize our assets and accelerate initiatives such as the enhancement of services.

Starting with video solutions, last year, we formed a capital and business alliance with AWL, which specializes in AI video analytics solutions and consulting for the retail sector. We will continue strengthening solutions in the video DX area going forward.

In digital document services, we launched a bill receiving service last year as an industry-specific service in the Digital Work Accelerator Series released in 2022.

Going forward, we will continue to solve the issues faced by customers through the further expansion of services focusing on business-specific and sector-specific services.

We will expand the one-stop support service for planning, selection, operation, maintenance and education on optimal IT solutions to provide comprehensive DX support for SMEs.



Next, I will explain about the Makasete IT DX Series, which we are focusing on in HOME, IT maintenance and operation services.

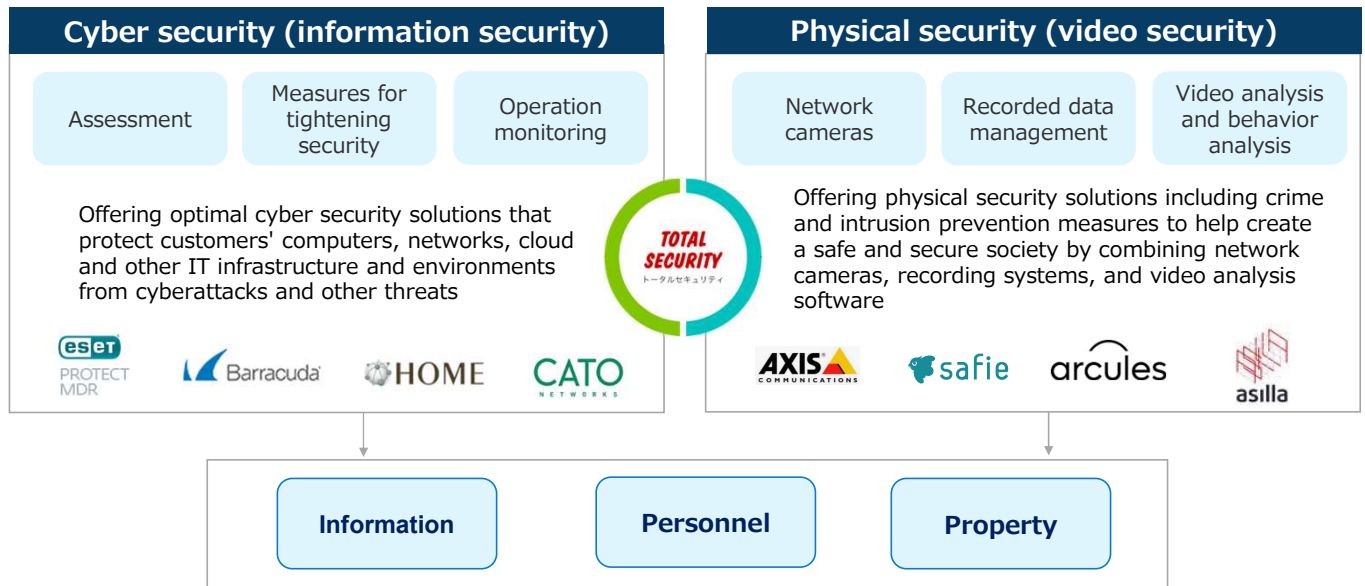
In the Makasete DX Series, we launched management support services and educational support services as new services last year.

Through the expansion of these services, we are now able to provide support covering IT investment planning and HR development in addition to the support previously provided for the selection, introduction, operation and maintenance of IT solutions.

In addition, we concluded a capital and business alliance agreement with CARE CONNECT JAPAN, Inc. and released a nursing care solution as a business-specific service.

Moving forward, we will continue expanding new business-specific services and providing comprehensive DX support for SMEs.

We will help customers resolve security issues by offering comprehensive security solutions for protecting three management assets of information, personnel and property, in two aspects of security, namely cyber security and physical security.



Next is the Security Business.

We have sought to increase our market presence through the launch of comprehensive security solutions, including airing commercials in programs we provide since mid-November last year, targeting the continuously strong security market. We have also made progress with the enhancement of services, including the launch of Cato SASE Cloud, which delivers zero-trust security.

We not only provide customers with cyber security solutions and physical security solutions but we also use our resources and knowhow to help customers solve their security issues.

For the printing business, we will intensively carry out strategies for different customer groups. For the camera business, we will step up our approaches to the intermediate customer group and carry out strategies for specific targets to continuously improve profitability.



Next, I will explain about our existing businesses.

For the printing business, we will continue thoroughly implementing strategies for different customer groups.

For large and upper-medium-sized companies, we will solve customer issues that cannot be solved through printing devices alone through proposals that combine our digital document solution "DigitalWork Accelerator."

For SMEs, we will continue to strengthen profitability by maximizing value provided through the proposal of solutions to address the urgent matter of legal compliance alongside printing device solutions.

In the camera business, we will continue to strengthen profitability by carrying out one-to-one marketing and increasing users of the EOS R Series, targeting the intermediate customer group.

**Printing Business**

**Camera Business**

Inkjet Printer



**2<sup>nd</sup>**

Increase ratio of Unit Price comparing 2018

**+47%**

Laser Beam Printer



32 consecutive years

**1<sup>st</sup>**

Increase ratio of Unit Price comparing 2018

**+26%**

Digital Interchangeable Lens Camera



16 consecutive years

**1<sup>st</sup>**

**+73%**

Increase ratio of Unit Price comparing 2018

Wide Format Inkjet Printer



**1<sup>st</sup>**

Increase ratio of Unit Price comparing 2018

**+10%**

Office MFP



**3<sup>rd</sup>**

Increase ratio of Unit Price comparing 2018

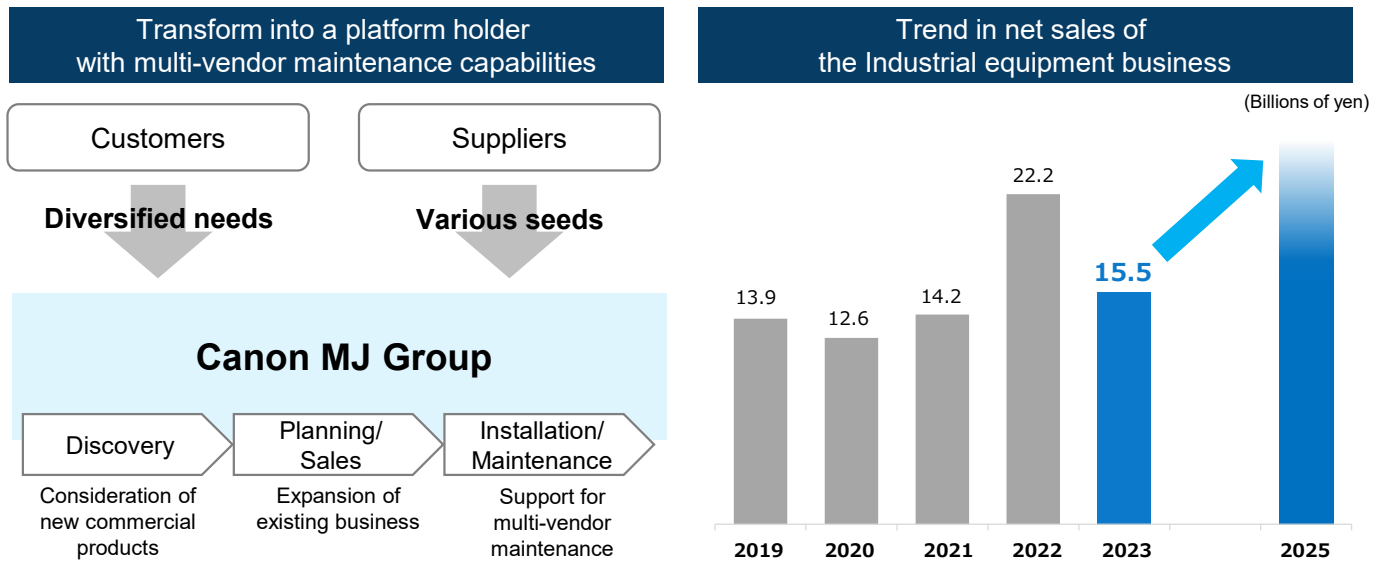
**+14%**

Data source : Company research

By implementing strategies with a clear target in each of these businesses, we have gained recognition for the value we provide from customers, maintained a large market share and increased the unit price, resulting in helping strengthen profitability.

We will continue implementing each strategy aiming to strengthen profitability.

We are working to transform into a platform holder with multi-vendor maintenance capabilities. We will increase sales of semiconductor services in which profitability and continuity can be ensured with a view to achieving continued growth in the industrial equipment business.



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Next I would like to talk about initiatives in the Industrial Equipment Business, one of our specialized areas.

Through steady progress transforming into a platform holder with multi-vendor maintenance capabilities, we expect to achieve growth, and, in particular, we will increase sales of semiconductor services in which profitability and continuity can be ensured.

We will continue implementing strategies and working on further growth in this business.

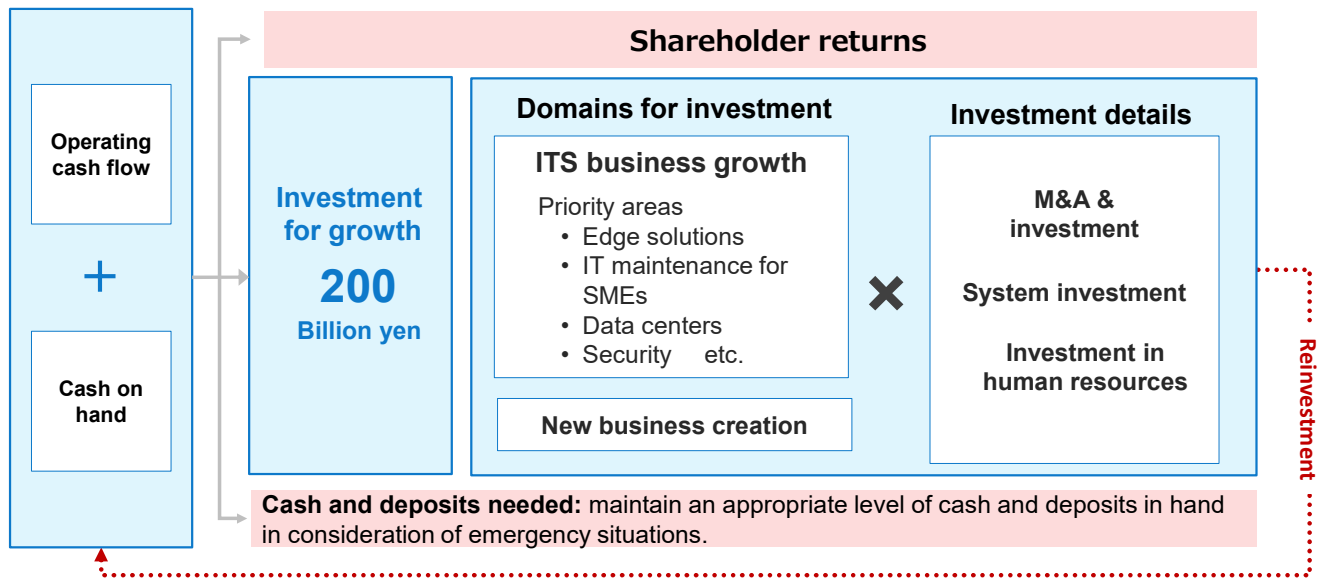


1. Medium-Term Management Plan (2022-2025) progress report

**2. Strengthening Our Management Foundation**

Next, I will explain initiatives to strengthen our management foundation.

We have been improving capacity to generate cash and will make an investment for growth and pay dividends appropriately, utilizing operating cashflow and cash on hand.



Firstly, the basic policy for cash allocation is as shown here.

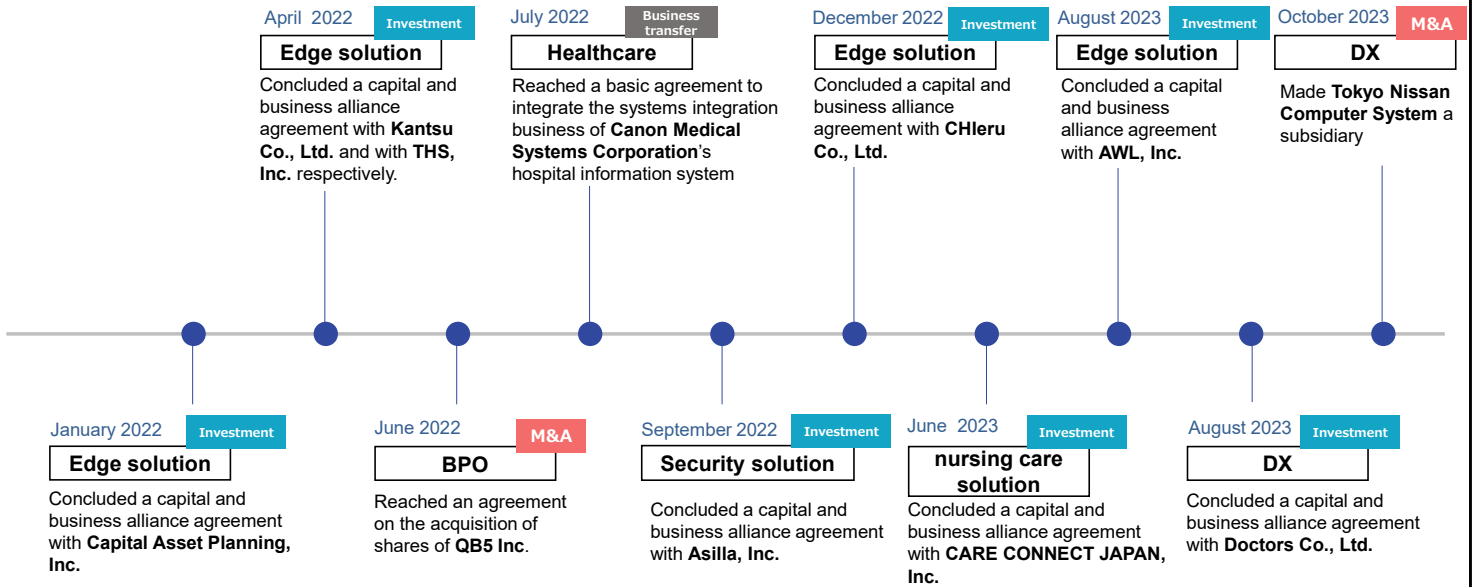
We have steadily improved our capacity to generate cash from the initial plan through the steady implementation of each strategy I have explained.

With regard to operating cash flow and cash on hand, we will make investments for growth of more than 200 billion yen by 2025, whilst leaving aside the cash and deposits that are needed.

We will also make appropriate allocations for shareholder returns.

# M&As and Investments (ITS Business)

We have been actively pursuing M&As as well as investments to expand our business in the key area of ITS. In 2023, we acquired Tokyo Nissan Computer Systems (currently TCS) and concluded multiple strategic capital alliance agreements.

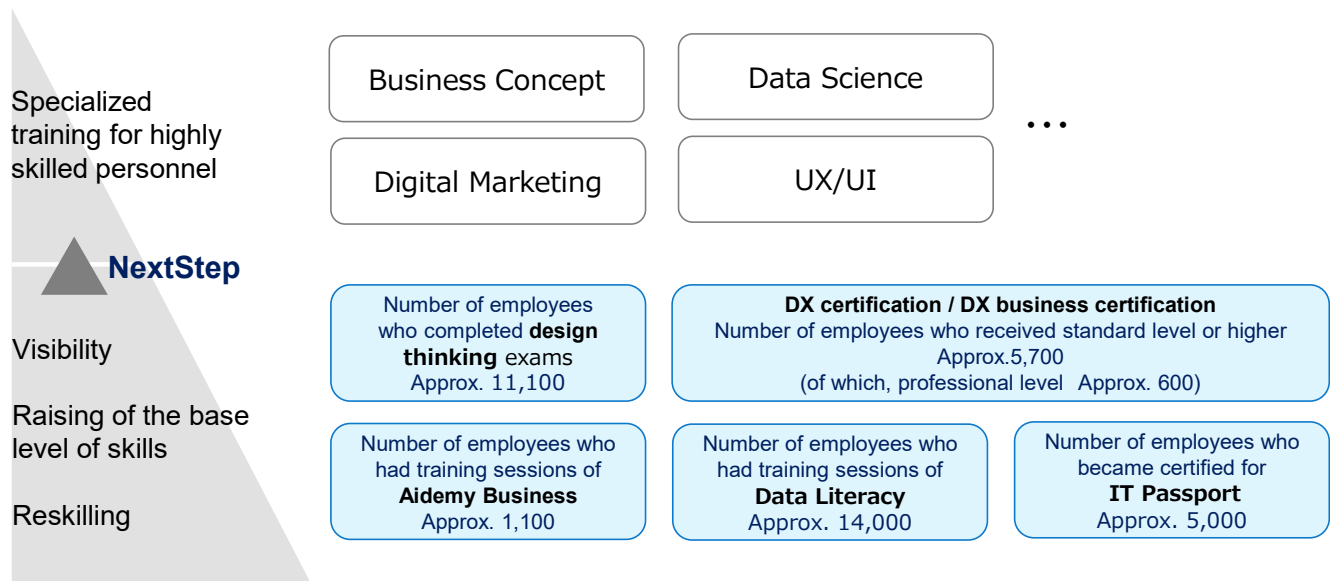


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As shown here, we have engaged in M&A and investments for expansion of the ITS Business, which is a focus area.

Last year, we acquired Tokyo Nissan Computer Systems (now TCS) and formed capital and business alliances with Care Connect Japan, AWL and Doctors, and the deals being considered have also steadily increased.

In addition to past initiatives to visualize skills and to raise the base level of skills, we will in the future step up specialized training and encourage practices in order to develop highly skilled personnel.



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In our investment in human resources, we are focusing on the development of highly skilled personnel.

Since 2021, we have been working to visualize skills and raise the base level of skills, and this is steadily reaping rewards.

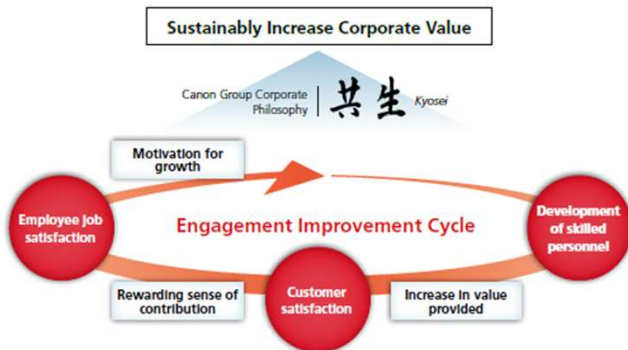
In terms of basic skills, our employees have completed DX certification and DX business certification tests for two consecutive years as part of efforts to strengthen DX training, and around 5,700 employees have received standard level or higher, with around 600 of these certified as professional level.

As a group, we completed design thinking exams to develop highly skilled employees that can create new value.

By stepping up and putting into practice specialized training for highly skilled personnel in areas such as business concept, data science, digital marketing and UX/UI, we will realize the development of highly skilled personnel.

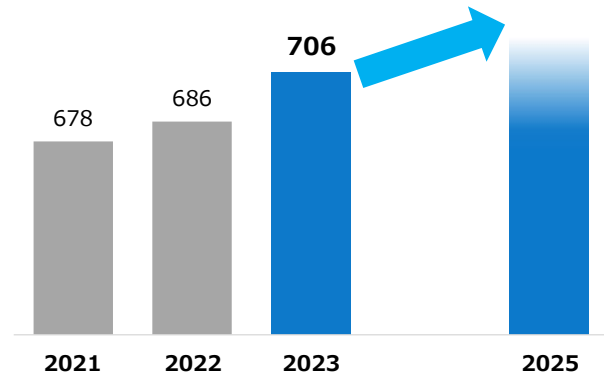
We will continue our efforts to visualize and improve engagement scores on the basis of the group employee engagement survey in a bid to establish a loop of improvement in engagement and thereby continuously increase corporate value.

## Establishment of Engagement Improvement Cycle



## Group Employee Engagement Survey

- Implemented engagement survey targeting Canon MJ Group employees
- Four options available to answer survey questions: "agree," "somewhat agree," "somewhat disagree," and "disagree," with points assigned to each answer for a total possible score of 1,000



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Next, I will discuss enhancement of employee engagement.

Through the development of highly skilled personnel explained earlier, we will increase the value provided to customers and improve customer satisfaction.

Employees will gain job satisfaction by feeling that they are making a contribution.

This job satisfaction will lead to motivation for growth.

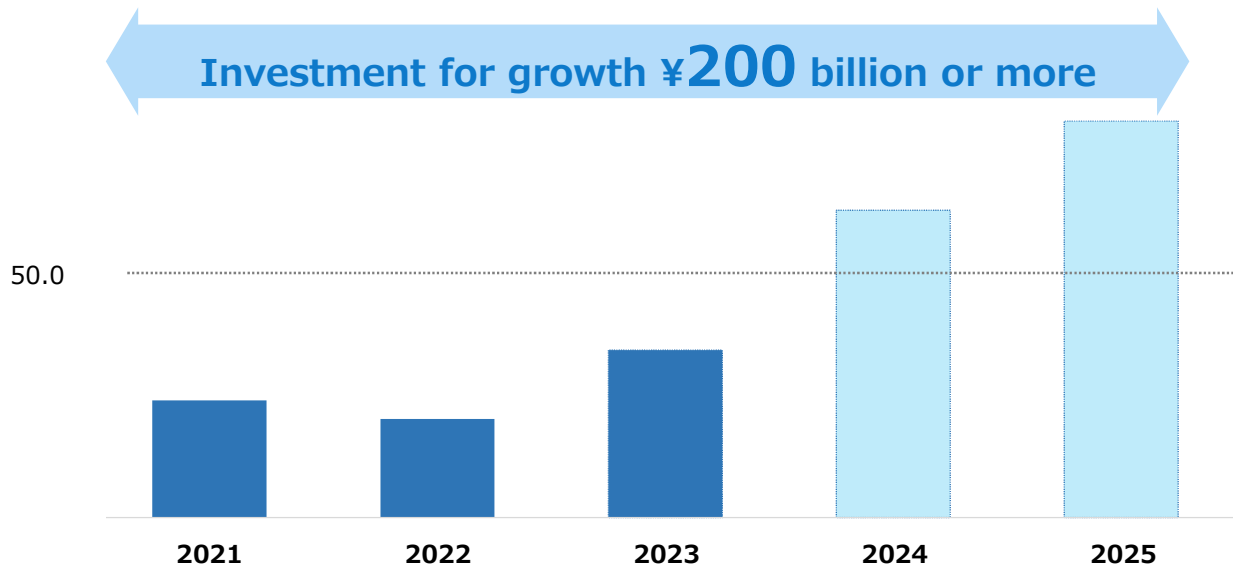
We believe that the establishment of such a loop of improvement in engagement will lead to continuous enhancement of corporate value.

To establish this loop of improvement in engagement, we have been conducting a group employee engagement survey of all group employees since 2021, to visualize our engagement score.

In 2023, we scored 706 out of a possible 1,000, increasing our score from 2021 and 2022.

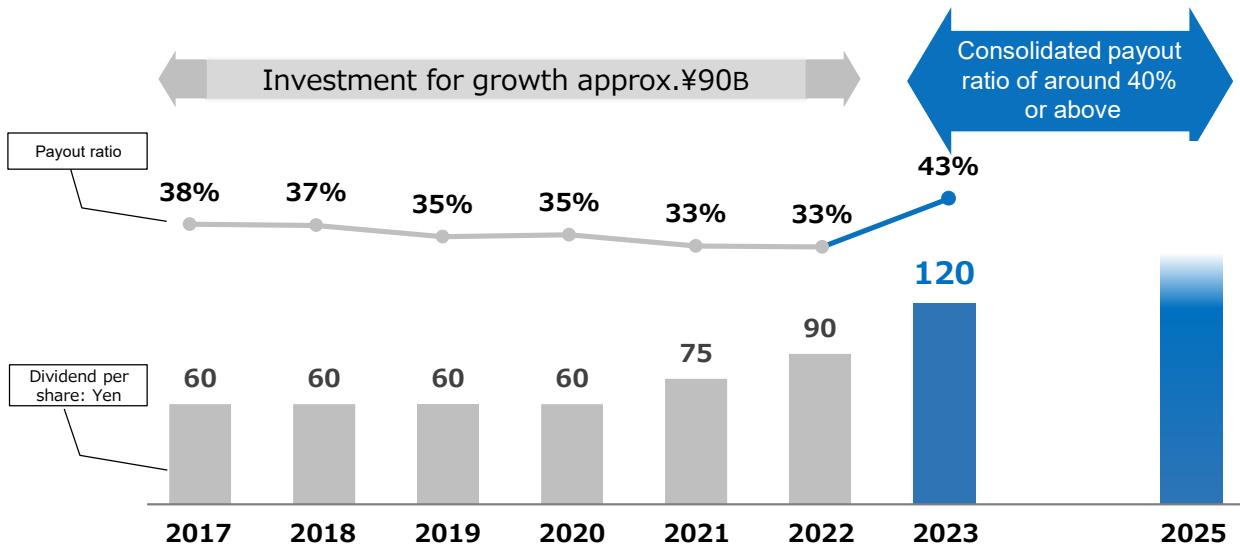
By analyzing the results of the engagement survey and implementing countermeasures, we will further improve engagement and translate this into continuous enhancement of corporate value.

We will proactively carry out mergers, acquisitions and financing as well as investments in systems and personnel.



By proactively carrying out the mergers, acquisitions, financing and personnel investment already explained as well as investments in systems to support this, we will work on achieving sustainable growth.

Our basic policy on profit sharing is to pay dividends based on consolidated payout ratio of around 40% or above, comprehensively taking into consideration our medium-term profit forecast, investment plans, and cash flows.



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Previously, our basic policy on shareholder returns was to pay dividends based on a consolidated payout ratio of 30%.

In the future, we will pay dividends based on the upwardly revised target of a consolidated payout ratio of around 40% or above, comprehensively taking into consideration our medium-term profit forecast, investment plans, and cash flows.

We also intend to strengthen returns to shareholders by enhancing our execution capabilities, with more effective utilization of capital in mind.

# Towards the Continuous Growth

Finally, we have practiced management that is based on an awareness of the cost of capital and the share price.

We have set hurdle rates within the Group, and we believe that a ROE of 8.0%, which is a 2025 management indicator under the 2021-2025 Long-Term Management Objectives announced in April 2021, is higher than the cost of capital.

We also believe that our current upwardly revised target of a ROE of 9.0% is also higher than the cost of capital.

By continuing to increase the level of ROE through investments in growth of more than 200 billion yen and by increasing TSR through dividend increases in line with profit growth, we believe we will be more favorably evaluated by the market.

We will focus on sustainable growth, including the new measures from 2024, which will be discussed in the next part.



# Canon

## Canon Marketing Japan Group

The performance and future projections made in this document are based on information available at the present time, and include potential risks and inaccuracies.  
Please be aware that due to changes in a variety of factors, actual results may differ materially from the projections and other forward-looking statements in these materials.

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This brings me to the end of my presentation on the progress of the Medium-Term Management Plan(2022-2025)..