



President &  
Representative Director

**Masachika Adachi**

# “Bringing Together Hopes and Ideas with Technologies to Create a Future beyond Imagining” Towards Dramatic Growth

## Working to Achieve the Goals of Our Medium-Term Management Plan (2022-2025)

We are making steady progress on our Medium-Term Management Plan (2022-2025). In the fiscal year ended December 31, 2023, we recorded record high operating income, ordinary income, and net income attributable to owners of the parent for the third consecutive year.

We believe this achievement is the result of steadily implementing our strategy of increasing the profitability of the Canon product business and investing the cash generated from this business in the IT solutions business and other areas. At the same time, we have been implementing our ongoing efforts, such as improving productivity through business selection and concentration and reviewing business processes.

In our Long-Term Management Objectives (2021–2025), we set the goal of achieving ¥300.0 billion in net sales in the IT solutions business by fiscal 2025. We are steadily approaching this goal, with net sales of ¥241.4 billion in fiscal 2022, ¥268.9 billion in fiscal 2023, and a target of ¥290.0 billion in fiscal 2024. The basic strategy of the IT solutions business is to provide value that caters to the specific needs of each customer segment, and we are working to clearly define the areas of focus and transition to a service-type business model. To accelerate this transition to a service-type business model and take our profitable growth to the next stage, we will continue to invest in growth and focus on developing highly skilled professionals.

Our investment strategy is to undertake ¥200.0 billion in growth investment, including M&As, over the five-year period ending in fiscal 2025 with the aim of expanding our IT solutions business. As part of these efforts, in 2023, we made Tokyo Nissan Computer System Co., Ltd. (now TCS Inc.) a wholly owned subsidiary, and made Primagest, Inc. a wholly owned subsidiary at the end of March 2024. TCS’s core businesses are IT infrastructure design and construction, data center services, and system operation. Using

the technical strengths it has developed through these businesses and its highly skilled professionals, it is building positive, long-lasting relationships with customers. We will combine TCS’s strengths with the Group’s IT platform business and system development to reinforce maintenance and operations services/outsourcing, one of our areas of focus. Primagest’s strengths lie in its Business Process Outsourcing (BPO) services, which utilize DX. Over many years, it has established a strong customer base, primarily centered on financial institutions and government ministries, and it enjoys a high level of trust from customers. By fusing the Group’s own wide-ranging customer base and diverse resources with Primagest’s knowledge and highly efficient operation methods, we will further accelerate the expansion of our BPO business.

We have also concluded capital and business alliance agreements with CARE CONNECT JAPAN, Inc., which develops nursing care systems, AWL, Inc., which excels at AI video analysis for stores, and Doctors Inc., which supplies digital health and other services in the medical field. Through this investment, we are working to expand our IT solutions business. The number of investment study projects with the potential to contribute to business growth is steadily rising. (To ▶ [Value Creation Story on page 19](#))

To develop highly skilled professionals, we are recruiting personnel from outside the Group. For internal personnel, we visualize the type of human resources required for each position and role-specific levels in accordance with our business strategies. We are also working to raise the base level of our personnel by enhancing our specialist training, including administering DX certification exams, DX business certification exams, and design thinking tests aimed at improving innovation skills. (To ▶ [Human Resources Strategy on page 29](#))

## Aspiration Incorporated in Our Purpose

We are simultaneously carrying out multiple long-term initiatives in order to achieve dramatic, sustainable growth in fiscal 2025, the final year of our Medium-Term Management Plan, and beyond.

The Group strives to sustainably increase its corporate value by solving social issues through our business activities,

but social issues are becoming more complex and severe at an accelerating rate.

We have an extensive customer base that encompasses everything from large corporations to quasi-major and upper medium-sized enterprises, small and medium-sized enterprises, and individual customers. We also offer diverse products

## Message from the President

and services, from products for different customer segments, such as cameras, business equipment, and semiconductor-related equipment, to SI services and IT services such as ITO and BPO services. Furthermore, we are expanding our business in each business field in collaboration with our many business partners. Our broad customer base and the various business partners we collaborate with to offer such a diversity of products and services makes the Group a rarity.

We will continue to focus on M&As as one form of investment for growth and more actively hire and promote outside personnel, so the Group is poised to grow even more diverse. We aim to achieve even greater growth by leveraging this



### Further Ensuring Our Sustainable Growth

To realize our Purpose, we wish to not only solve the social issues of today but also to promote initiatives aimed at solving the social issues of tomorrow. By doing so, we intend to ensure the sustainable growth of society and of the Group. To this end, it is vital that we refine our business structure from a long-term perspective and heighten our effectiveness by supplementing our own technologies and knowledge with outside technologies and knowledge.

One specific measure we have used to achieve this is the establishment of the R&B (Research & Business Development) Promotion Center in January 2024. The R&B Promotion Center, with its initial staff of 23 members, will be creating new businesses. It is a specialized organization with two functions: a research function that investigates advanced technologies, business models, and the like, and a business development function that creates new business. Through these functions, the R&B Promotion Center will reinforce the Group's overall business creation functions.

We have two domains for investment where we anticipate further market growth: Well-being (human perspectives) and

Group strength of diversity and by further adopting new technologies and new knowledge from outside the Group.

Led by this concept, we wish to become an even stronger unifying force, bringing together stakeholders with the same spirit to solve an even greater breadth of social issues in even more areas. This is why in January 2024, based on our philosophy of Kyosei, we have clearly articulated the significance of the Canon Marketing Japan Group (hereinafter the Canon MJ Group) in society in the form of our Purpose: "Bringing together hopes and ideas with technologies to create a future beyond imagining." Along with our Purpose, we also declared ourselves to be a MIRAI Marketing Company, which represents the essence of the Canon MJ Group. When we were coming up with our Purpose, we wanted to express both what kind of society we wanted to realize and the Group's strengths and character. The phrase of "create a future beyond imagining" reflects the moving experience of seeing a future that surpasses what our customers imagine, together with our resolve to constantly innovate, unfettered by convention, to solve the social issues that lie beyond our customers. It also expresses our desire to create a more beautiful society, abounding with hope and joy. (To ▶ [OUR PURPOSE on page 1](#))

For all Group employees to embody this Purpose, it is important that the leaders of each segment and each Group company interpret the Purpose with respect to their own divisions and express it in their own words. This helps each and every field employee see the Purpose as something they are directly involved in—to think about how they can embody the Purpose in their own work, and to put their ideas into action. We hope that these actions will become well-known outside the Group, attracting stakeholders with whom our Purpose resonates. The entire Group will take on new challenges using a future-oriented approach. (To ▶ [Our Thoughts on page 7](#))

Business Transformation (industrial perspectives). Within these two domains, we have defined six investment areas, including "life purpose," creating services that empower anyone to experience the vitality to live in good health through spiritual enrichment, and "emerging industries," creating new industries using innovative technologies that solve social issues. We plan to actively bring in state-of-the-art technologies and expertise from outside the Group to solve social issues which cannot be tackled with our own technologies alone.

In our approach to latent social issues, we are promoting the active real-world deployment of new technologies through collaboration between industry, academia, and government. We have already launched a joint research project with the University of Tokyo, and we plan to promote innovation in conjunction with the Tokyo Metropolitan Government and to dedicate ourselves to developing innovation-minded personnel.

When we established the R&B Promotion Center, we also set up the Canon Marketing Japan MIRAI Fund. It is

a 10-billion-yen corporate venture capital (CVC) fund that invests in the two domains. I look forward to discovering a wide range of startup companies through this CVC fund.

I am sure that among the cutting-edge technologies we will investigate, we will find technologies that have a high level of affinity with our current business and which can leverage the Group's resources to expand the business. For this to materialize, we have assembled a cross-functional team in

### To Our Stakeholders

Through the selection and concentration of businesses and the transition to a more robust corporate structure, the Group has heightened its ability to generate cash. We currently consider it vital that we effectively utilize these large cash reserves, especially through investment in growth. It is our intention to implement business management that is attentive to profitability and capital efficiency. The cash we generate through this business management will be re-invested in growth businesses to further reinforce our business. By taking this virtuous cycle to an even higher level, we are working to sustainably increase our corporate value. We are focused on disclosing information through our Integrated Report and engaging in dialogue with stakeholders based on this information in order to provide our stakeholders with a deeper understanding of the Group. (To ▶ [Financial Strategy on page 25](#))

As a result of these initiatives, in fiscal 2023 our stock price reached a new high. When I was appointed President, our PBR was less than 1. As of the end of fiscal 2023, it has risen to 1.28 times. I see this as a reflection of the higher expectations of our shareholders, and I will strive to meet these expectations. Over the three-year period between 2020 and 2023, our dividends have doubled, from ¥60 to ¥120. In January 2024 we changed the target consolidated payout ratio, which had been 30% or more, to around 40% or more. We intend on continuing to return profits to shareholders by ensuring profitable growth.

which employees selected from each segment concurrently hold their current positions as well as R&B positions. These concurrent members will share the cutting-edge technology information discovered by the R&B Promotion Center with sales divisions, promoting the use of these technologies in current businesses and expanding their scale. (To ▶ [Value Creation Story on page 23](#))

The Company is a listed subsidiary of Canon Inc. As a publicly listed subsidiary, we understand that our minority shareholders' greatest concern is whether there is a conflict of interests with our parent company, so we strive to maintain thorough governance. On another front, the expectations and demands of the capital market are heightening. To demonstrate our dedication to governance, in January 2024 we established a Special Committee as an advisory body to the Board of Directors. The Special Committee is composed exclusively of independent outside directors. In addition, we made the majority of the Nomination and Remuneration Committee's members independent outside directors. The Special Committee deliberates on and considers the risk of conflicts of interests between the controlling shareholder and minority shareholders from the perspectives of protecting the interests of minority shareholders. We will continue to reinforce and enrich our governance efforts.

The Canon MJ Group, a MIRAI Marketing Company, will promote further transformation, and all of our employees will work together as one to achieve our Purpose of "bringing together hopes and ideas with technologies to create a future beyond imagining." We look forward to your ongoing support and guidance.

*Bringing together hopes and ideas with technologies to create a future beyond imagining*

President & Representative Director **Masachika Adachi**

Please refer to the pages indicated below for details on each topic.



Page 9

Our Path to Business Transformation and the Formulation of Our Purpose



Page 25

Financial Strategy (Financial Capital)



Page 29

Human Resources Strategy (Human Capital)