

# Enterprise Segment Business Briefing

July 24, 2024

**Canon**  
Canon Marketing Japan Group

\* The figures are rounded off to the nearest 100 million yen in this material.

\* Forward-looking statements and results forecasts presented in this material are based on the management's assumptions using currently available information and therefore contain inherent risks and uncertainties. As a consequence, due to a range of possible factors, actual results may materially differ from the forecasts.

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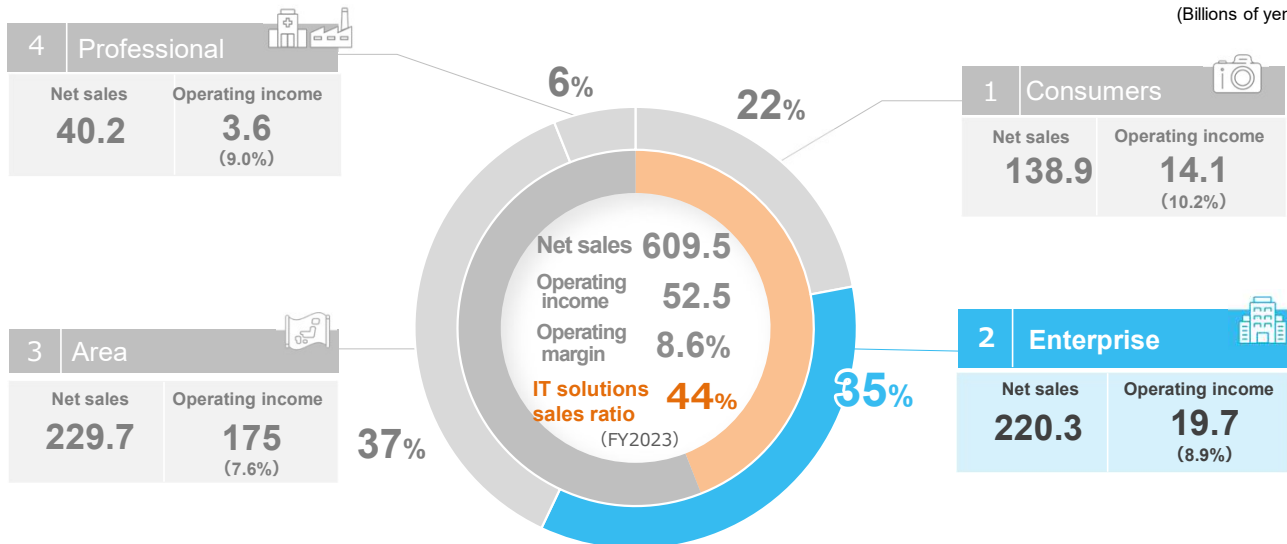
Hello everyone. I am Hatsumi Hirukawa.

Thank you very much for joining us today.

Before the business briefing, let me again introduce you to the Enterprise segment.

# Introduction to Enterprise Segment

(Billions of yen)



\* Starting from FY2024, the Company transferred a part of the sales channel organization in the "Area" segment, to the "Consumer" segments. As a result, the FY2023 financial results have been reclassified between the two segments.

\* The sales shares of individual segments are calculated on their respective simple total sales.

\* In addition to what is mentioned above, net sales of -19.7 billion yen and operating income of -2.4 billion yen are posted for the other segment, which are elimination of inter-segment transactions, shared service business and corporate expenses that do not belong to any segment.

We have organizations dedicated to specific markets and customers, and there are four segments: Consumers, Enterprise, Area and Professional.

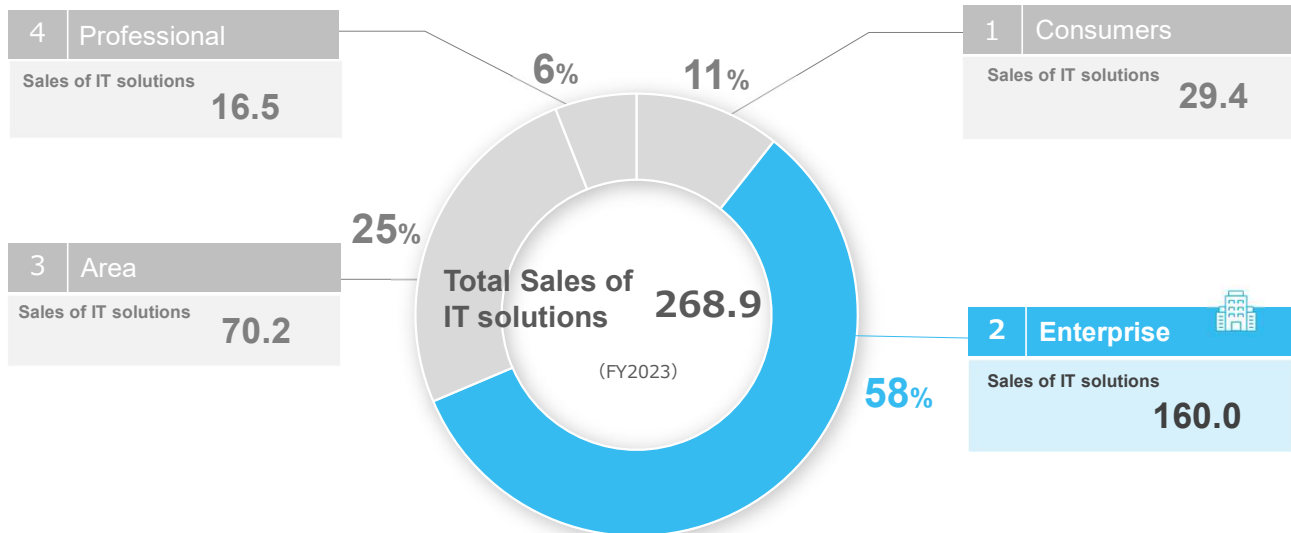
One of them is the Enterprise segment, which serves large corporations and quasi-major and upper medium-sized enterprises. It contributed 35% of the Company's total net sales for 2023.

The Company defines the IT solutions business as a growth area. Its share of the total net sales of the Company rose to 44%.

The most recent results for the first half of 2024 show that the share reached 48.5%.

# Introduction to Enterprise Segment

(Billions of yen)



\* Total sales of IT solutions is the FY 2023 results and is not reclassified in consideration of a business transfer, etc.

\* The sales shares of individual segments are calculated on their respective simple total sales.

\* In addition to what is mentioned above, IT solutions sales of -7.1 billion yen are posted for the other segment, which are elimination of inter-segment transactions, shared service business and corporate expenses that do not belong to any segment.

When we observe sales of IT solutions by segment, the Enterprise segment is responsible for nearly 60% of total sales of IT solutions for the Company.

In other words, the Enterprise segment that we will be explaining today is at the heart of the IT solutions business as a growth area for the Company.

I hope that our presentation about the Enterprise segment will help you better understand our potential for future growth.

Now please let me hand over to Hiroyuki Matsumoto, Director of Enterprise Business Unit. He will be speaking about the business strategy.

# Enterprise Segment Business Briefing

July 24, 2024  
Hiroyuki Matsumoto  
Senior Vice President  
Director of Enterprise Business Unit

**Canon**  
Canon Marketing Japan Group

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## 1 Outline of Enterprise Segment

- Scope of Enterprise Segment
- History of the Enterprise Segment
- Trends in Net Sales and Operating Income in the Enterprise Segment
- Our Strength

## 2 Growth Strategy for Enterprise Segment

- Direction of Growth of Enterprise Segment
- Independent Growth Targets
- Notion of Integrated Growth
- Initiatives for Integrated Growth

## 3 For Continued Growth in Future

- Primagest, Inc. joins the Group
- Achieving the Purpose

### Notification in this material

Canon Marketing Japan Inc. → Canon MJ  
Canon IT Solutions Inc. → Canon ITS  
GB Solution Division → GBS HQs

I am Hiroyuki Matsumoto, Director of Enterprise Business Unit.

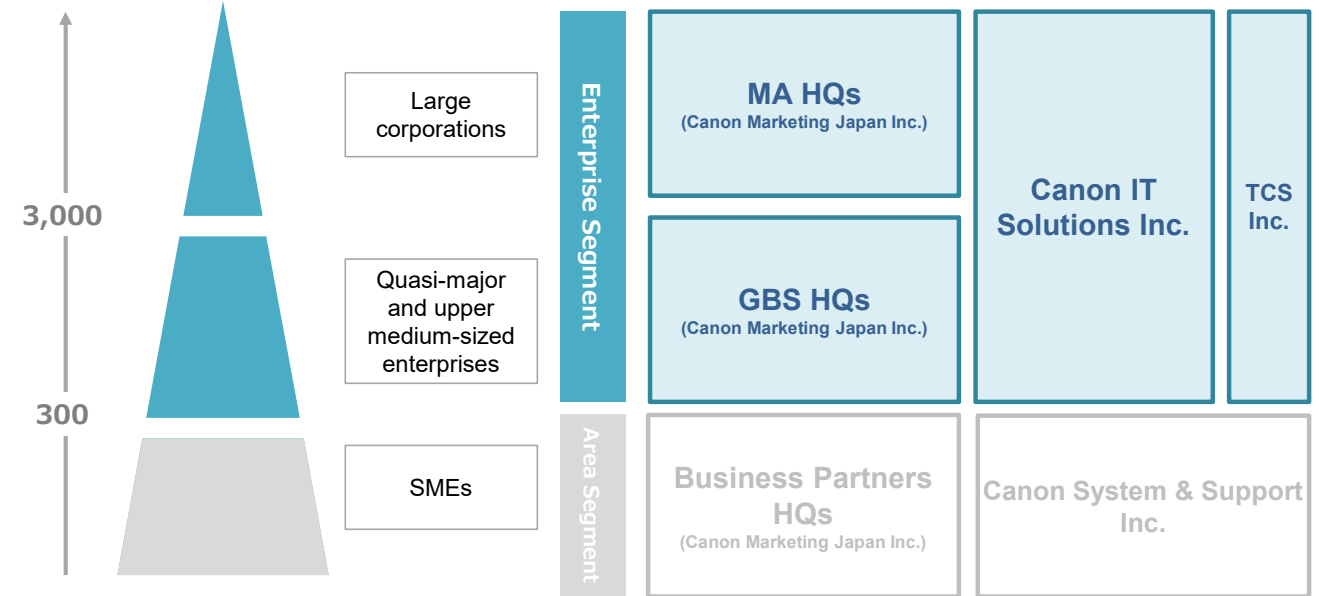
I will be proceeding according to the order of this agenda.

# 1. Outline of Enterprise Segment

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# Scope of Enterprise Segment

Number of employees



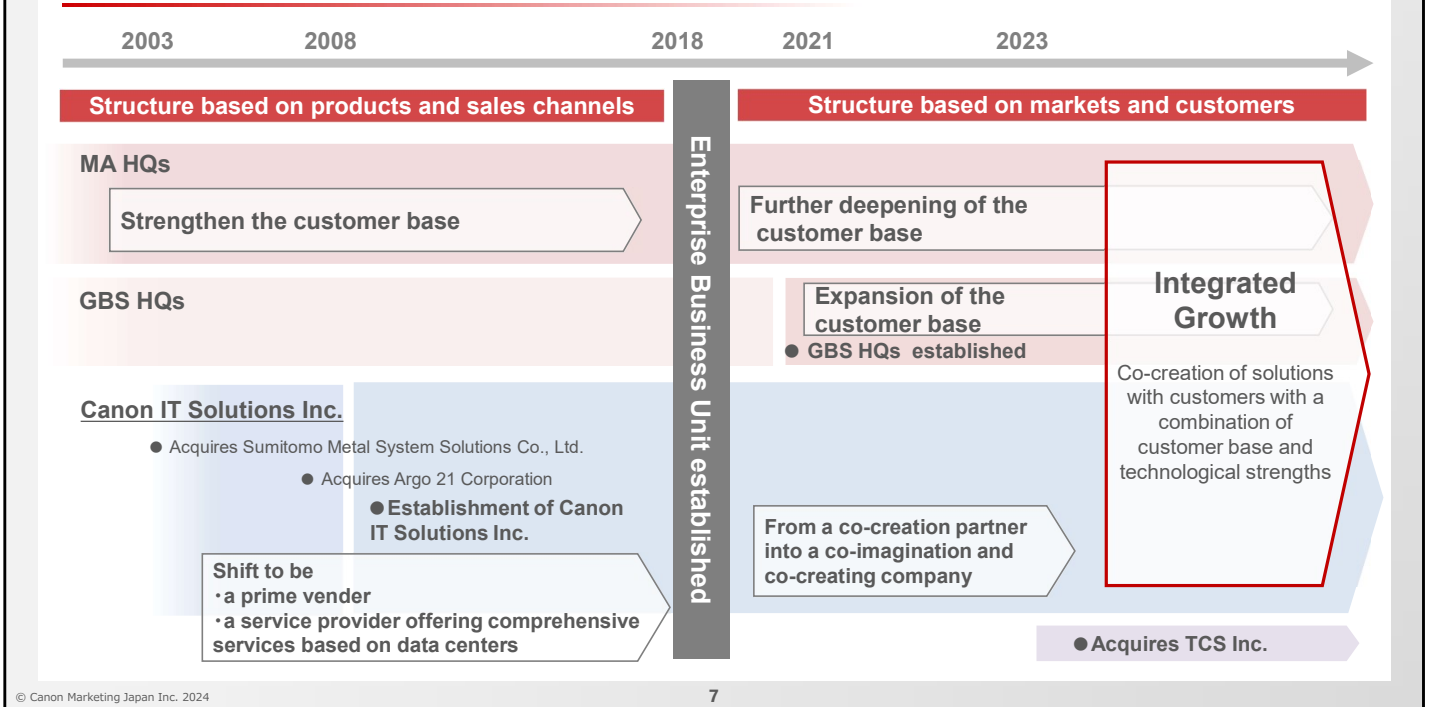
\* MA : Major Accounts  
GB : General Business

We will be starting with the scope of our segment.

The MA HQs serve large corporations with at least 3,000 employees, while the GBS HQs quasi-major and upper medium-sized enterprises with workforces ranging from 300 to 3,000.

Canon IT Solutions Inc. and TCS Inc. serve all these customers.

# History of the Enterprise Segment



Let us move on to the history of our segment.

Until 2017, our structure was based on products and sales channels.

For large corporations served by the MA HQs, we worked to strengthen customer bases. We had multiple divisions serving quasi-major and upper medium-sized enterprises. That was part of why we failed to establish a method for sales activities.

Canon IT Solutions was established in 2008 through the merger between Argo 21 Corporation and Canon System Solutions Inc., a company renamed from Sumitomo Metal System Solutions Co., Ltd. when it joined the Canon MJ Group in 2003. It has been working to shift to be a prime vendor and to a service provider.

In 2018, we set up the Enterprise Business Unit with the objective of changing the structure into a form based on markets and customers.

The MA HQs continued to deepen its customer base. In 2021, we launched the GBS HQs and worked to establish a sales approach targeting quasi-major and upper medium-sized enterprises. Canon IT Solutions continued its activities with a view to evolving from a co-creation partner into a co-imagination and co-creating company.

In recent years, these three entities have been working on integrated growth.

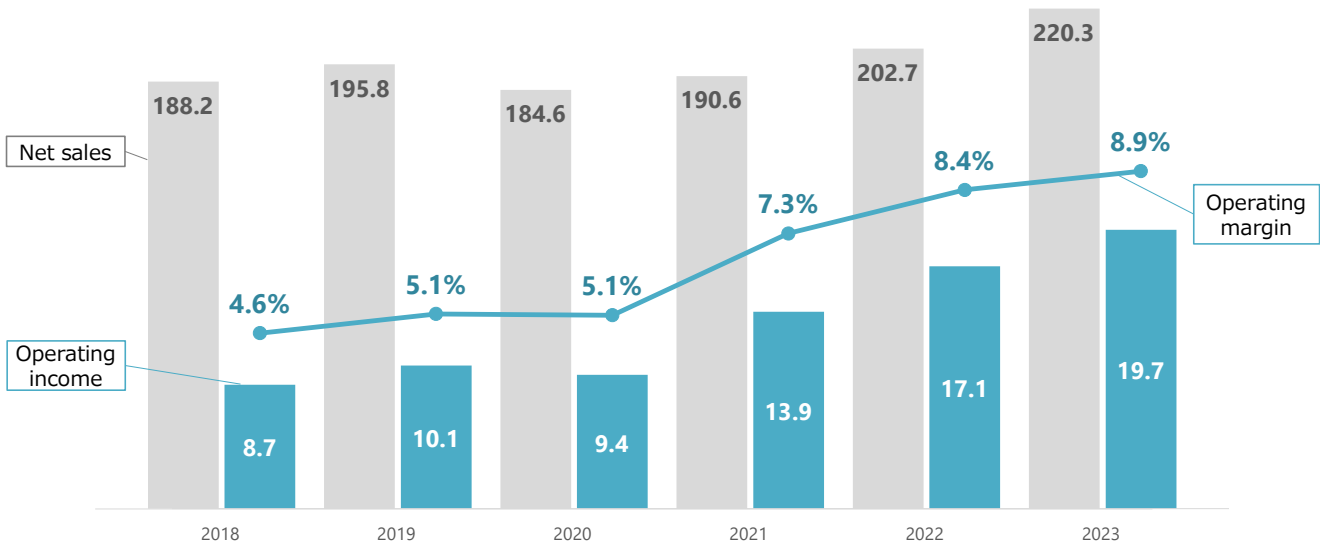
In 2023, TCS joined the Canon Marketing Japan Group.



## Trends in Net Sales and Operating Income in the Enterprise Segment

Canon  
Canon Marketing Japan Group

(Billions of yen)



\* The FY 2018 and FY2020 financial results have been reclassified due to business transfer, etc.

This slide demonstrates the trends in net sales and operating income in our segment.

In 2020, growth slowed due to the COVID-19 pandemic. Subsequently, both net sales and operating income increased steadily. Our operating margin rose to 8.9%.

Canon IT Solutions made solid progress in the shift to be a prime vendor and a service provider. As the number of projects increased, the operating ratio of system engineers went up. In addition, customers accepted increases in prices of Canon products, reflecting cost increases. We thus secured an increase in our operating margin.

# Our Strengths

## Customer base

### Canon product business

- Leading market share in laser printers (LBP) in Japan
- Third-largest market share in office multifunction printers (MFP) in Japan
- More than 200 network camera models (constituting the widest model range in Japan)



\* Share : FY2023 results (Company research)

### Sales system

- Sales teams for different customer groups
- Solid relationships at all levels from the front lines to management
- Extensive knowledge about business categories and industries and the ability to make proposals to them



## Technological and development strengths

### 3,500 system engineers

- System integration (SI) service based on problems unique to customers
- Project management that creates exciting quality
- Full support for the IT lifecycle based on diverse knowledge and expertise



### R&D

- Mathematical science
- Software technology
- Language processing technology
- Image analysis technology



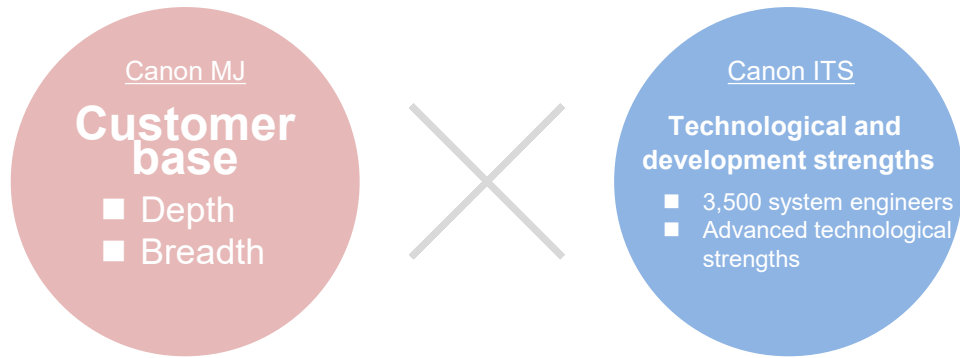
This slide shows an analysis of our strengths.

The left side is about our customer base. Throughout our history, a large number of customers have been using Canon products, including laser-beam printers (LBPs), multifunction printers (MFPs) and, lately, network cameras.

Our strength in our customer base is seen in the construction of close relationships with customers by separate sales organizations serving different customer groups.

The right side refers to technological and development strengths. Canon IT Solutions holds 3,500 system engineers who have outstanding development capabilities. In research and development, we have numerous technologies in which we enjoy an edge, including mathematical science technologies.

I think our greatest strength lies in that we possess both the customer base and technological and development strengths.



**Holding both customer base and technological and development strengths**

This slide provides a simple picture of our strengths.

Canon MJ possesses a customer base with both great depth and breadth, whereas Canon IT Solutions has technological and development strengths.

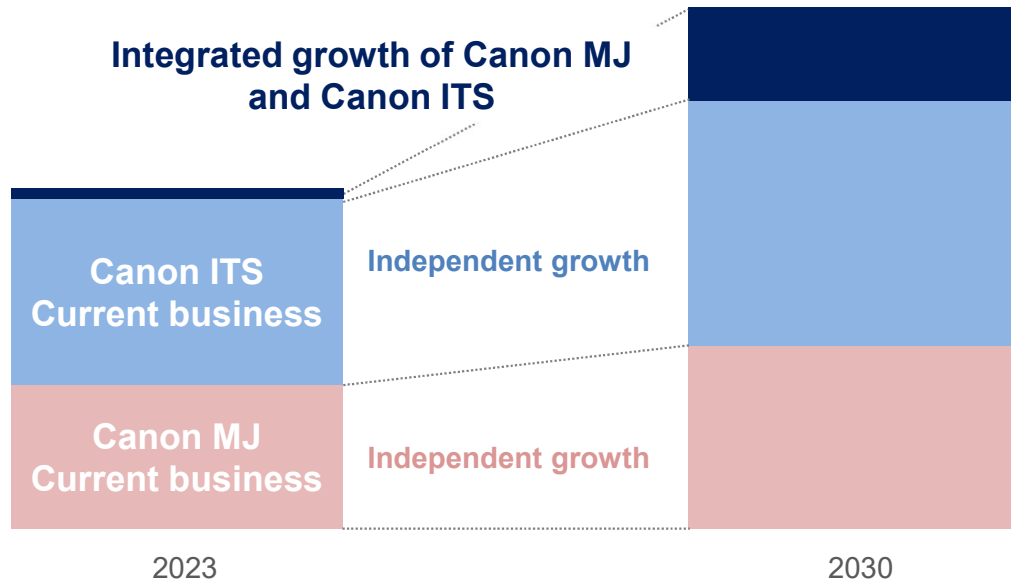
Our strategy is to combine them to full harness our resources.

## 2. Growth Strategy for Enterprise Segment

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I will now move on to our future strategy for growth in the Enterprise segment.

# Direction of Growth of Enterprise Segment

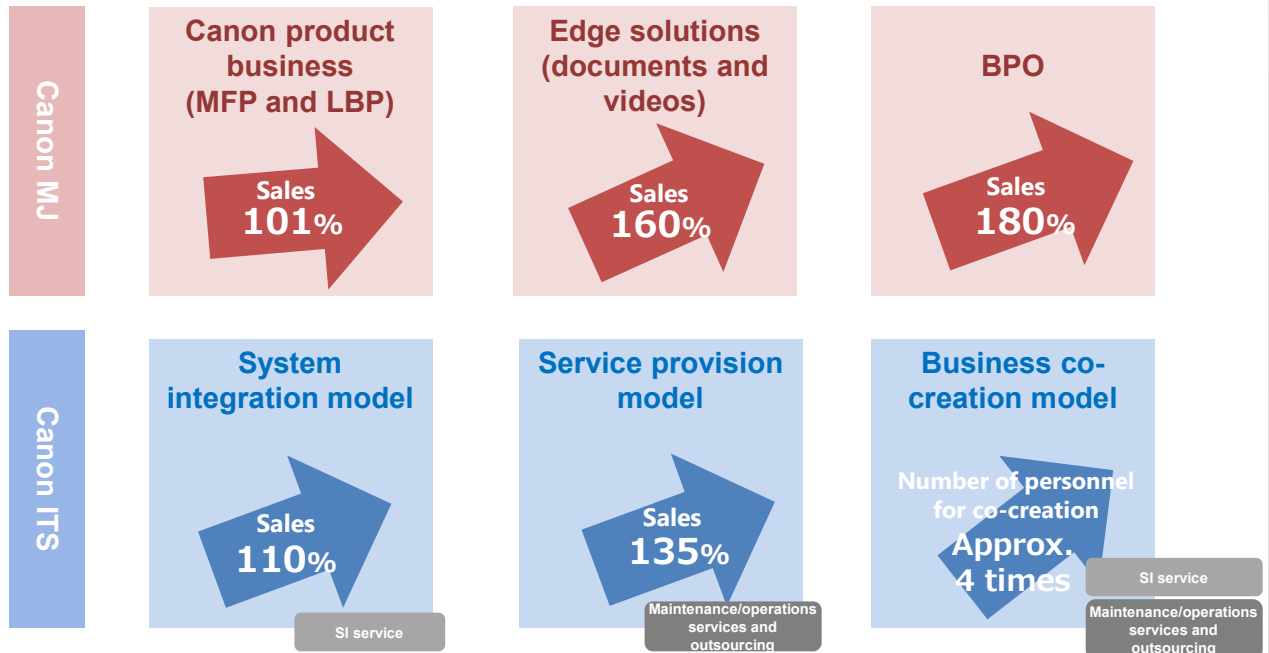


First, Canon MJ's traditional businesses have independently achieved growth. We will continue to expand them.

Canon IT Solutions have also grown their original businesses as an operating company and it will continue to do so.

My main focus today is the approaches we will take to growth markets through further integration between Canon MJ and Canon IT Solutions.

# Independent Growth Targets (from 2023 to 2025)



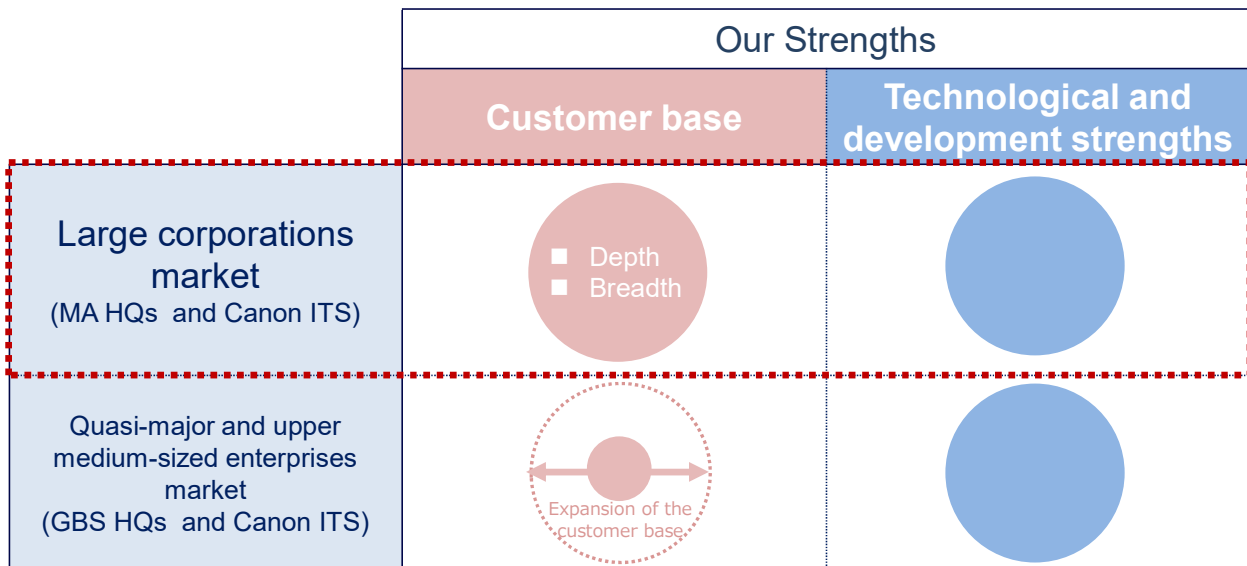
We start by looking at the independent growth targets.

This slide presents the targets from 2023 to 2025.

In the Canon products business, document volumes in the overall market are trending lower. However, as I explained earlier, the GBS HQs will take the initiative in increasing the number of MFPs and LBPs in a bid to increase sales as well.

Regarding Edge solutions, we will strive to achieve massive growth in sales of document and imaging solutions. For business process outsourcing (BPO), we are gaining more and more large orders. We will strive to achieve more stable growth.

Next, we are looking at Canon IT Solutions. The market for the system integration model is still large, and we have set a target of 10% growth. Meanwhile, we will seek sharper growth in the service provision model. For the business co-creation model, we will quadruple our co-creator workforce and strive to achieve continuous growth.



Next, the notion of integration growth.

I would like to touch on how we will make good use of our customer base and our technological and development strengths.

For the large corporations market, the MA HQs have a solid customer base. Our focus is on providing these customers with proposals based on our technological and development strengths.

For the quasi-major and upper medium-sized enterprises market, the GBS HQs was launched in 2021 and it has now established its current style of sales activities. To begin with, it will work to quickly expand the customer base of Canon products, among others.

Large corporations market

MA HQs  
×  
Canon ITS

## Expand Canon ITS' areas of strength continuously

Expand Canon ITS' areas of strength continuously with the use of the MA HQs' customer base

## Create new service businesses

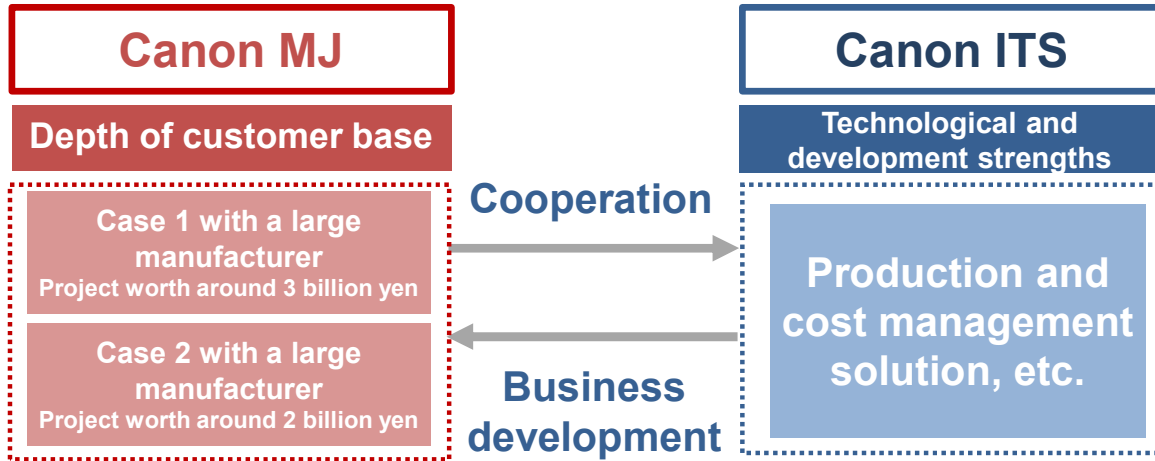
Create new service businesses by combining the MA HQs' customer base with Canon ITS' technological and development strengths

There are two specific initiatives for integrated growth in the large corporations market.

The first is to continuously expand Canon IT Solutions' areas of strength. It means introducing the business, that Canon IT Solutions excels in, to the MA HQs' customer base.

The second is to create new service businesses. This is a business creation initiative for the future. It aims to launch new services based on the MA HQs' customer base and on Canon IT Solutions' technological and development strengths and to promote them to large number of customers.





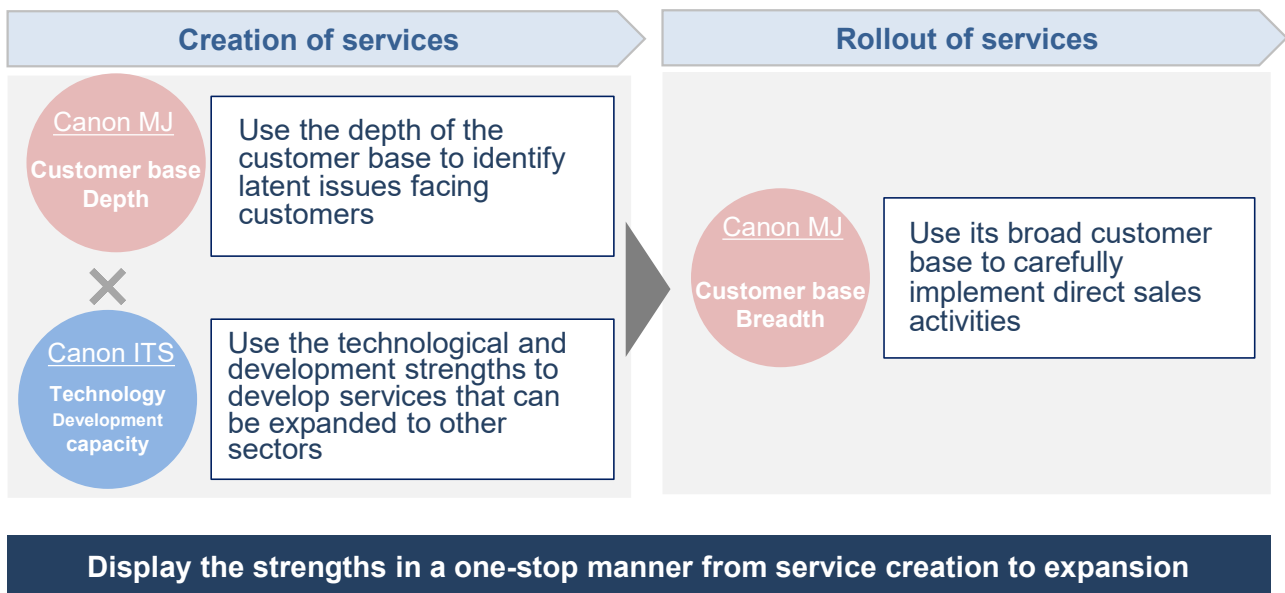
Take advantage of the depth of Canon MJ's customer base and Canon ITS' technological and development strengths to achieve growth of the Enterprise Segment

We will now take an in-depth look at the first one, namely expanding Canon IT Solutions' areas of strength continuously.

It is an effort to introduce solutions in which Canon IT Solutions is superior to the customer base of the MA HQs .

As you see in the Cases in this slide, we are working to propose to large manufacturers a solution for production and cost management developed by Canon IT Solutions.

The slide only shows cases with two companies, but projects are currently underway with several other companies. We are always seeking collaborations like this in order to expand.



We move on now to the second initiative to create new service businesses.

The MA HQs have a large number of customers with whom it has long and close relationships. It explores solutions to their latent issues together with them.

Here, Canon IT Solutions' capabilities in technologies and development are combined to create new services. Capitalizing on the breadth of the customer base, the sales team gives careful proposals to promote the services in the industry.

**Circumstances surrounding shinkin banks**

- ✓ Prolonged low interest rates
- ✓ Shift from savings to investment



**Diversification of deposited assets**

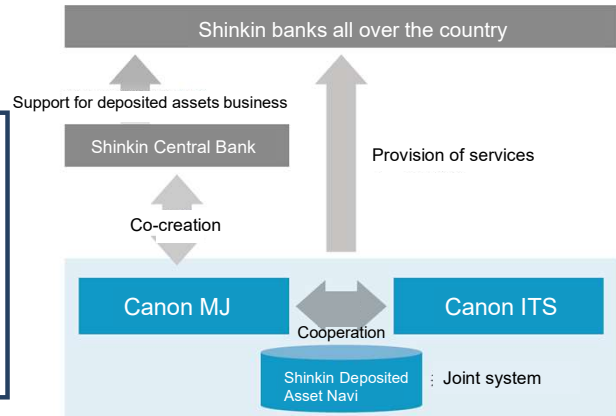
(investment trust, insurance, public bonds, foreign currency deposits, and others)

● **Issues of deposited assets business**

- Offer full information (on risks and management policies) to investors
- Improve sales branches' capabilities to give proposals
- Compliance check etc.

**Shinkin Deposited Asset Navi**

- ✓ A shared system accessible to all *shinkin* banks in Japan
- ✓ An on-screen guide to all processes from proper product explanations to contracting
- ✓ Compliance efforts and strengthening of sales capabilities conducted at the same time
- ✓ Cloud service employed to reduce introduction costs



Here, let me present one example of the services we aspire to create towards the future.

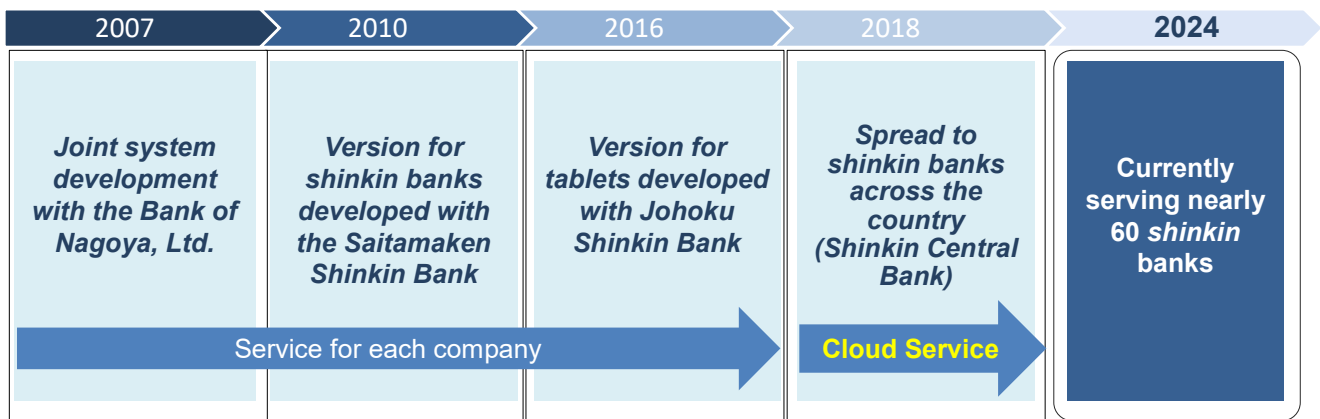
It is a service called Shinkin Deposited Asset Navi. It is used mainly by Shinkin banks.

This service was created against the backdrop of persistent low interest rates and a social trend that saw a shift from savings to investments. In this situation, it is time-consuming to train sales personnel to handle investment trusts and equivalent financial instruments. A customer asked us if there is any way to make it possible for inexperienced sales staff to deal with such products.

This service is designed to help sales staff give appropriate proposals and complete the contract conclusion process in compliance with the Financial Instruments and Exchange Act, simply by talking with customers as instructed on the screen.

Canon IT Solutions has developed it on the basis of issues Canon MJ learned about by talking a customer. It is now used by *shinkin* banks all over the country.

- An original service developed on the basis of reports from the front line



**A system created with customers continues to develop with them**

This service is based on a system that was jointly developed in 2007 with the Bank of Nagoya, Ltd., which falls under the category of regional banks. We listened untiringly to the staff on the front lines and spent considerable time on development.

We applied this to the Saitamaken Shinkin Bank.

Subsequently, we developed a version for tablets jointly with Johoku Shinkin Bank.

The service earned high marks for its user-friendliness and its interface.

Under the supervision of Shinkin Central Bank, which is a leader among the *shinkin* banks across Japan, it was transformed into a cloud service.

It is now used by around 60 *shinkin* banks nationwide.

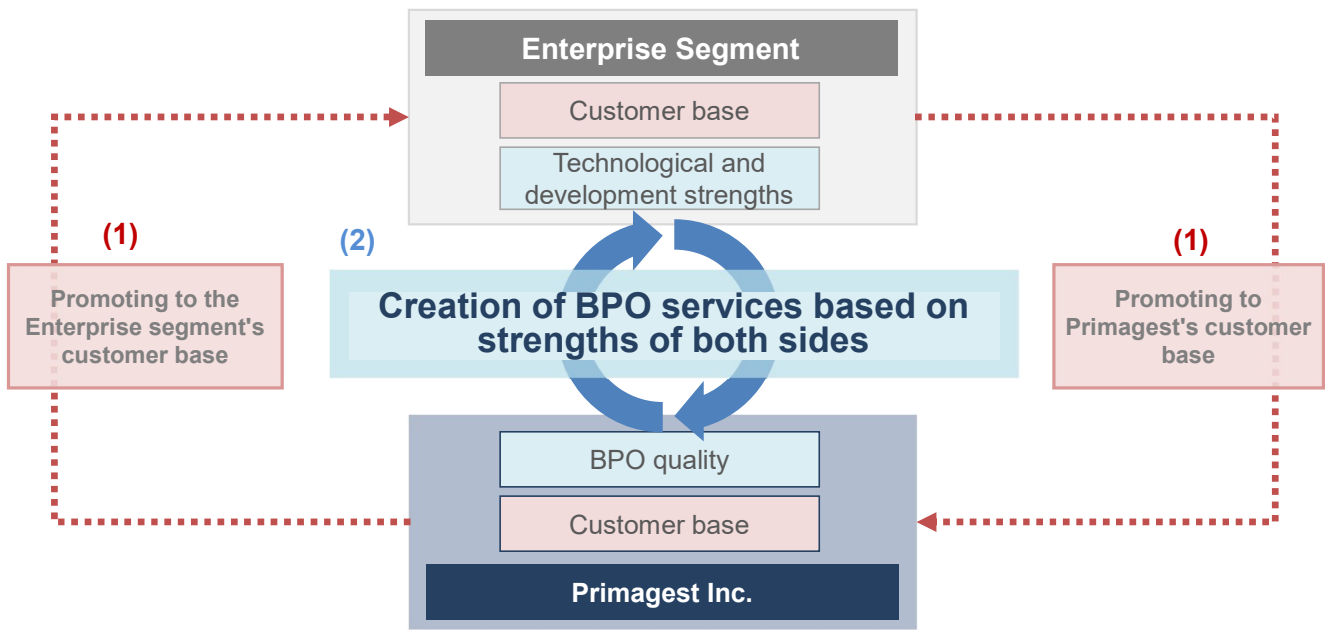
We still receive opinions and requests from *shinkin* bank personnel around the country and we add new functions in response. This service will therefore continue to constantly develop.

## 3. For Continued Growth in Future

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We will be moving on now to discuss our continued growth in the future.

# Primagest Joins Canon MJ Group



Up to this point, I have talked about the growth within the Enterprise segment. This past spring, Primagest joined the Canon MJ Group, and I would like to talk a little about synergy with it.

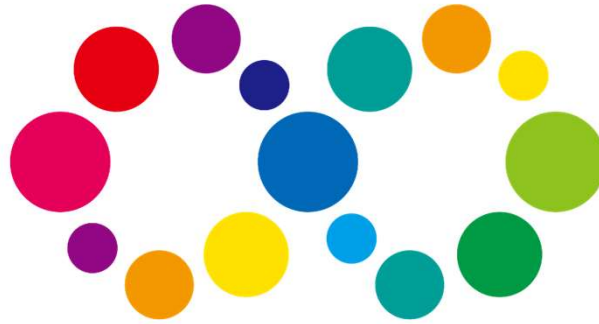
Primagest is engaged mainly in BPO services, but it also carries out systems development.

First, we will promote the products and services handled by the Enterprise segment to Primagest's customers. At the same time, we will promote Primagest's BPO services to customers of the Enterprise segment.

We will combine Primagest's system development with the technological and development strengths of the Enterprise segment to enhance service quality. In so doing, we will create and spread services that take greater advantage of these strengths.

## Achieving the Purpose

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

**MIRAI Marketing Company**  
Canon Marketing Japan Group

Let me conclude with our commitment to achieving the Purpose.

Today, my briefing focused chiefly on our growth strategy.  
However, we put customers first.

Everyone in the Enterprise segment will individually think about how to bring together hopes and ideas to create a future beyond imagining, as stated in the Purpose shown in this slide, while constantly maintaining ties with customers.  
It is with this approach that we will be seeking to achieve steady and sustained growth.

Thank you very much.

**Canon**

Canon Marketing Japan Group