

# Canon Inc.

## Corporate Strategy Conference 2022

**March 7, 2022**

**Fujio Mitarai, Chairman & CEO**

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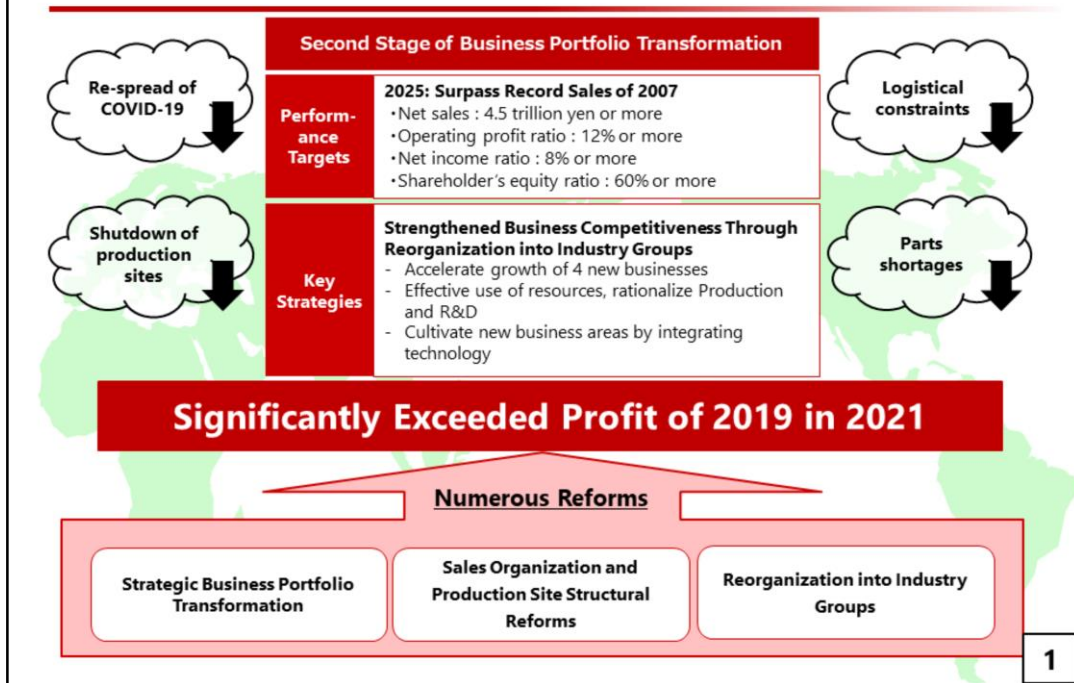
# Agenda

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# Excellent Global Corporation Plan Phase VI

Review of 2021



In the first year of Phase VI, sales and profit were up significantly compared to 2020, a year in which we posted a substantial decline in our performance due to the impact of COVID-19. Despite sales being significantly impacted by the pandemic, which has yet to subside, the shutdown of production facilities, and intensifying parts shortages and logistical constraints, we were able to significantly exceed the profit level of 2019, which was before the pandemic, thanks to a number of reforms that we have implemented so far.

As a result of efforts to transform our business portfolio, which was a basic policy of our previous 5-year plan, we set up four new businesses, further enhancing our growth potential even during the pandemic. We believe these businesses have now entered the next stage of contributing to our performance in terms of not only sales, but profit.

Additionally, by promoting structural reform at production sites and sales organizations, particularly overseas over the past several years, and also starting to see what appears to be the markets for such products as cameras and laser printers bottoming out, our current operations have become sufficiently robust to generate solid profits even amid lingering effects of the pandemic.

Furthermore, last year's reorganization of existing business divisions into four groups that are categorized by industry has resulted in the effective use of resources and the creation of synergies under centralized responsibility and authority, resulting in improvements that are greater than expected.

## 2021 Results and Future Growth Strategy (Printing)

### Results

#### Realization of Integrated Business Operations under Printing Group

- Respond to decentralized printing locations with rich electrophotography and inkjet technology based product Lineup
- Control costs by sharing personnel, facilities and other resources

### Growth Strategy

#### •Global No. 1 in Office & Home Printing

- Strengthen price competitiveness by consolidating product platforms
- Providing printing solutions that align with DX era

#### •Accelerate Growth of Commercial & Industrial Printing

- Secure orders from major printing companies and enhance dealer network by improving image quality and productivity of existing product lineups
- Introduce commercial printing equipment in new fields and full-scale entry into industrial printing equipment



**Aiming for Stable Sales Growth of  
Around 4 to 5% per Year**

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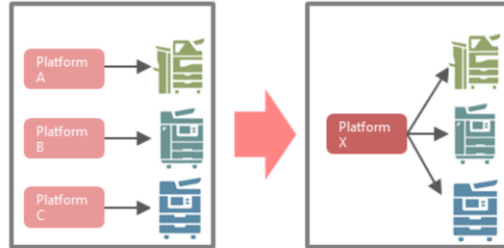
Some say that digital transformation will accelerate the move to paperless solutions and shrink the printing market. However, we believe demand for printing will remain firm as paper has long been a medium for deepening understanding and sharing information.

# Growth Strategy (Office & Home Printing)

## Global No. 1 in Office & Home Printing

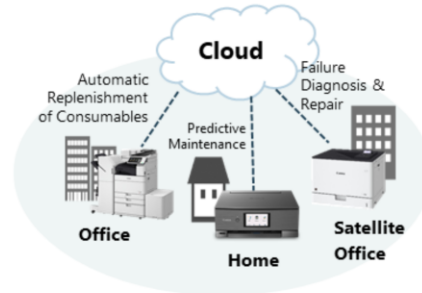
### ① Strengthen Price Competitiveness

- Consolidation of product platforms
- Production automation & In-house production
- Further cost reduction



### ② Providing Printing Solutions that Correspond to Digital Transformation

- Centralized management of MIF using Cloud
- Enhance smart services



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Last year, the number of people showing up to traditional offices, which was low due to COVID-19, tended to rise throughout the year. However, it did not completely return to normal. On the opposite side, we are seeing increasing diversity in where printing is done as a certain level of hybrid workstyles that integrate office and remote work has taken hold. We have two printing technologies, namely electrophotography and inkjet, which gives us strength and allows us to offer a wide range of printing equipment, including office MFDs, laser printers, and inkjet printers. Under the Printing Group, we are implementing a well-balanced product sales strategy and have built a structure that limits costs by sharing resources, such as personnel and equipment. Overall, this allowed us to generate profit that exceeds 2019, which was before the pandemic.

Going forward, we will further raise our price competitiveness, pursuing cost reduction through various measures, including the consolidation of product platforms, production automation, and in-house production. We will also use the cloud to centrally connect to our MIF, including inkjet printers, to provide smart services for predictive maintenance, failure diagnosis, and repair. We will also offer other printing solutions in response to the era of digital transformation. We will increase our market share and aim to become the world's No. 1 office and home printing company.

# Growth Strategy (Commercial & Industrial Printing)

## Accelerate Growth of Commercial & Industrial Printing

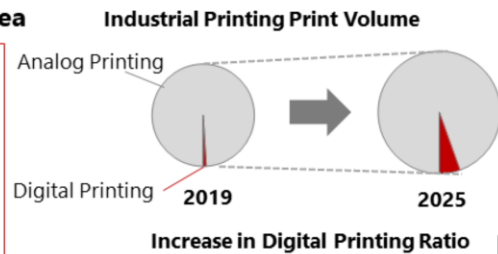
### ① Enhance Commercial Printing Product Lineup

- Acquire customers through products that offer enhanced image quality and productivity
- Increase market coverage by enhancing product lineup



### ② Expand into Industrial Printing Area

- Full-scale entry into digital industrial printing market
- Developing new products that gather collective efforts of Printing Group



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We have high expectations for the future of commercial printing, which is expected to continue to grow as a result of the shift from analog to digital printing. Over the past few years, we have received high marks for improving the image quality and productivity of our products in response to customer feedback. This has led to an increase in orders from major printing companies, whom we have had little or no business dealings with in the past, and an increase in the number of dealers that we have partnered with, which are resulting in increased sales. Over the next few years, we plan to expand our lineup by introducing products in areas that we have not been able to cover before. We will also make all-out efforts to introduce new competitive products in the field of industrial printing, such as labels and packaging. The Printing Group as a whole is aiming for stable annual growth of around 4 to 5%, driven by growth in commercial and industrial presses.

## 2021 Results and Future Growth Strategy (Imaging)

### Results

**Built Structure that Generates High Profits through Structural Reform and Improvement in Product Mix Via Increase in Mirrorless Camera Market Share**

### Growth Strategy

#### **(Cameras)**

**Establish Global No.1 Share even in Mirrorless Cameras**

- Further enhance lineup of both cameras and lenses

#### **(Network Cameras)**

**Strengthen Total Solutions of Hardware and Software**

- Respond to application beyond the security field

#### **(New)**

**Develop Imaging Business Centered on Optical Technology**

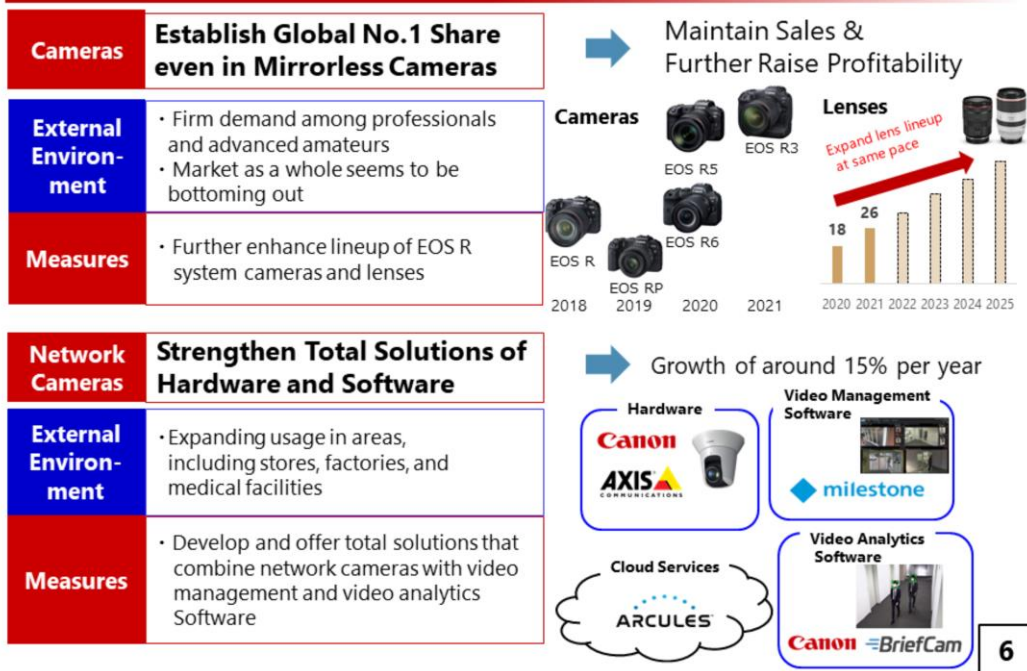
- Expand scale - Cultivate new users, develop new products



**Targeting 1 Trillion Yen in Imaging Group Sales**

As for the Imaging Group, which is comprised of three business spheres, namely cameras, network cameras and a new business area that brings together advanced optical technologies, we are targeting 1 trillion yen in sales.

# Growth Strategy (Cameras & Network Cameras)



As for cameras, although the overall market continues to shrink, this mainly reflects lower sales of entry-class models. In contrast, demand among professionals and advanced amateurs seeking high-quality image expression remains strong. Overall, the market seems to be bottoming out. Over the past several years, we have worked to raise the appeal of the EOS R system by enhancing our lineup with highly competitive full-frame mirrorless cameras and RF lenses. As a result, we have established a solid position in mirrorless cameras, and are now in a situation where we can target the top market share position. Leveraging this, we will not only increase our market share, but also strive to improve our product mix, and combined with the effects of structural reforms we have been implementing, we feel we have created a system that can generate stable, high profits. Going forward, we will continue to expand our lineup in response to user feedback, secure the global No. 1 market share position in mirrorless cameras, maintain the level of sales, and further increase profitability by expanding automation and improving development efficiency.

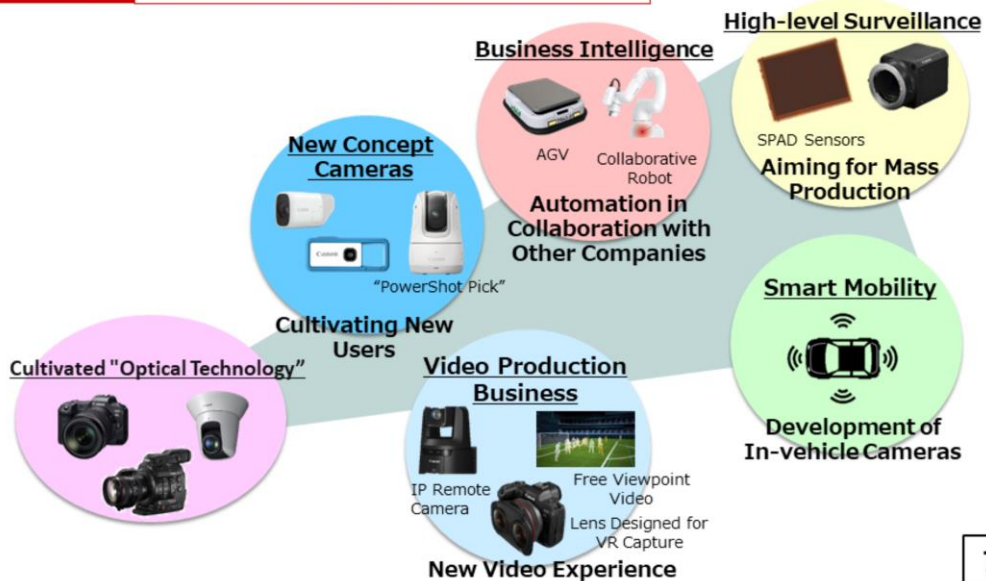
Network cameras are being used not only in the field of security in such areas as crime and disaster prevention, but also in a wide range of applications such as the analyzing of customer behavior within retail establishments or grasping the status of production within factories. Though we did see the market contract due to the COVID-19 pandemic, it quickly returned to a growth trajectory. By further enhancing our strengths in providing total solutions combining network cameras with video management and video analytics software, we will achieve annual growth of around 15%.



# Growth Strategy (New Imaging)

**New  
Imaging**

**Develop New Businesses Centered on  
Optical Technology**



As for the new imaging business that centers on optical technology, for consumers, last year we launched the PowerShot Pick, the third of our new concept cameras, which can automatically recognize people and capture natural and rich facial expressions of your family's daily life etc. without being aware of the camera. Additionally, for the video production business, our free-viewpoint video system is increasingly being used in corporate commercials, TV programs, and recently in broadcasting professional sports. In addition, we have successfully launched exciting businesses such as the IP remote camera system, which contributes to more efficient and labor-saving video production, and the EOS VR system, which enables easy shooting of VR video that is being utilized in a wide range of industries such as entertainment, tourism, and education.

Furthermore, as for future product development, we expect to mass-produce SPAD sensors by the end of this year, which can take color images with excellent color reproducibility even in the dark, and are expected to be used for various applications, including advanced monitoring. Additionally, in the smart mobility field, where significant growth is expected, we will continue to develop in-vehicle cameras and expand the scale of our new imaging business.

## 2021 Results and Future Growth Strategy (Medical)

### Results

- Increased Number of CT Systems in Operation at Medical Institutions by Expanding Sales mainly in Japan
- Enhanced Clinical Value, Launching New AI Brand ("Altivity")
- Acquired Redlen to Develop PCCT\* - Next Generation CT

\* PCCT: Photon-counting CT

### Growth Strategy

- Aim for Global No.1 CT Market Share
- Market Share in the U.S. : 10% or more
- In-vitro Diagnostics, Healthcare IT, and Components - Sales Composition 10% Each
- Operating profit ratio : 10% or more

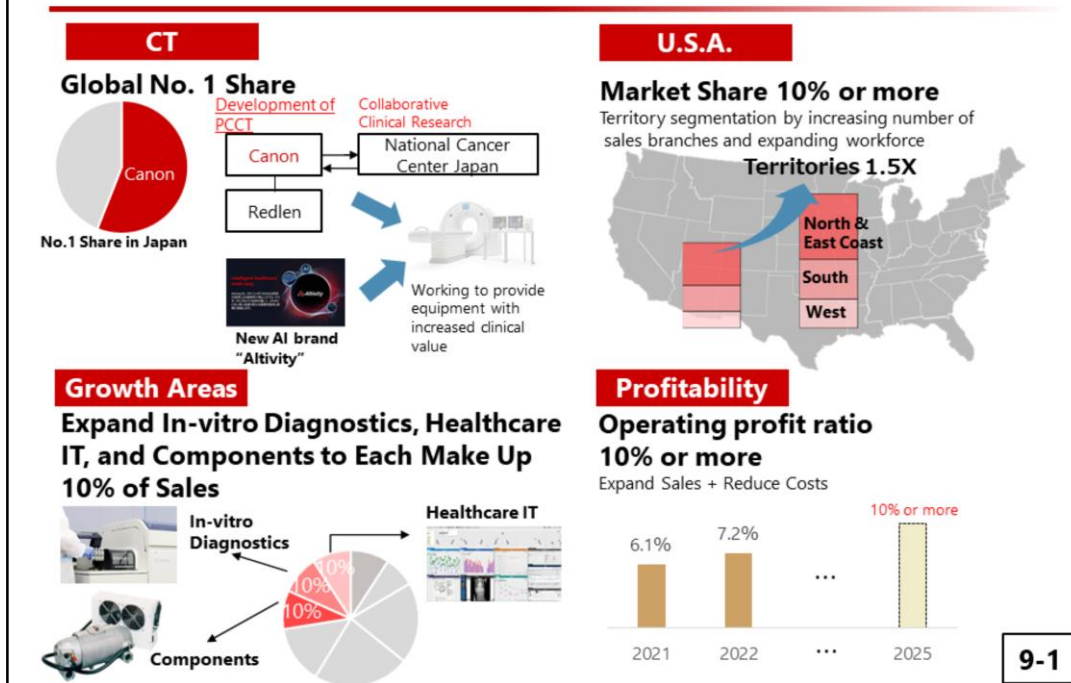


**Aiming for Sales Growth of 5% or more per Year**

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In a society where we live with COVID-19 or even in a post-pandemic society, demand for people's safety and security is increasing more and more. Under this condition, we aim to grow Medical Group sales more than 5% per year.

# Growth Strategy (Medical)

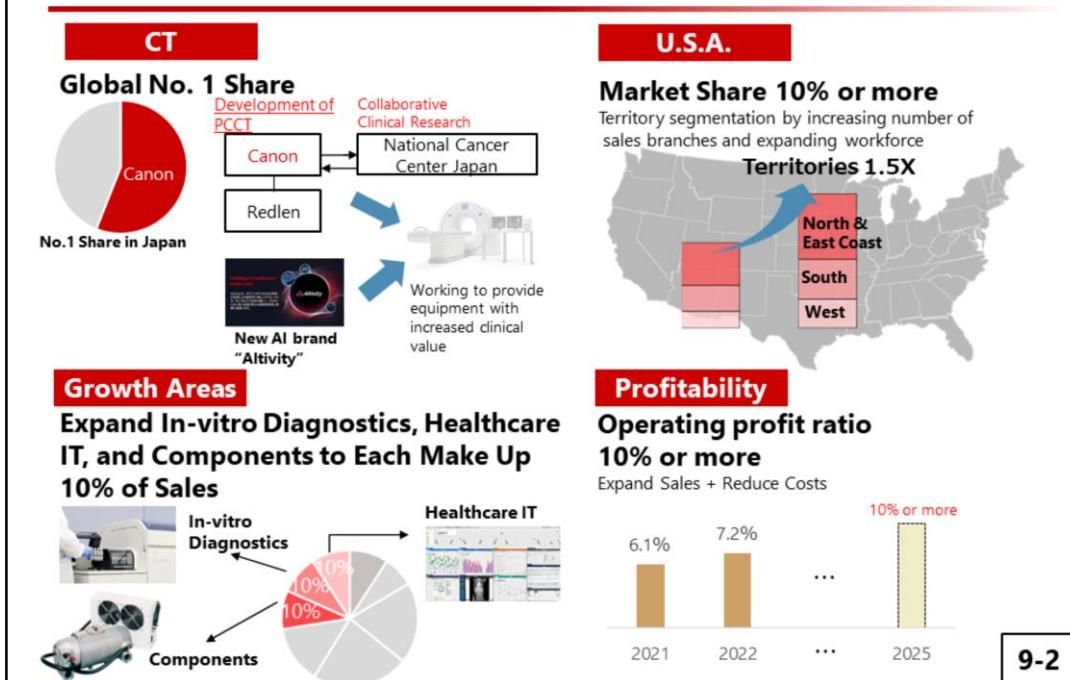


We aim to secure the number one global market share position in CT, which accounts for approximately 40% of our sales of mainstay diagnostic imaging products and of which we are the largest market share holder in Japan.

Under the new AI brand name "Alivity," the deep learning image reconstruction technology and products equipped with radiological interpretation support will be expanded to various equipment from high-end machines to mid-range models, in order to realize high-resolution images and enhance clinical value. Furthermore, looking ahead to the future, last year we acquired a Canadian company called Redlen, which has advanced technology in the detector that will be the key to the development of photon counting CT, a next-generation CT. Together with joint clinical research with the National Cancer Center, we will rapidly advance research and development toward early commercialization.

As MRI systems, we will strengthen our competitiveness and grow this into a core business by utilizing core RF coil technologies and AI-based image processing technologies. In addition to diagnostic imaging equipment, we will increase the share of sales in the three areas of in-vitro diagnostics and medical IT where the market is expected to grow significantly in the future, and component sales to medical device manufacturers to approximately 10% each.

# Growth Strategy (Medical)



By region, we aim to increase our competitiveness in Japan, which currently accounts for approximately 40% of sales, and to achieve a market share of more than 10% in the United States, the world's largest medical device market. As a result of reorganizing our sales organization, we recorded double-digit growth in U.S. sales last year. Going forward, we will accelerate sales growth by increasing the number of sales offices and our workforce, activities that were suspended due to the pandemic.

In terms of profitability, last year we sold a large number of CT systems, mainly in Japan, and the number of machines in operation at medical institutions has increased. As a result, we expect an increase in service revenue going forward. Additionally, we expect a 1% increase in profit margin this year due to the in-house production of key parts and the introduction of new products designed to reduce costs from the design stage. We aim to achieve an operating profit ratio of more than 10% by 2025 through the expansion of sales and the systematic implementation of cost reduction measures such as in-house production and standardization of ultrasonic diagnostic equipment platforms.

## 2021 Results and Future Growth Strategy (Industrial)

### Results

#### Strengthen Production and Installation Systems to Firmly Capture Demand

- Raise manufacturing capacity to capture expanding demand for semiconductor lithography equipment
- Improve FPD lithography equipment installation capability by training necessary local personnel

### Growth Strategy

#### • Expand Sales of Existing Products

- Further raise production capacity of semiconductor lithography equipment
- Panel manufacturing equipment - Broadly respond to expanding usage of OLED panels

#### • Expand Business Sphere

- Development towards leading-edge semiconductor areas, using Nanoimprint mass production
- Development of new equipment that integrate Canon's core technologies



**Aiming for Sales Growth of Around 10% per Year**

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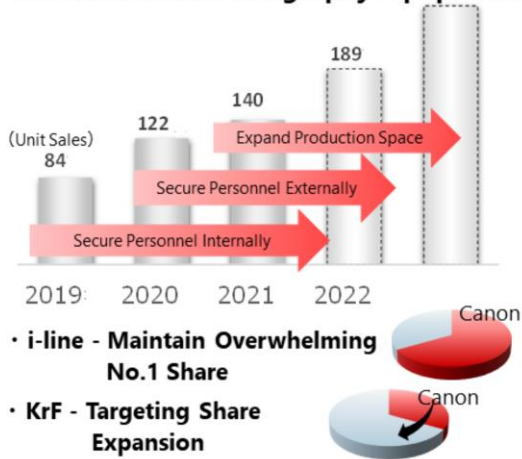
The industry for Industrial Group products is expected to continue expanding due to the advancement of digital technologies such as AI, IoT, and 5G. On top of this, demand is becoming even stronger due to social changes caused by the coronavirus pandemic.

# Growth Strategy (Industrial)

## Growth Strategy Expand Sales of Existing Products

### Semiconductors

#### Further Raise Production Capacity of Semiconductor Lithography Equipment



### Flat Panel Displays

#### Respond to the Growing Use of OLED



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Especially for semiconductors, in addition to market expansion, we expect strong demand for lithography equipment to continue as plants are being constructed in various countries for reasons of economic security. In order to capture the maximize amount of this demand, we have been gradually increasing our production capacity by recruiting internal and external personnel, expanding production space, and assembling units at Group companies. This year, we expect sales to greatly exceed those of last year by maintain the high competitiveness of our i-line equipment. On top of this, we will also strive to expand our market share for KrF systems.

For panels as well, demand for manufacturing equipment is expected to remain at a high level, supported by the shift to OLED. And in the wake of restrictions on overseas travel to customer destinations, we are working to improve our capability to install equipment, through the training of locally based people. In the future, we will strive to increase our market share by offering competitive products for both FPD lithography equipment and OLED vacuum deposition systems while responding to the expanding use of OLED panels in products, including PCs, tablets, TVs, virtual reality eyewear, and smartphones.

# Growth Strategy (Industrial)

**Growth Strategy**

## Development of New Equipment

- Expand Business Sphere to Increase Sales Further

### Nanoimprint



• Final Stage of Adjustment for Nanoimprint use in mass production

• Establishment of Leading-edge Semiconductor Production Technology

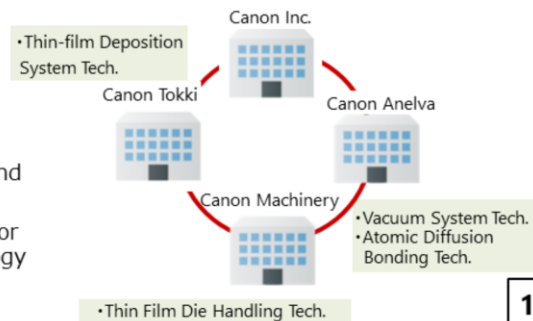
- Participation in NEDO, a national research and development agency, Consortium
- Development of Leading-edge Semiconductor Production Equipment and Process Technology

Post 5G 

### Expand Domain

## Development of New Equipment that Integrate Canon Group Technologies

- High-precision Alignment Tech.
- Ultra-precision Stage Tech.
- Ultra-high Precision Processing Tech.
- Nanoimprint Tech.



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Additionally, in order to achieve further Industrial Group sales growth, we believe that expanding our business sphere is necessary, and are therefore working to develop new equipment. As for nanoimprint, which is a good example of this, we have already reached the level of productivity where they can be used in mass production and are now in the final stages of preparation. In March of last year, the New Energy and Industrial Technology Development Organization (NEDO), a national research and development agency, selected nanoimprint as an R&D project and since then, we have been participating in a consortium that is developing leading-edge semiconductor manufacturing technologies for the future.

In addition to this, and next-generation OLED production equipment, we are developing a number of new devices that combine the core technologies of Canon Inc. and three companies, Canon Anelva, Canon Machinery, and Canon Tokki, which are involved in industrial equipment. And combined with lithography equipment, we are targeting sales of industrial equipment to grow at an annual rate of around 10%.

# Financial Strategy

## <Basic Policy> Maintain Sound Financial Position through Comprehensive Cash Flow Management

### Usage of Cash:

- ① Investments for future growth
- ② Stable and proactive return to shareholders

### 2021

- Cash flow increased in line with recovery in performance, also carried out M&A
- Steady progress in debt repayment, improvement in financial position as shareholders' equity ratio exceeds 60%
- 20 yen increase in dividend per share to 100 yen

### Future

- Growth investment - 200 billion yen or more in yearly capital spending, M&A activity when appropriate
- Generate stable free cash flow of 250 billion yen or more per year
- After repayment of debt - Achieve dividend payout ratio of 50% and early realization of 160 yen per share

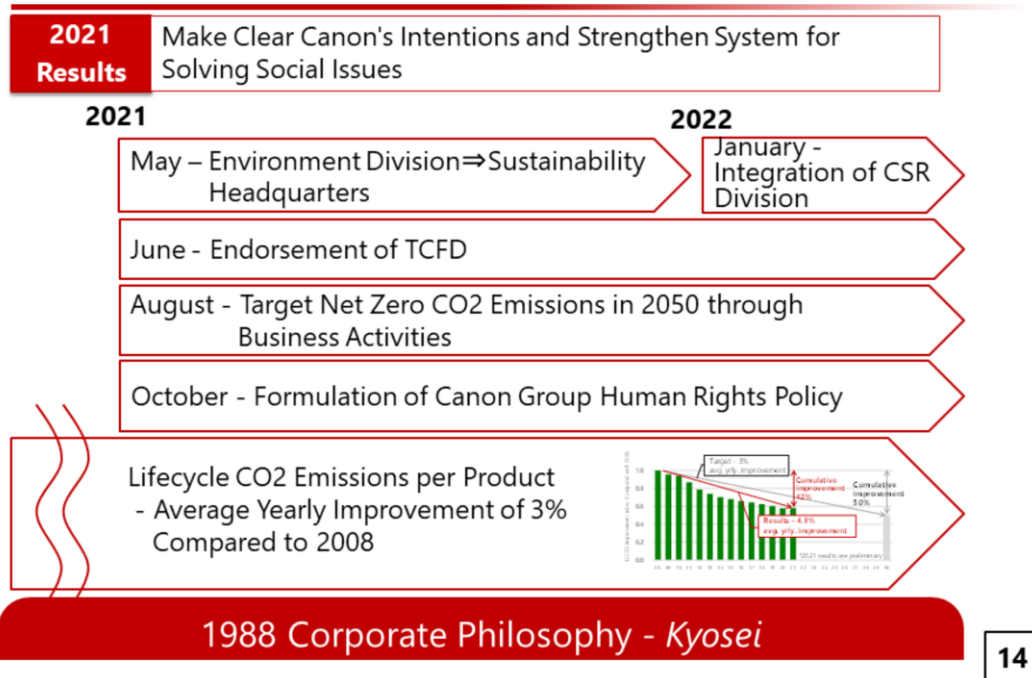
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Our basic policy is to maintain a sound financial position through strict cash flow management. Through this we consistently generate stable cash flow and out of this, we prioritize investments for future growth, such as capital expenditures, M&A, and R&D and then allocate funds to a stable and active shareholder return. Going forward, we will continue to adhere to this basic policy.

Last year, as our business performance improved significantly, we made steady progress in repaying debt while also investing in capital expenditures and M&A and raising our dividend to 100 yen per share. In the future, we will devote more than 200 billion yen every year to capital investment and carry out necessary M&As. And, from 2023, when the repayment of borrowings is completed, we aim to achieve a dividend payout ratio of 50%, and we will return our business performance to the level of 160 yen per share as soon as possible by carrying out the business strategies mentioned above. Through this, we hope to show our determination to meet the expectations of our investors.



## Actions to Solve Social Issues



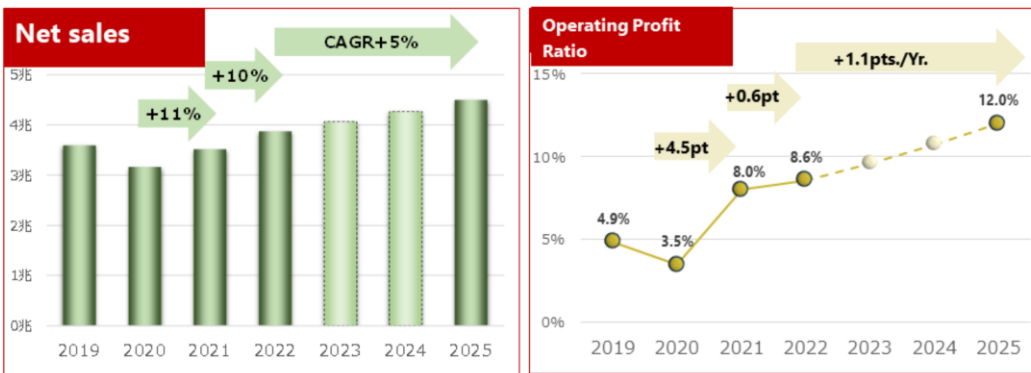
Our corporate philosophy is *kyosei* - Living and working together for the common good. This philosophy of coexistence is the very concept of SDGs. We have been working to preserve the global environment and build good relationships with stakeholders around the world.

Last year, we upgraded our environmental division and renamed it the Sustainability Headquarters. And from this year, we are integrating our CSR division with this headquarters and will strengthen actions aimed at solving social issues.

In terms of the environment, we declared last year that we would aim to achieve net zero CO2 emissions through our business activities by 2050. This is a lofty goal, but one that we will boldly take on. Our KPI is the Life Cycle CO2 Improvement Index for each product, and we have set a target of an annual average improvement of 3% with 2008 as the standard. So far, we have been improving faster than planned. Furthermore, in June of last year, we endorsed the TCFD, a task force established to disclose climate-related information in response to the requests of the G20, and will proactively disclose information on the risks and opportunities that climate change poses to our business from the perspectives of strategy, risk management, and governance.

On the social front, we respect the United Nations' human rights standards, and reaffirmed the spirit of respect for human rights that has been handed down since our founding in the Canon Group Human Rights Policy, demonstrating our commitment. Based on the principle of *kyosei*, we will continue to make every effort to realize an ideal society by confronting the various challenges faced by each country and region through repeated dialogue with stakeholders.

# Summary



- Good Start Towards Achieving 2025 Targets
- Return to Highly Profitable Company by Steadily Implementing Growth Strategy

Last year, in the first year of our 5-year initiative, Phase VI of the Excellent Global Corporation Plan, we were affected by product supply shortages, but our profits exceeded those of 2019 before the pandemic hit, and we are off to a good start in achieving our targets for 2025. We will continue to change by fully demonstrating the "enterprising spirit" and "Spirit of the Three Selves" that have been in our DNA since our foundation. In the final year of Phase VI, we will return to being a highly profitable company, achieving our performance targets for 2025 of net sales of 4.5 trillion yen or more, operating income ratio of 12% or more, and net income ratio of 8% or more.

**Canon**