

Canon Inc.
2023 Corporate Strategy Conference

Printing Group

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Printing Group Key Strategies

■ Phase VI Basic Policy

Promote new growth strategies that demonstrate group integration effects

■ Key Strategies (Phase VI, this year)

- 1. Expand target business areas and develop optimal products**
- 2. Strengthen product development capability through manufacturing innovation**
- 3. Strengthen digital services products**
- 4. Promote environmentally friendly manufacturing**

The basic policy of the Printing Group under Phase VI is to promote new growth strategies that leverage the effects of group integration.

As for the synergies resulting from group integration, the first refers to synergies in all areas of the development, production and sales of inkjet and electro-photographic products businesses, while the second refers to synergies between Canon Inc. businesses and Canon Production Printing, one of our subsidiaries in Europe.

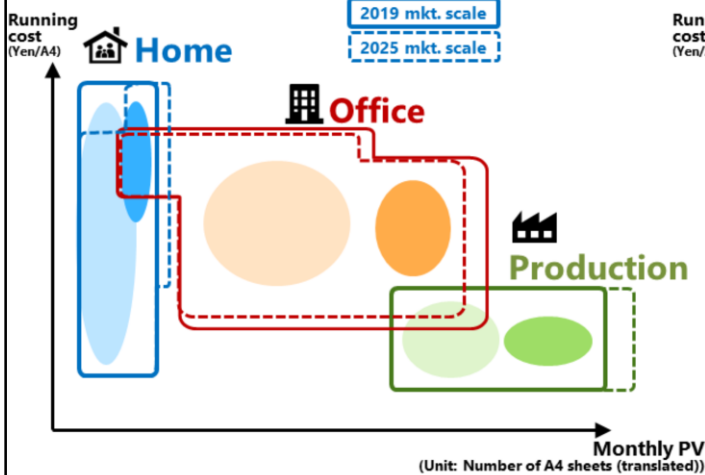
Here are the four key measures we are employing to achieve these synergies.

1. Expand target business areas and develop optimal products Canon

■ 1-1. Re-segment mkt. & define key markets

① Defined Mkts.

(Source: Research co. data and internal analysis)

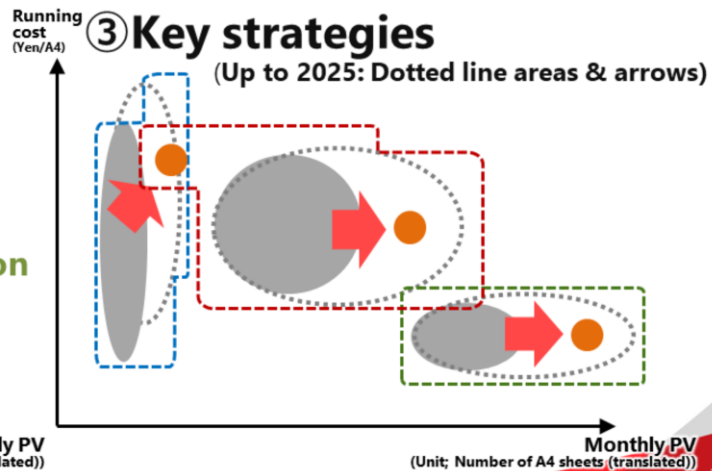


② Traditional

(2019: Gray areas)

③ Key strategies

(Up to 2025: Dotted line areas & arrows)



The first key strategy, which is “expanding target business areas and developing optimal products,” deals with re-segmenting and identifying key markets.

The grouping of printing divisions has changed the way we view the market. The market that we could not capture through individualized groups of home, office, and production was, through an integrated analysis of the entire group, reevaluated. And from this, a picture emerged, which highlighted not only the business challenges we faced from an individualized perspective, but also new targets.

This chart shows the resulting definition of printing markets based on our own analysis as well as the markets we are targeting.

In defining the printing market using the chart on the left, the horizontal axis represents monthly print volume, and the vertical axis represents print running cost, and shows the position of the home, office, and production markets, respectively.

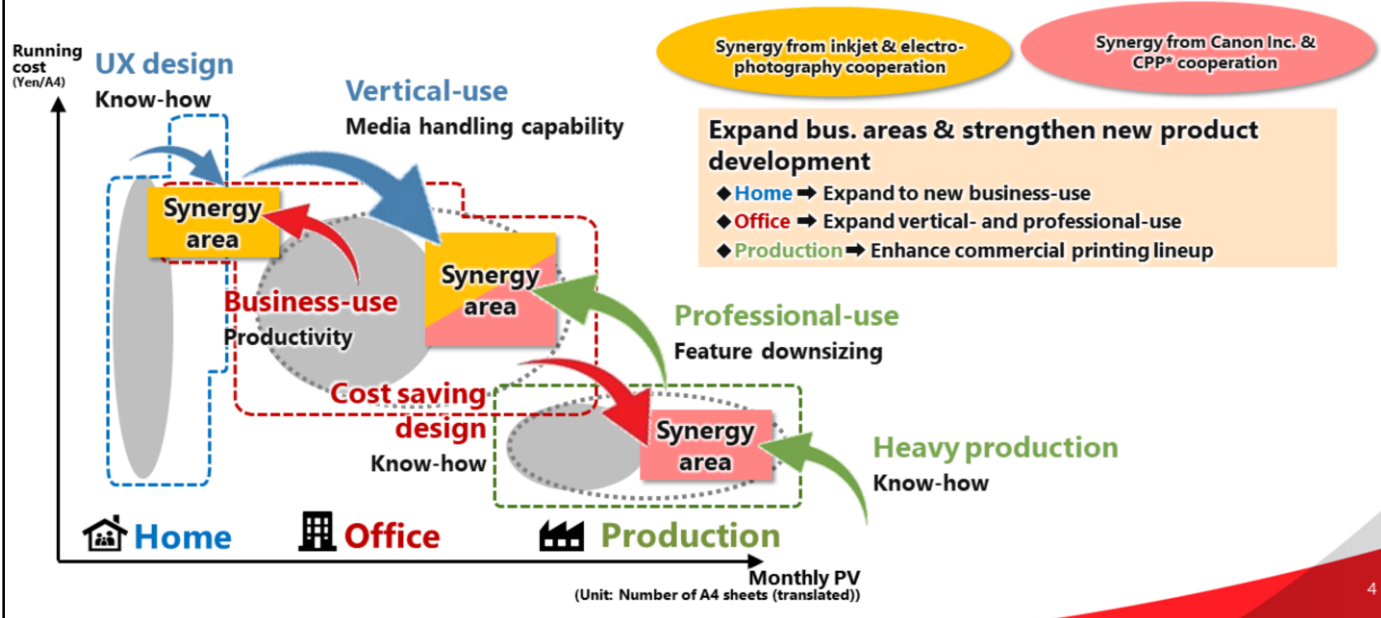
Superimposed on that position is the sizes of the market in terms of value, represented by the size of the square. The market value consists of printer hardware, consumables, and maintenance services. Additionally, the specific areas organized in this integrated analysis are indicated by ellipses. Within each market, we recognized areas of low-growth and low-profit, and areas of high-growth and high-profit where we were slow to address.

Up to now, we concentrated our product development efforts in low-growth, low-profit areas of the market due to the limited product development capabilities of individual groups. However, by grouping the printing divisions, we are now able to go after high-growth, high profit areas. We regard these areas as key markets and are promoting the development of optimal products.

1. Expand target business areas and develop optimal products Canon

1-2. Expand product development capability through group cooperation

* Canon Production Printing



This is about expanding our product development capabilities through synergy of group collaboration for key markets. This chart shows the points and areas of the two synergy effects resulting from group integration.

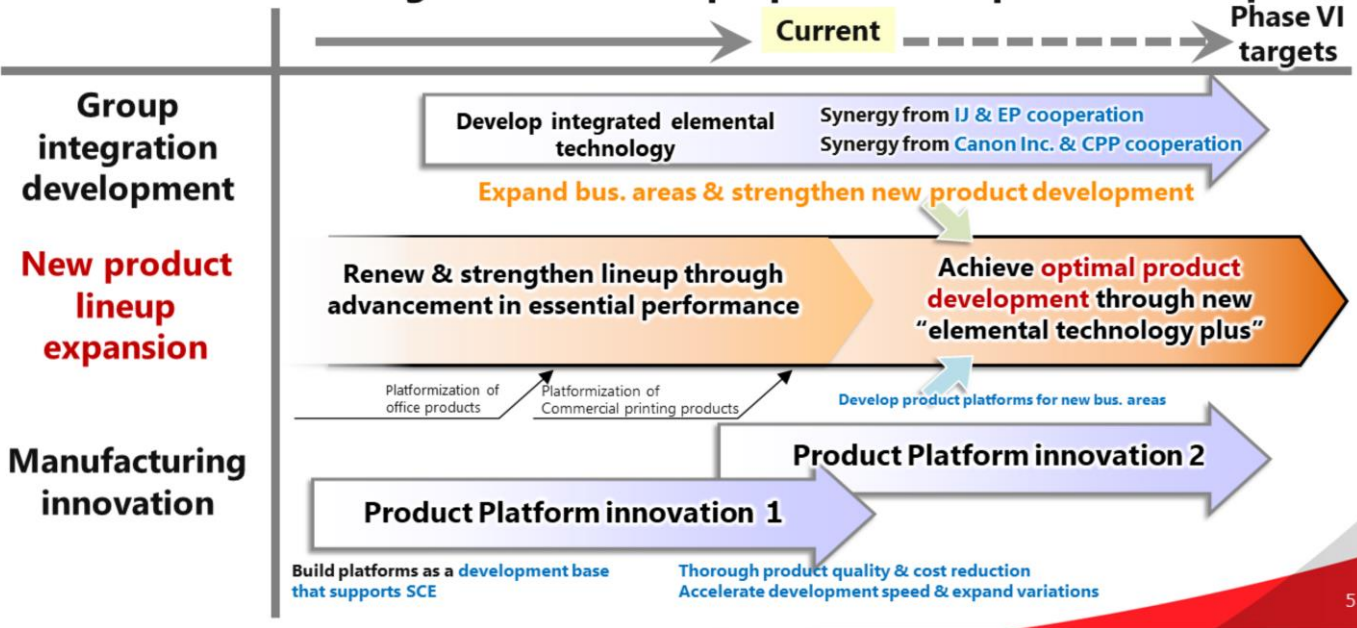
As for the home segment, we expand our ability to respond to business use, integrating UX design expertise with the business-use productivity of office products.

As for the office segment, we will expand this business area by leveraging the versatile media capabilities of inkjet products and by downsizing the professional-use functions of production products.

Furthermore, the production segment combines the compact and low-cost competitiveness of office products with Canon Production Printing's expertise in heavy-duty commercial printing products to enhance its product lineup.

2. Strengthen product development capability through manufacturing innovation **Canon**

■ 2-1. Manufacturing innovation & preparation of product lineup



The second key measure is “strengthening product development capability through manufacturing innovation.” The pillars of new product lineup expansion are “Group integration development,” and “manufacturing innovation.”

We are taking a two-pronged step of manufacturing innovation and product platform innovation.

In this context, the first step, "Product Platform Innovation," was carried out as an activity to strengthen the product lineup before Phase VI, starting with office products and now expanding to commercial printing products.

2-2. Expand platform development

Platform concept

Classify products into classes,

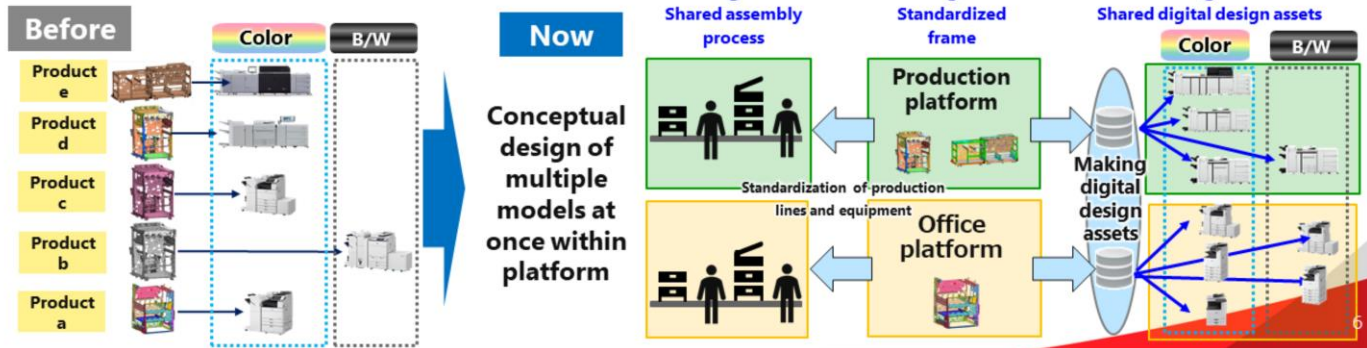
- ① **Standardized frame** by class
- ② **Shared assembly process** by platform
- ③ **Shared digital design assets** by platform

Completed product quality

Reduce Cost

Accelerate development

Expand variations



Next, expanding the development of platforms that support “Product Platform Innovation.”

The idea of platform development starts with classifying products into multiple classes and standardizing the frame for each class. In this way, production lines and facilities are made common, and production processes are shared among products on the same platform. In other words, we realize production based on a standardized method.

Another important theme of platform development is the construction of a mechanism to convert design information into digital assets through a virtual prototyping environment and to utilize digital design assets across the same product platforms.

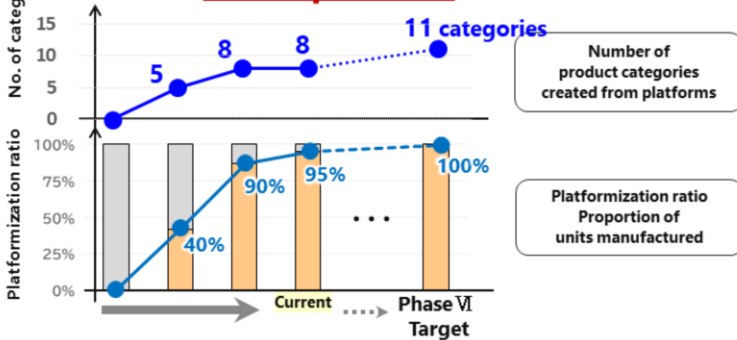
This mechanism has made it possible to not only simultaneously conceptualize and design multiple models based on the same platform, but also achieve completed product quality and cost reduction as well as shorten product development lead times, which in turn enabled us to expand our product range in a short period of time.

Update on Platformization

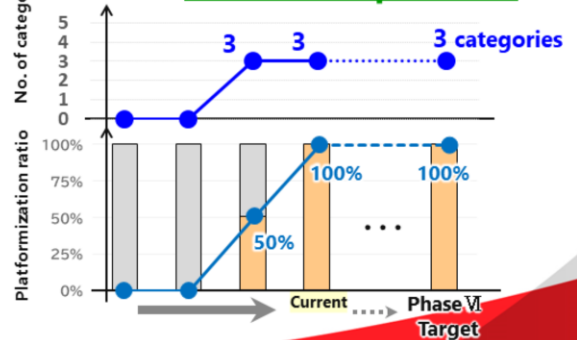
Platformization update



Office products



Production products



Next, the platform-enabled product plans being rolled out in Phase VI.

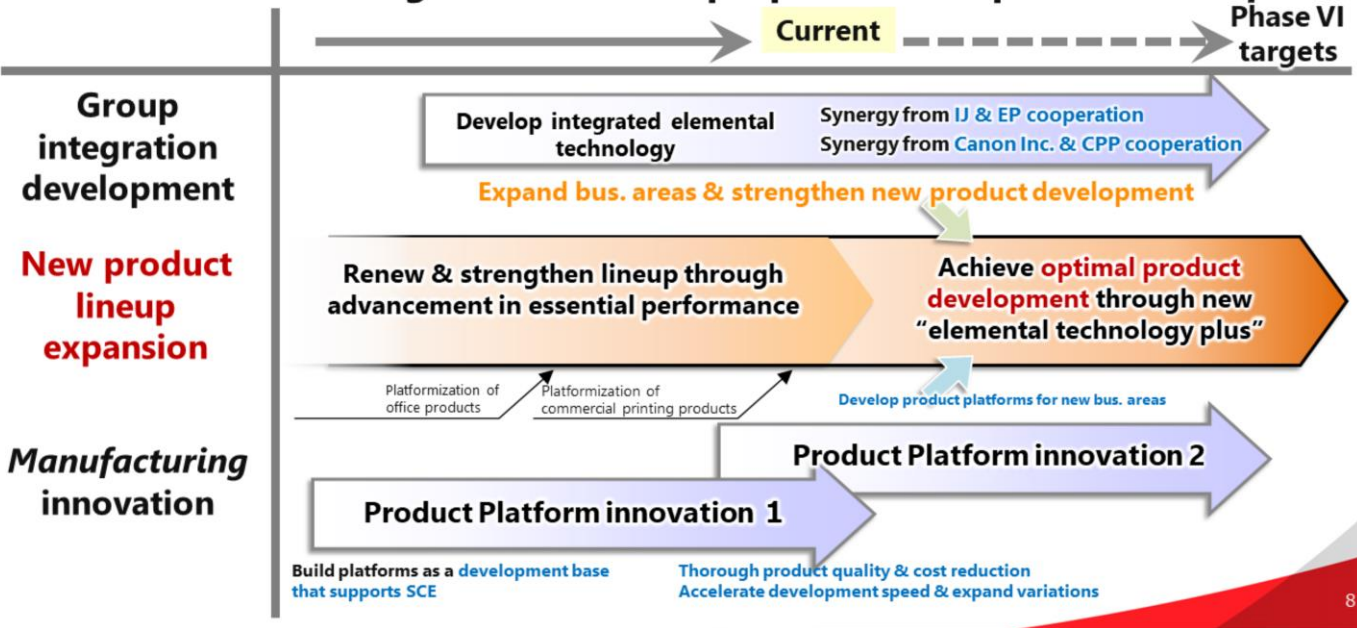
Currently, the Printing Group organizes its products, which range from professional-use to mass-market models, into classes according to their special characteristics, and is promoting the development of platforms by class.

Office and production products are being revamped through their product platform. As shown on this chart, the number of product categories and the percentage of production units that have been or will be converted to platforms will increase year by year. All products will be made platform compatible, and significant cost reductions will be realized within the period of Phase VI.

Additionally, in "Product Platform Innovation," up to now, we started with high-end platforms that feature scalability, and mid-range platforms that realize compact sizes. However, in "Product Platform Innovation 2," we will extend our rollout to low-end platforms that feature versatility.

2. Strengthen product development capability through manufacturing innovation **Canon**

■ 2-1. Manufacturing innovation & preparation of product lineup



In "Product Platform Innovation 2," the rollout of new product lineups in Phase VI, further evolution of platforms is also underway with the goal of realizing the development of optimal products by introducing newly developed new elemental technologies into platforms.

Market Share Targets & Update

(Source: Research co. data and internal analysis)

	2019 (Actual)	2020 (Group integration)	2022 (Mid-term actual)	Phase VI Targets
Production				
Commercial printing B2+B3 IJ	<u>2nd</u> 25%	Acquired No. 1 mkt. shr. position, strengthening product competitiveness through cooperative development +11pt	<u>1st</u> 36%	UP
Commercial printing A3+	<u>2nd</u> 18%	imagePRESS V-series launched +4pt	<u>2nd</u> 22%	UP
Large-format Printers GA/CAD	<u>2nd</u> 30%	Lineup enhancement (High-speed CAD, fluorescent ink etc.) ±0pt	<u>2nd</u> 30%	UP
Office				
MFDs Color & B/W	<u>2nd</u> 18%	Strengthen product competitiveness through essential performance enhancement +2pt	<u>1st</u> 20%	UP
Prosumer				
Inkjet Printers Home & Business	<u>3rd</u> 27%	Strengthen product lineup and respond to home demand etc. ±0pt	<u>3rd</u> 27%	UP

Next, using unit sales market share as an indicator to gauge the progress made in key measures.

Two years have passed since the start of Phase VI. Despite this, and partly thanks to measures taken prior to the commencement of Phase VI, results are already showing in our 2022 market share.

For example, consider Office segment products, which are highly regarded for their reliability and high quality. By enhancing product competitiveness through the strengthening of essential performance features such as quality and costs, we increased our market share to secure the No. 1 market share position in both 2021 and 2022.

Additionally, even in the high-end segment of production printers, we secured the No. 1 position in 2022, as we rapidly increased our market share thanks to products that deliver high image quality nearing that of offset printers, as well as stress-free productivity.

In the lower-end of our production segment, we have high expectations for the rollout of 3 products from our imagePRESS V-series that we launched last year, thanks to platform development.

As we approach 2025, we will expand the scope of our business field and introduce optimized products. We will also seek to increase our market share in conjunction with existing markets.

3. Strengthen digital services products

- **3-1. Strengthen digital services products availability globally**

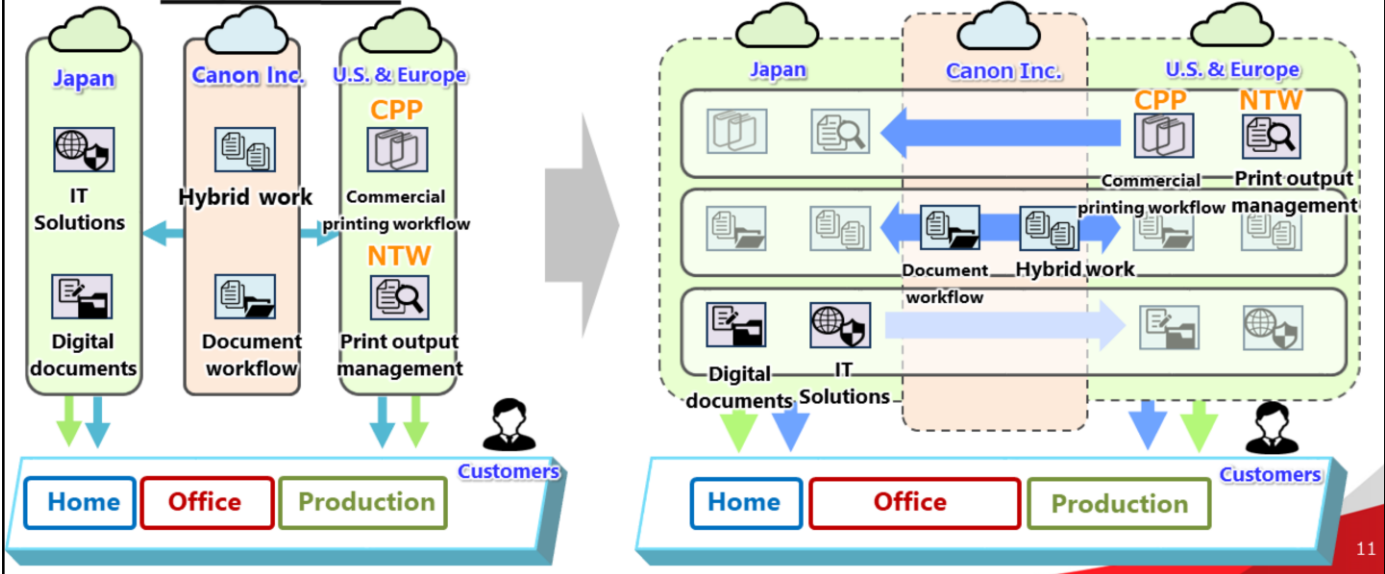
- **3-2. Develop industry-specific solutions for cyber-physical system products**

Next, key measure number 3, “strengthening digital service products.

Until now, Canon’s printing business had been unable to formulate a clear strategy for the development of digital service products. So far, digital services, or solution-oriented products, have been developed mainly by sales companies in each country based on the recognition of strong regional market characteristics.

3. Strengthen digital services products

3-1. Strengthen digital services products availability globally Up to now Phase VI -



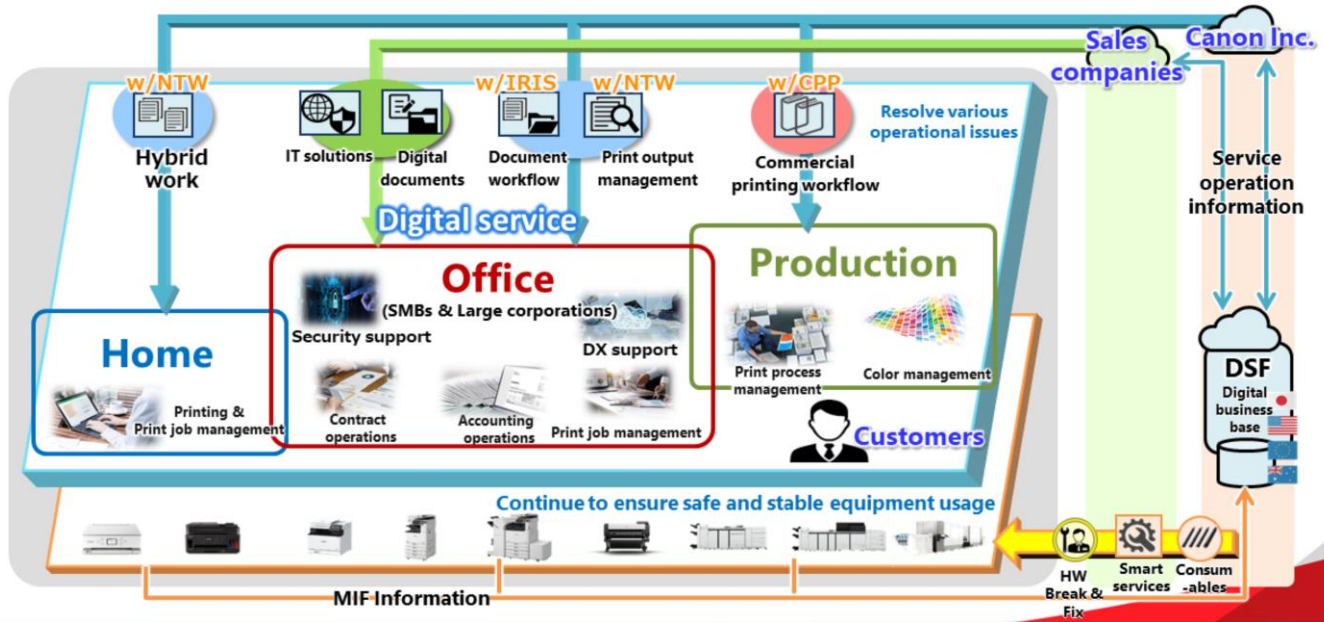
However, as the focus of solution products has entered the cloud-based era, we have come to realize that global product development is fully possible.

The key points of this key measure are twofold.

The first is the global expansion of digital service products originating in each country. To this end, Canon Inc. will promote global expansion of its core products in each country.

3. Strengthen digital services products

■ 3-2. Develop solutions for cyber-physical system products by industry



The second fold is digital service products that link services with hardware products, which we call cyber-physical system products in conjunction with hardware.

In terms of the development of specific digital service products, we will enhance products for home, office, and production.

4. Promote environmental friendly manufacturing

- **4-1. Construct risk-responsive manufacturing system**
 - Strengthen Japan-based full-scale manufacturing system

- **Promote “Green Transformation” (GX) responsive manufacturing**
 - Build green platform

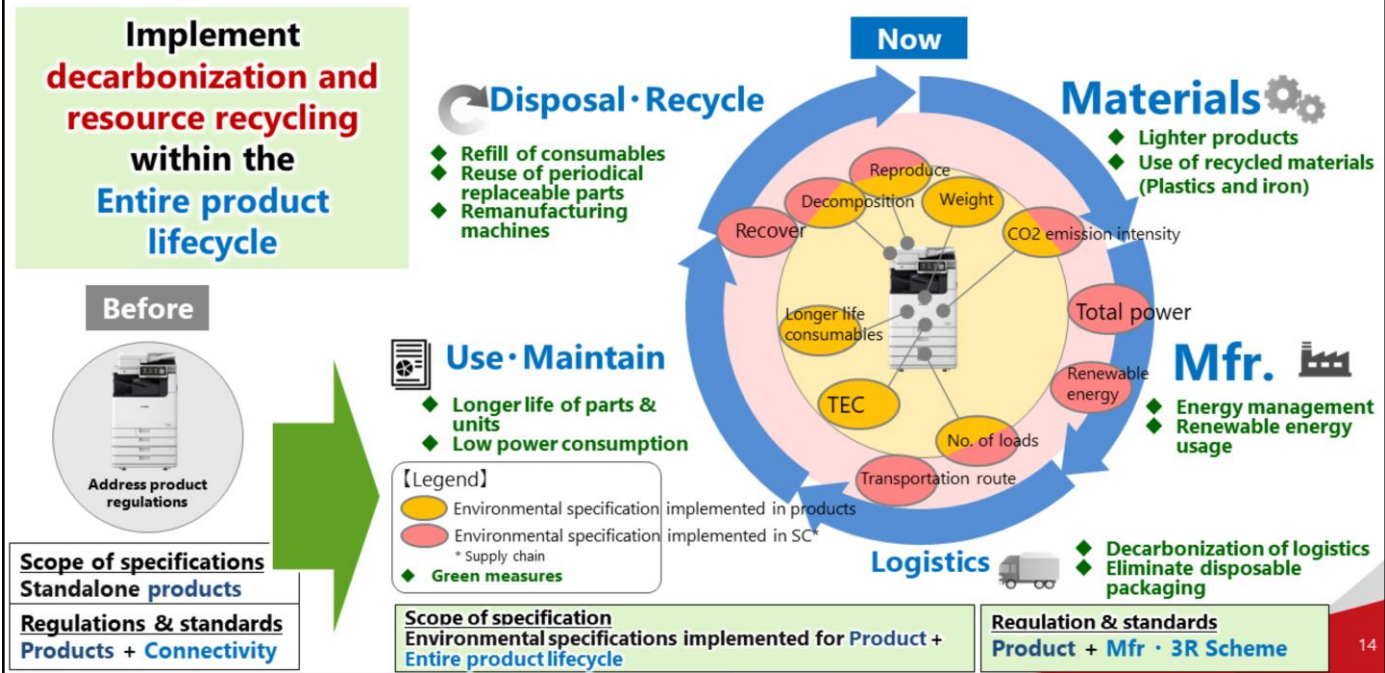
Next, the fourth priority measure, "promoting environmentally friendly manufacturing."

The first measure is to "build a risk-responsive production system." In terms of risk response, we have been building a flexible production system that relies on standard production methods and is less dependent on production sites than in the past, and "product platform innovation" has made a significant contribution to this. This enables us to quickly evacuate facilities in high risk environments with little loss.

On top of implementing these kind of basic measures, we are strengthening our full-scale domestic production system. We are strengthening our system based on the recognition that the best place to evacuate from risk is within Japan.

And the second measure is "Promotion of green transformation and GX-responsive manufacturing." The background to this policy is the response to recent global trends.

Promote GX responsive manufacturing



Specifically, requirements for product specifications have moved beyond what is traditionally referred to as "product-only specifications." This means responding to the growing demand for product specifications for conformity to certain global standards, so to speak, including the environment in which products are manufactured and the environment that controls and guarantees the life of products in the marketplace.

To this end, we are promoting GX-compatible manufacturing. As shown in the chart, we are currently making products that are decarbonized and recyclable throughout the product life cycle.

As part of Phase VI measures, we plan to develop and implement a wide range of green measures to enhance the environmental specifications implemented in our products and in our supply chain.

GX-responsive manufacturing not only complies with regulations on individual products, but also satisfied global ecological standards, including production and the 3R scheme of Reduce, Reuse and Recycle.