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# Canon Inc. Corporate Strategy Conference 2021

**March 4, 2021**

**Fujio Mitarai, Chairman & CEO**

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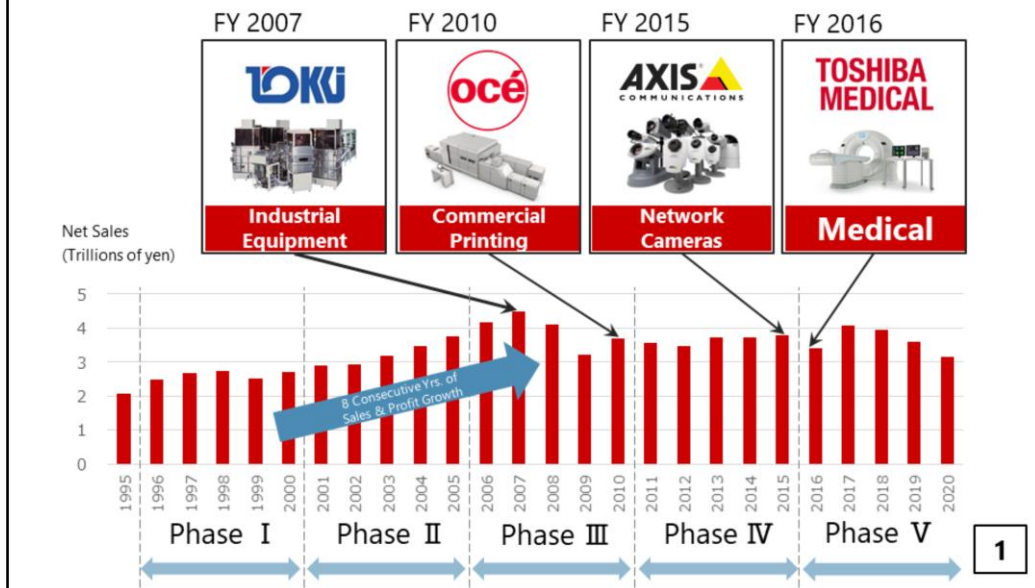
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■ Summary P 15

# Excellent Global Corporation Plan up to Phase V

## 4 New Businesses

- Set up 4 new businesses, acquiring leading companies in each field

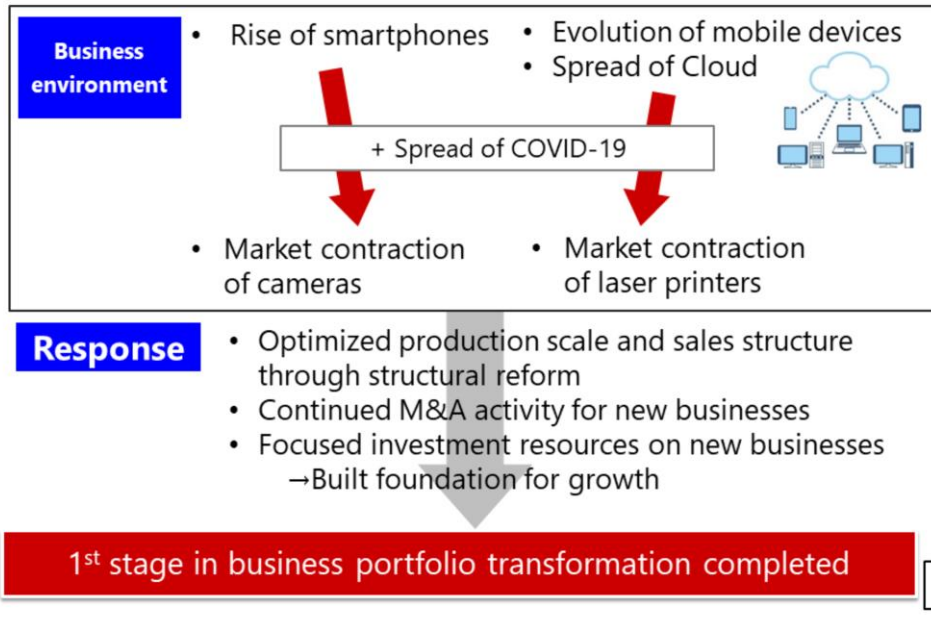


When I became president of Canon in 1995, we were holding a large amount of interest-bearing debt as we relied heavily on corporate bonds and bank borrowings for funds. Because of this, we took steps to strengthen our corporate structure, carrying out various management reforms, such as implementing thorough cash flow management, withdrawing from unprofitable businesses, and reducing costs through production innovation. At the same time, we also rode the wave of digitization, promoting the shift to digital cameras and multifunction devices (MFDs), and from 2000 to 2007 we achieved an increase in both sales and profits for eight consecutive years, resulting in essentially debt-free operations.

However, we did not expect this situation to last long, as it was merely replacement demand following the transition from analog to digital products. For this reason, and with the aim of securing new growth potential, we began to steadily acquire leading companies in growth markets, starting with Tokki, an industrial equipment manufacturer, in 2007, Océ, a leader in commercial printing, in 2010, and Axis, a leader in network cameras, in 2015.

In Phase V, which started in 2016, we designated the medical field, with which we have had deep ties since our founding, as a future core business, and welcomed Toshiba Medical to the Canon Group. With this acquisition, we were able to make a major shift in our business portfolio, lining up four new businesses that will drive our future growth. And as planned, under our new business portfolio, in 2017, we posted record high results since the collapse of Lehman Brothers, posting 4 trillion 80 billion yen in net sales and 241.9 billion yen in net income, which shows a level of positive effect from our strategy.

## Excellent Global Corporation Plan up to Phase V



At the same time, however, we saw the market rapidly shrink for cameras, due to the rise of smartphones, and laser printers, due to the evolution of mobile devices and the spread of the cloud. Despite maintaining high market share, both businesses, which have been drivers of Canon's performance, gradually lost sales. On top of this, last year, economic activity around the world stagnated due to the impact of COVID-19, causing demand to evaporate, and forcing us to post very weak results.

Amid the ongoing market contraction of existing businesses, due to severe change in the business environment, we swiftly took structural reform measures focusing on optimizing production scale and improving the efficiency of our sales organization in line with our new business portfolio. We also established a foundation for growth by maintaining our focus on M&A to further reinforce the competitiveness of our four new businesses, and by concentrating resources such as personnel and R&D. And as a result of Phase V, we completed the first stage of transforming our business portfolio.

# Excellent Global Corporation Plan Phase VI

## FY 2021-2025

### 2<sup>nd</sup> stage in business portfolio transformation

- Accelerate growth of 4 new businesses
- Cultivate new business areas by integrating existing and new business technologies

**Key strategy** Enhance business competitiveness by organizing into industry groups

**Sales target**



Phase VI of the Excellent Global Corporation Plan, which we initiated this year, represents the second stage of our business portfolio transformation. During this period, we will not only accelerate the growth of our four new businesses, but will also develop new business fields by integrating the technologies of current and new businesses. Through this, in 2023, which marks the midway point of our 5-year plan, we aim to exceed our results of 2017. And in 2025, the final year of our plan, we aim to exceed our record sales of 2007. At that time, we expect new businesses in total to account for 36% or more of sales and 38% or more of operating income.

The key strategy for achieving this goal is "Enhancing competitiveness through company-wide realignment into a new industry-oriented business group structure."

# Excellent Global Corporation Plan Phase VI

## Realign into 4 Industry Groups

### ■ Change from Product Group to Industry Group business structure

- Provide new products and solutions through technology based "Chemical Reaction"
- Prompt decision making through centralized responsibility












Until now, we have operated under a business division structure vertically organized by separate products. And based on this structure, we worked to distribute the products we developed around the world and also accumulate technologies. However, in recent years, the rapid pace of digitalization through innovation has created a variety of market needs. In order to respond to these needs, we will reorganize our businesses into broader, industry-specific categories, and combine each of their technologies to create what we call "chemical reactions" within the company to provide a variety of products and solutions. To this end, we will reorganize our entire operations into four groups of "Printing" "Optical Industry" "Industrial Equipment" and "Medical," concentrating our diverse and dispersed resources to raise the productivity and quality of divisions related to new product development and manufacturing, and enable prompt decision-making by unifying responsibility and authority.

This will allow for higher synergies via the sharing of technologies and information without barriers which we will link to raising product competitiveness and creating entirely new growth drivers.

# Printing

■ Canon's printing business field

	For home 	For office 	For commercial & industrial printing 
Electro-photography method	Laser printers 	MFDs 	Commercial printing 
Inkjet method	Inkjet printers 		Large-format printers  Industrial printing (Label/Package printing) 

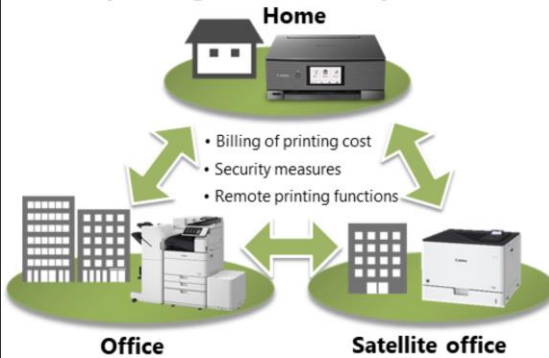
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There are basically two major types of printing technologies, electrophotography and inkjet, and a broad range of printing applications, from hobbies and learning at the home to office work and mass high-speed printing in the printing industry. Our Printing Group covers a broad range of this and includes existing businesses such as MFDs, laser printers, and inkjet printers as well as new businesses such as commercial printing and industrial printing.

# Printing

- Home and office printing: Expand sales through share gain

## ➤ Dispersing demand for print



## ➤ Enhance product competitiveness

1. Enhance cost competitiveness  
Development: Speed up, limit expenses  
Production: Reduce costs
2. Enhance digital services



- Commercial printing: Steady growth thanks to digital shift
- Industrial printing: Full-scale entry into labels and packaging etc.



Achieve 5% or more annual growth across Printing Group

6-1

In home and office printing, we are seeing a change in how businesses and individuals perceive value, triggered by COVID-19. This is leading to a diversification in work styles, which will inevitably result in some degree of lower demand for office printing. However, this is also leading to new printing opportunities in places like satellite offices and in the home and other places, mainly due to an increase in remote working. Taken together, it is difficult to see a significant decline in overall demand. Under such conditions, we will work to expand our overall market share and sales to build this into a pillar of earnings.

In April of last year, we established our Digital Printing Business Operations, combining our MFD and inkjet business divisions. From our strength in this area, which is derived from having both electrophotography and inkjet printing technology, we have prepared a broad product lineup that addresses needs from the home to office and even professionals. Our strength also comes from having a diverse sales channel, and a service and support network that covers a wide area. Through integration, we will make the most of our strengths, offering products and services that support print demand in workplaces dispersed by COVID-19.

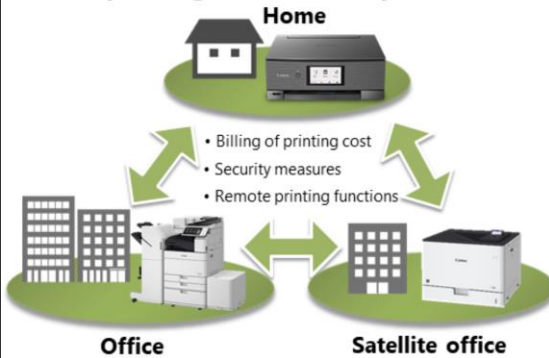
We will also strive to increase our product competitiveness in order to expand our market share in the mature market of MFDs. Starting with this year's new products, we will work to add strengthened price competitiveness to superior quality and durability, which customers already highly evaluate, by speeding up development and lowering related expenses as well as significantly reducing production costs.



# Printing

■ Home and office printing: Expand sales through share gain

➤ **Dispersing demand for print**



➤ **Enhance product competitiveness**

1. Enhance cost competitiveness

Development: Speed up, limit expenses  
Production: Reduce costs

2. Enhance digital services



■ Commercial printing: Steady growth thanks to digital shift

Industrial printing: Full-scale entry into labels and packaging etc.



**Achieve 5% or more annual growth across Printing Group**

**6-2**

Also, thanks to technological breakthroughs, digital information is being processed in large quantities and at high speed in cyberspace. However, paper media is superior in terms of readability and other aspects when people use processed information, and we believe that demand for printing will not decrease significantly in the future. We will integrate both analog and digital information by strengthening cloud-based collaboration and scanning functions, and support the advancing DX of customers to expand sales.

In digital commercial printing, we expect the market to grow steadily due to the shift away from analog printing, which accounts for more than 80% of the market. Digital commercial printing is also less likely to be impacted by paperless trends such as that seen in office printing. In addition to enhancing our product lineup, we will also make a full-scale entry into industrial printing, in areas such as label and package printing, in order to expand our business. And to make it the core of our printing business in the near future, we will expand activities mainly with Canon Production Printing, the former Océ.

Supported by these measures, in Phase VI, we aim to achieve 5% or more annual average growth for the entire Printing Group, which includes both current and new printing areas.

# Optical Industry

## ■ Expand business field from cameras to optical industry

### 1. Existing Camera business



- Solidify top market share position
- Expand lineup for professionals and advanced amateurs



### 2. Network cameras



- Growing market
- Expand solutions that respond to needs for safety and security



### 3. New Optical business



- Create new businesses based on optical technology



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The camera market has contracted significantly due to advances made in smartphone image capturing functions. Despite this, the broader optical industry is a promising growth area for imaging devices that comprise mainly lenses and sensors. We aim to expand our business field from cameras to optical industry by integrating our optical technologies cultivated in our camera business with the wide variety of other technologies that we possess.

We envision three areas in which our optical industry will play a major role. The first is existing cameras which has played a key role until now.

The interchangeable-lens camera market continues to shrink and has already shrank to one-third of its peak size, but the pace of decline has slowed year after year and we now have a sense that it has begun to bottom out.

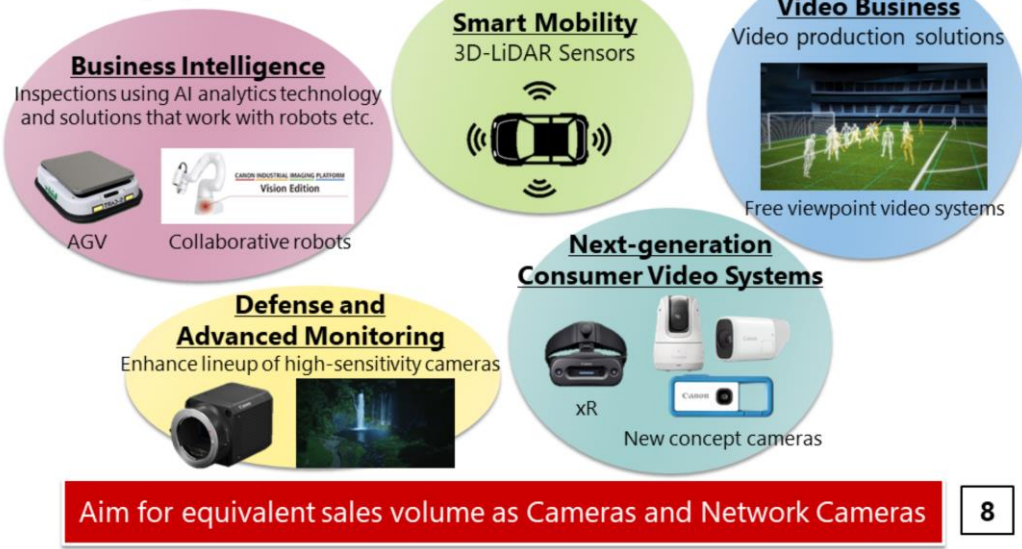
Going forward, we plan to maintain our sales revenue, keeping our top market share position by expanding our lineup of mirrorless cameras and lenses for professionals and advanced amateurs who are people that are particular about image quality and camera functions. In terms of profitability, we will secure a double-digit operating profit ratio through measures such as automation, in-house manufacturing as well as a review of our business structure.

The second area is network cameras. In a market that continues to grow at an annual rate of about 10%, we have grown at even a faster pace. Today, surveillance cameras not only serve as social infrastructure in response to the fundamental human need for safety and security, but are also being used in marketing and manufacturing process management. They are even being used by hospitals, as part of solutions for avoiding contact and crowding through remote monitoring to prevent the spread of COVID-19 infection. In this expanding market, we aim to double our sales over the next five years.

# Optical Industry

- Apply cameras across various fields as information input device

For example,



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The third is the creation of new businesses based mainly on optical technologies. When we look at cameras from the perspective of being information input devices, they have a wide range of applications, and some buds have already emerged. For example, in the growing market of smart mobility, we have begun to supply optical units used in 3D-LiDAR sensors, which are necessary for autonomous driving, and we plan to expand our business by developing unique in-vehicle cameras in cooperation with other companies.

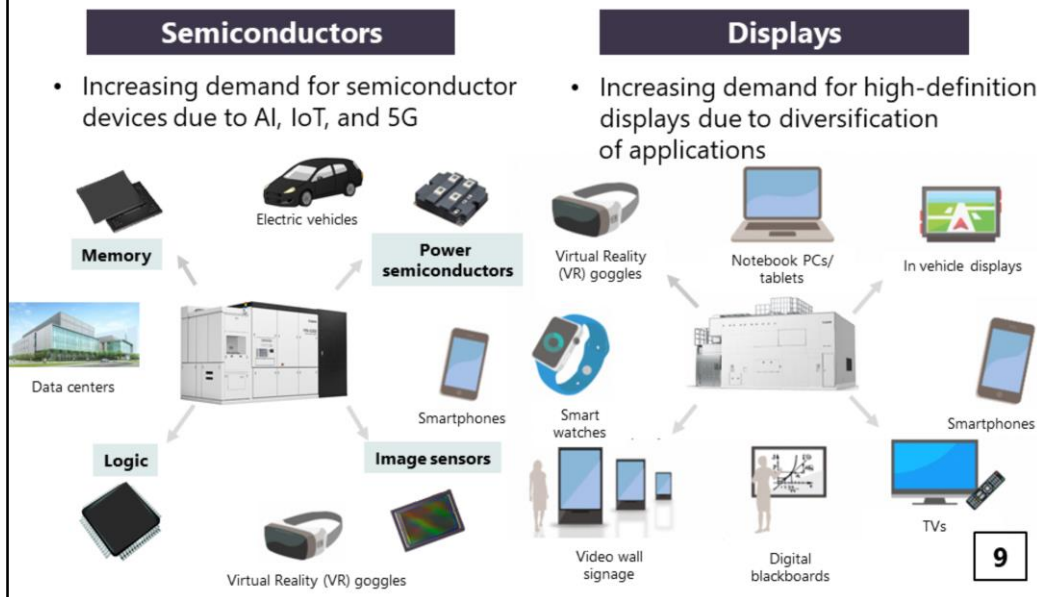
In the business intelligence area, we will target not only distribution and production sites, but also public infrastructure areas to provide inspections that leverage AI analysis technology and various other solutions that work with robots. In the defense and advanced monitoring business, we will expand our lineup of high-sensitivity cameras that have improved night vision image capture ability and aim to become the industry's No. 1. Additionally, in the future, we will not only sell input and output imaging equipment, but also enter video production offering solutions such as the free viewpoint video system.

In addition, we will work on the construction of next-generation consumer video systems. For the personal, home, and virtual markets, we will build a mechanism for users to express various images based on new hardware such as new genre cameras and xR devices, and aim to set up businesses with a view of advancing service and data businesses.

We will expand these new businesses to the same scale as cameras and network cameras and grow them as the third pillar supporting our optical industry.

# Industrial Equipment

- Continued growth in demand for manufacturing equipment due to expanding application



Demand for semiconductor devices and high-definition displays is increasingly growing due to expanding usage thanks to innovation in digital technologies such as AI, IoT, and 5G. Based on this, we expect demand for manufacturing equipment that produce these devices to continue to grow.

We have earned high market share for our mainstay products, which include i-line, KrF, and flat panel display lithography equipment as well as OLED vacuum deposition equipment. This reflects our response to customer needs, which has been highly evaluated. Going forward, we will work to maintain and improve our market share in these growing markets. Additionally, to further top line growth, we aim to establish new business areas in this field.

# Industrial Equipment

## Lithography Equipment



- Maintain high market share, respond to customer needs

## OLED Vacuum Deposition Equipment



- Expand into fields where growth is expected, such as TVs and smart glasses

## Nanoimprint



- Accelerate verification process with semiconductor device manufacturer to start mass production and expand application

Achieve nearly double-digit growth for Industrial Equipment Group

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We will utilize nanoimprint technology to enter the leading-edge segment of semiconductor production. Currently, most of the technical issues with nanoimprint have been solved. Going forward, we will work with a semiconductor device manufacturer to start mass production and also proceed with studies to expand the usage of this technology.

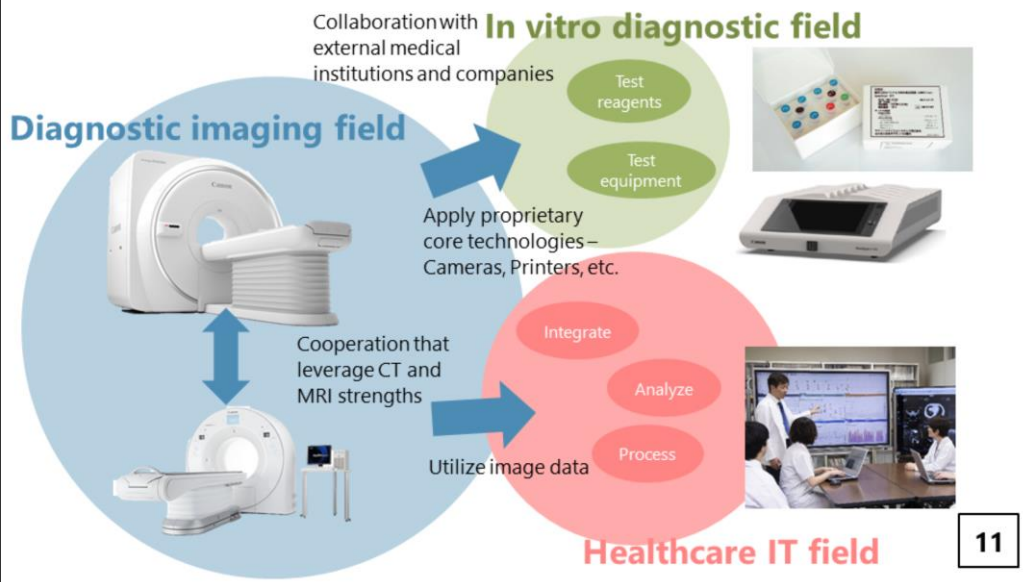
In the field of OLED vacuum deposition equipment, our equipment has earned high marks for high definition technology and superior productivity, allowing us to secure an overwhelming share of the market for small and medium-sized device and become the industry standard.

Based on our technology and product reliability which backs our performance, we will work to establish a position as an industry standard in fields that are expected to expand, such as large display and smart glass applications, where high definition is advancing, and achieve close to double-digit sales growth for the Industrial Equipment Group overall.

In terms of profitability, we will work to expand our aftermarket business. Making full use of IoT, we will work to build a system that efficiently provides high-value services that benefit our customers, such as operational monitoring, fault prediction, automatic recovery, and remote support, thereby raising profitability.

# Medical

- Expand business field, investing resources maximally



Our medical business satisfies all three conditions for new businesses: "sufficient market size," "high growth potential," and "affinity with our technology." Although it is being temporarily impacted by COVID-19, people's awareness of health is growing even higher. Going forward, we will accelerate growth, investing resources maximally.

In our product strategy, we will work to expand sales, offering new clinical value by further enhance the performance of each diagnostic imaging device that has become more competitive over the past several years through the launch of a series of new products, and raising coordination between devices.

For example, we will support higher-quality diagnosis and treatment, using healthcare IT to integrate, analyze, and process image data that take advantage of CT and MRI features, systems where we excel and expect high growth, respectively. This will contribute to lowering the burden on hospital management and healthcare professionals.

In addition to expanding sales of diagnostic imaging equipment, we will expand our domain as a medical equipment manufacturer by utilizing our core technologies, used in products such as cameras and printers, and by collaborating with external medical institutions, venture companies, and major medical companies.

For example, we will work to expand this business by making a full-scale entry into the field of in vitro diagnostics, including the areas surrounding testing equipment such as test reagents, and making the most of the comprehensive capabilities of the Canon Group.

# Medical



Achieve 5% or more sales growth and double-digit operating profit ratio

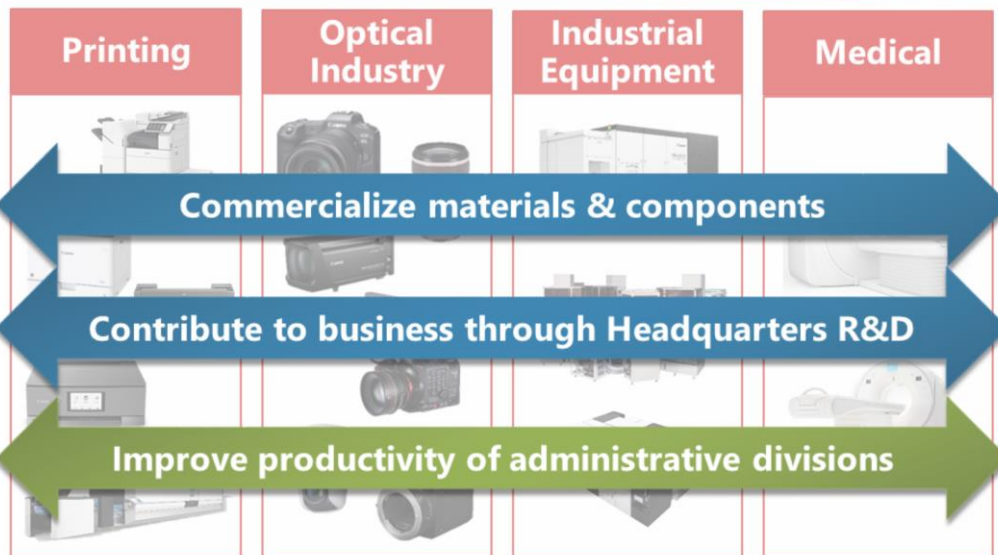
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We will continue to invest aggressively in R&D to transform our product portfolio and realize our growth scenario. As for cost reduction, we are planning to achieve even greater results over the next five years through the production innovation project we launched with the production engineering headquarters, under which we are working on a number of tasks, and by working on cost reduction from the design stage.

From a sales & marketing perspective, we will work to expand medical business sales by strengthening our sales structure in Japan to extend our market coverage, expanding our sales network in the United States, the world's largest market, and to continue to actively invest to raise our presence in emerging markets through cooperation with local companies, which has already achieved results in some areas, such as a joint venture with R-pharm in Russia.

Through these measures, we aim to achieve annual sales growth of more than 5% over the next 5 years, and to achieve a double-digit operating profit ratio in 2025 by increasing sales and reducing costs.

## Reinforcement of Global HQ Functions



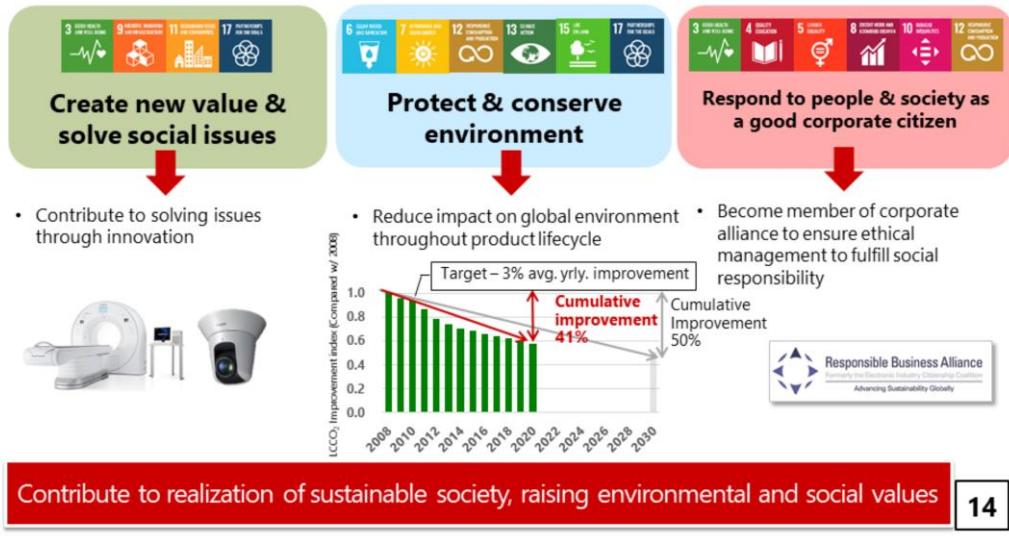
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In order to support the growth strategy for each group discussed so far, we will thoroughly strengthen global headquarter functions, such as improving the productivity of administrative divisions by introducing a more dynamic and merit based human resource management system, and developing a headquarters R&D structure that is more aware of business contributions. We will also create a cross-cutting organization to commercialize materials, components, and other products that leverage all of our technologies, creating new businesses from within the company that have traditionally relied on M&As, which will contribute to increased earnings.



# Measures to Resolve Social Issues

■ Philosophy of *Kyosei* established in 1988=the idea of SDGs



In Japan a pledge has been made to reduce greenhouse-gas emissions to net zero by 2050, and companies are being increasingly asked to fulfill their responsibility to protect the environment. Additionally, due to the spread of COVID-19, ensuring the safety of people has become a social concern for both individuals and companies. For corporate citizens and corporate management in the coming era, it goes without saying that it is essential that we tackle these social issues proactively and thoroughly, in the same way we strive to improve our performance.

Since our founding, we have upheld our management philosophy of "Respect for Humanity" and in 1988, the 51st year of our founding, we developed this into a global corporate philosophy and adopted "Kyosei" to represent it. Based on this philosophy, we have built good relationships with the global environment and stakeholders around the world by actively engaging in community-based activities. In fact, *Kyosei* and SDGs are exactly the same idea. As a global company, we have been making sincere efforts to contribute to society in a variety of areas, including environmental measures such as the world's first toner cartridge recycling initiative, the Tsuzuri Project, which aims to hand down valuable cultural assets to future generations. We also manage the Canon Global Research Institute, which conducts research on world affairs and makes policy proposals, and the Canon Foundation, which aims to conduct academic and cultural research and provide wide-ranging support.

In Phase VI, which we initiated this year, we will further contribute to the realization of a sustainable society by exercising our social responsibility through not only the creation of new social value through our technology, but by also reducing environmental burden throughout the entire lifecycle of our products and in our supply chain.

## Summary

### ■ 2025 Targets

<b>Net sales</b>	<b>4.5 Trillion yen</b>
<b>Op. profit ratio</b>	<b>12% or higher</b>
<b>Net income ratio</b>	<b>8% or higher</b>
<b>Stockholders' equity ratio</b>	<b>60% or higher</b>

FX 1USD=105 JPY, 1EUR=120 JPY

**Aim to return to high profit earning company**

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The rapid transformation of the global economy caused by COVID-19 has only just begun, and market needs will continue to diversify in various locations and phases. In response, we will work to maintain our high competitiveness in each field, continuing to evolve and demonstrate the "enterprising spirit" and "The Spirit of Three Selves" that has been our DNA since our founding. And in 2025, the final year of Phase VI, during which we will strive to make a great leap forward, we aim to return to a highly profitable company with sales of 4.5 trillion yen or higher, an operating income ratio of 12% or higher, and a net income ratio of 8% or higher.

**Canon**