

**Canon Inc.**

**2024 Corporate Strategy Conference**

# **Canon Overall Strategy**

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**Canon**

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## Excellent Global Corporation Plan Phase VI

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■ Review up to 2023

# Review up to 2023

Strengthened business competitiveness and built structure that realizes new growth

## Printing

Office MFDs



Printers



New Businesses



Commercial printing



## Medical



## Imaging



Cameras



Network cameras

New imaging



## Industrial



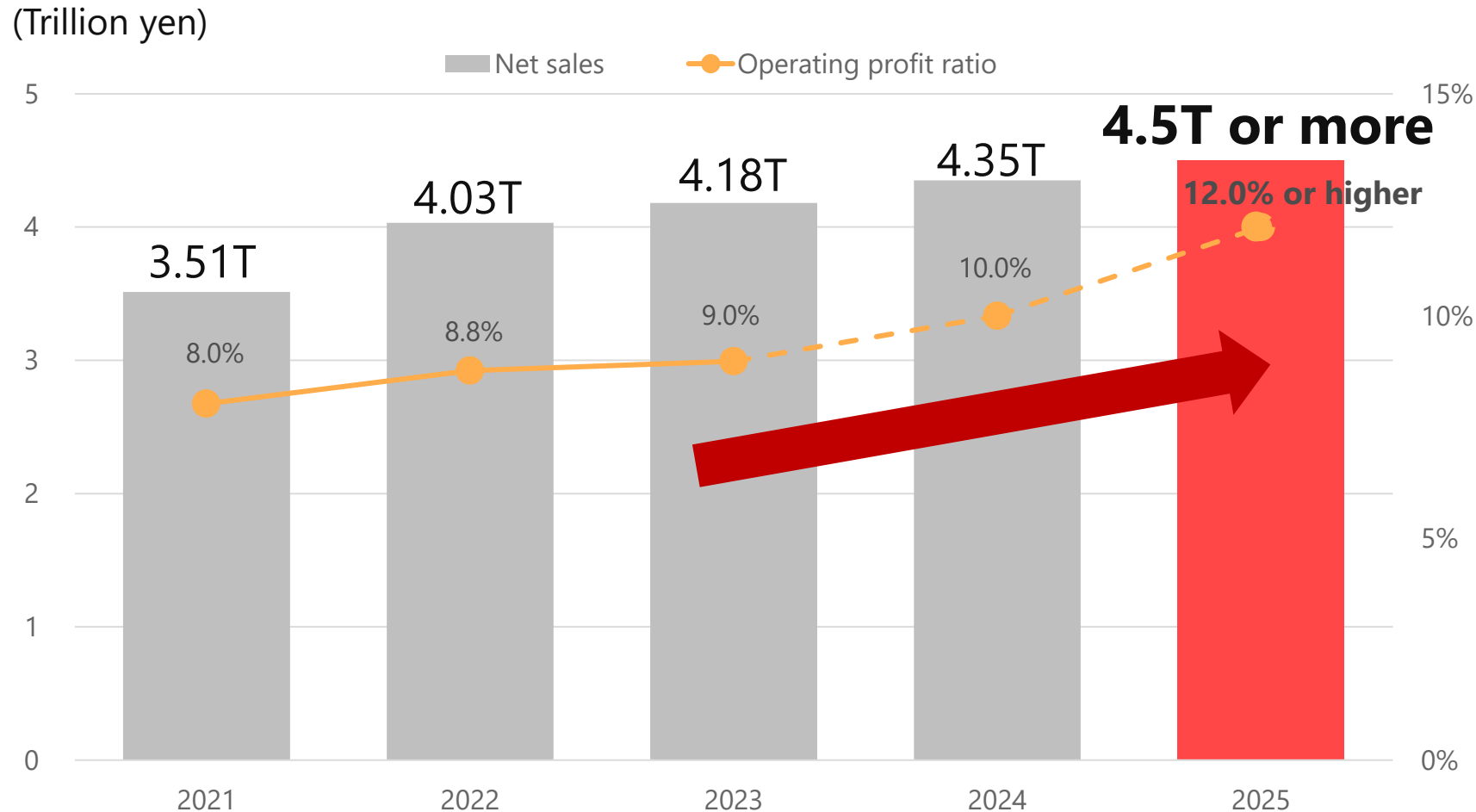
Lithography equipment



Industrial equipment



## A New Canon through Business Portfolio Transformation



### 2025 Targets

**Net Sales: 4.5 trillion yen or more**

**Op. Profit Ratio: 12% or higher**

**Net Income Ratio: 8% or higher**

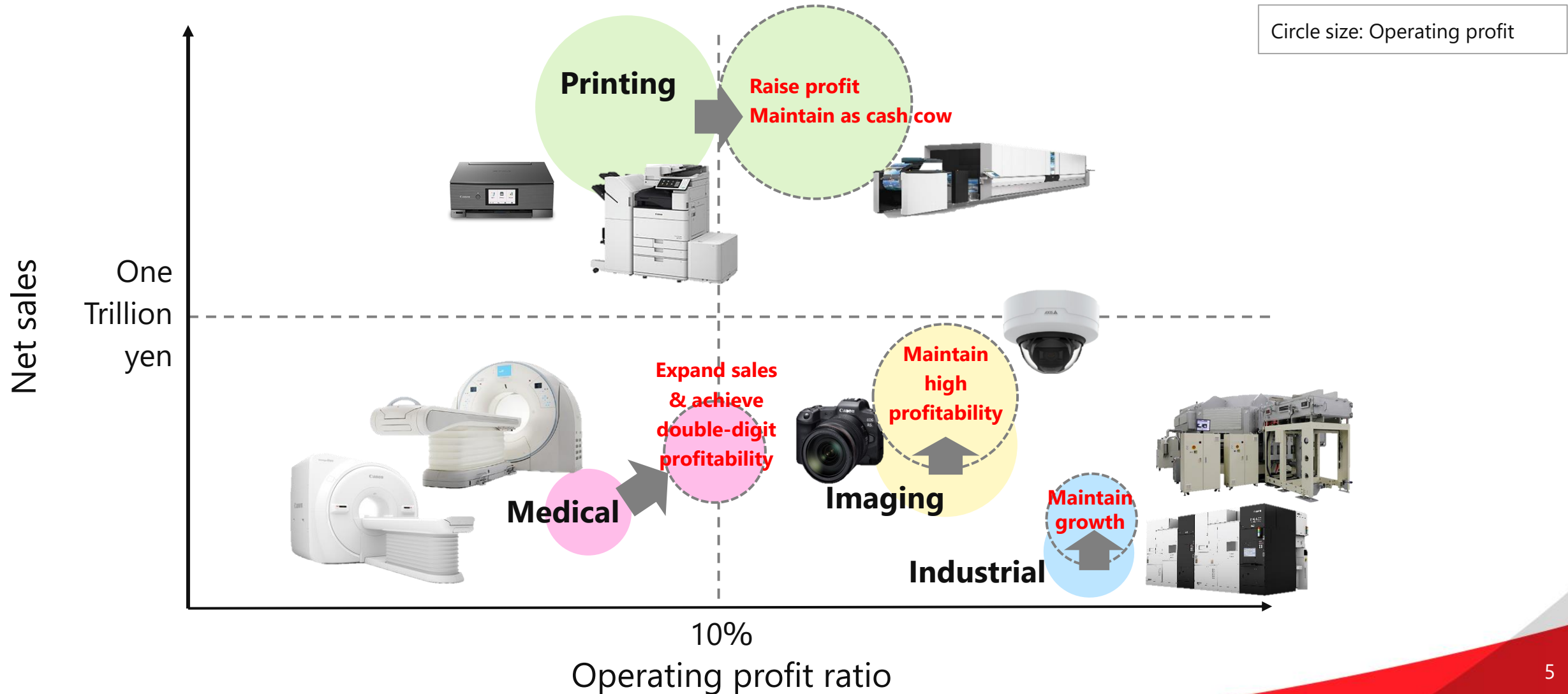
**ROE: 10% or higher**

# Measures Over Next Two Years

1. Strengthen and Expand Industry-oriented Business Groups
2. Review Business Structure
3. Restructure Global Production System
4. Strengthen Technology Research Capability

# 1. Strengthen and Expand Industry-oriented Business Groups

## Improved performance through bus. sphere expansion



## 2. Review Business Structure

**Sales** • **New businesses (B-to-B): Enhance sales capability**

Develop sales engineers that can propose solutions

• **Mature businesses: Improve efficiency**

Review structure of sales organization

• **Sale of assets, consolidation of administrative operations**

**R&D** Thorough selection and focus

**Medical Bus.** Improve operations by fully investing Canon's resources and know-how

	2023	2024	2025
Net sales (Billions of yen)	4,181	4,350	4,500
Gross profit ratio	47.1%	47.5%	
Op. expense ratio	38.1%	37.5%	
Op. profit ratio	9.0%	10.0%	<b>12.0%</b>

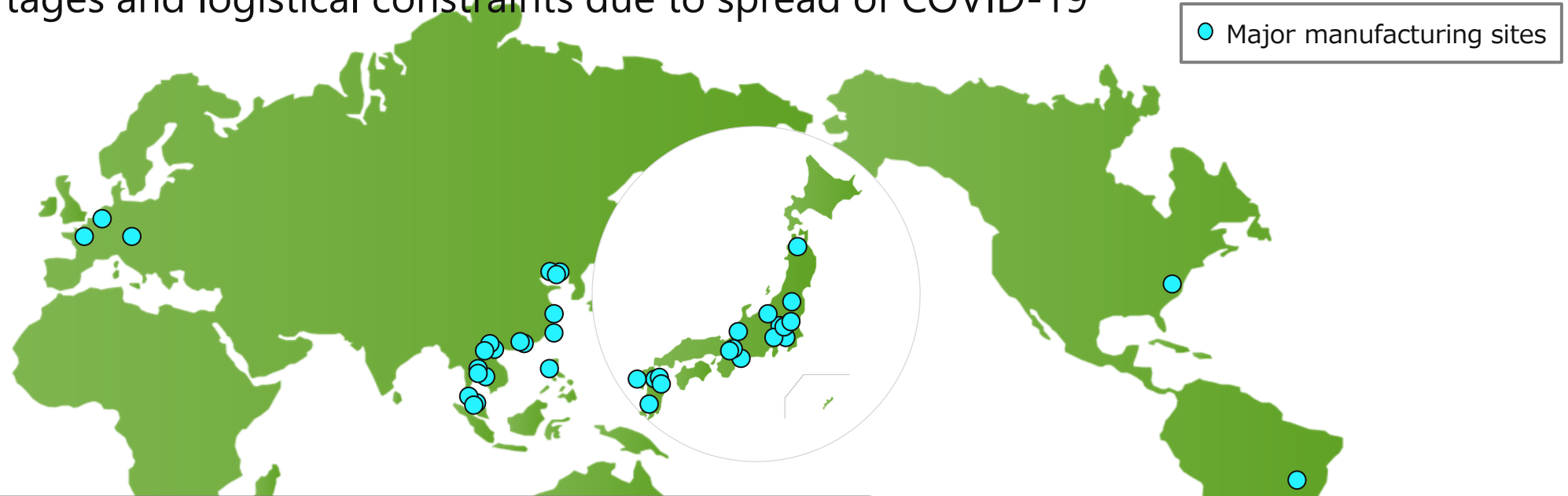
**Aiming to improve expense efficiency and profitability**



# 3. Restructure Global Production System

## Importance of supply chain reconfirmed

- Uncertain, unstable global situation
- Parts shortages and logistical constraints due to spread of COVID-19



**Consolidate sites in politically and socially stable countries and regions**

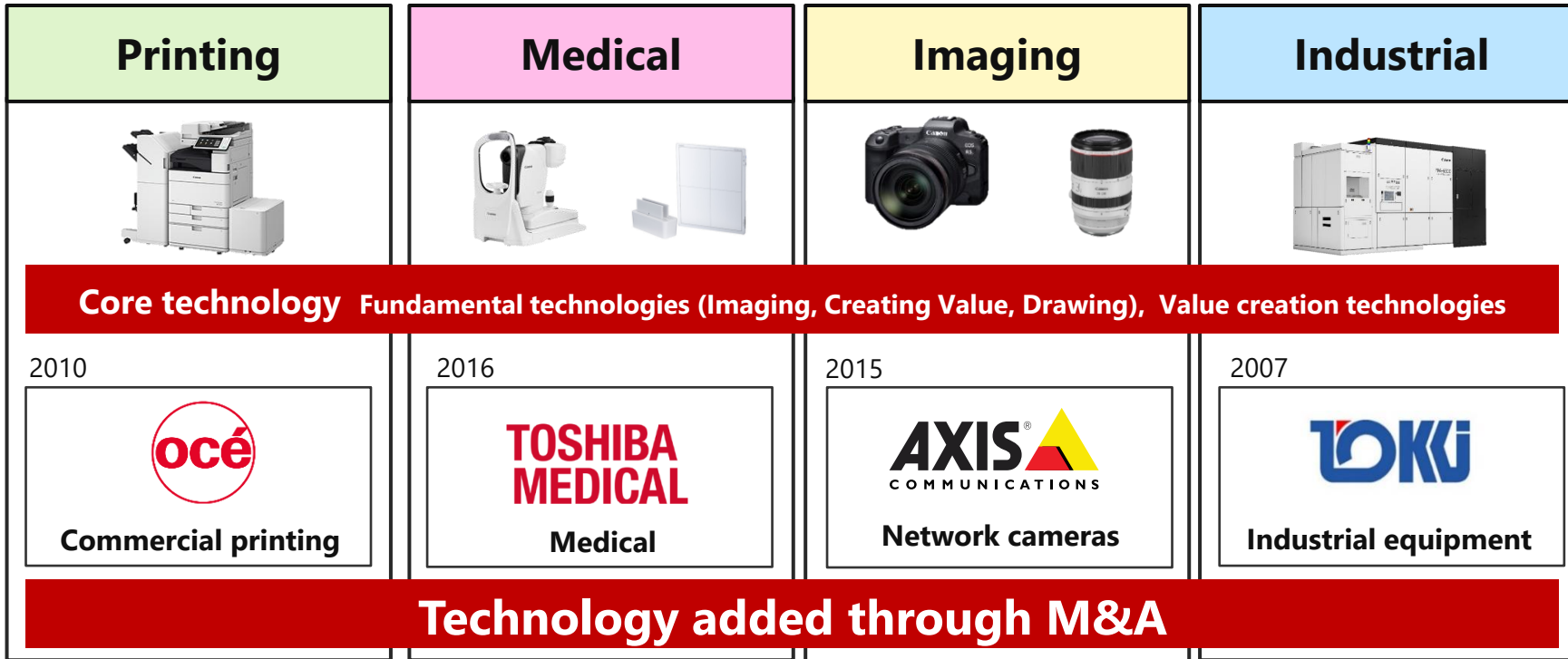
- Return production of high added-value products to Japan

Enhance automation, in-house technology

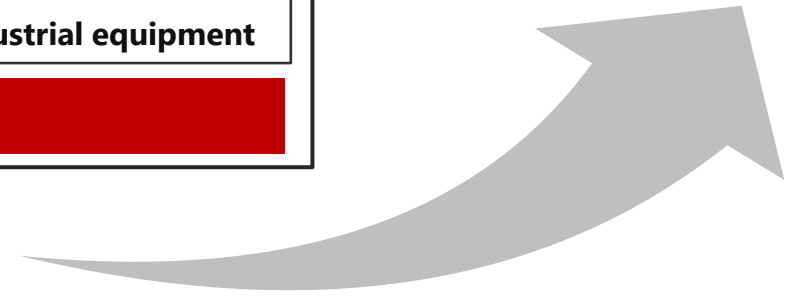


- **Stable manufacturing, stable supply**
- **Cost competitiveness**
- **Asset reduction**

# 4. Strengthen Technology Research Capability



Raise added value of products  
Create new businesses



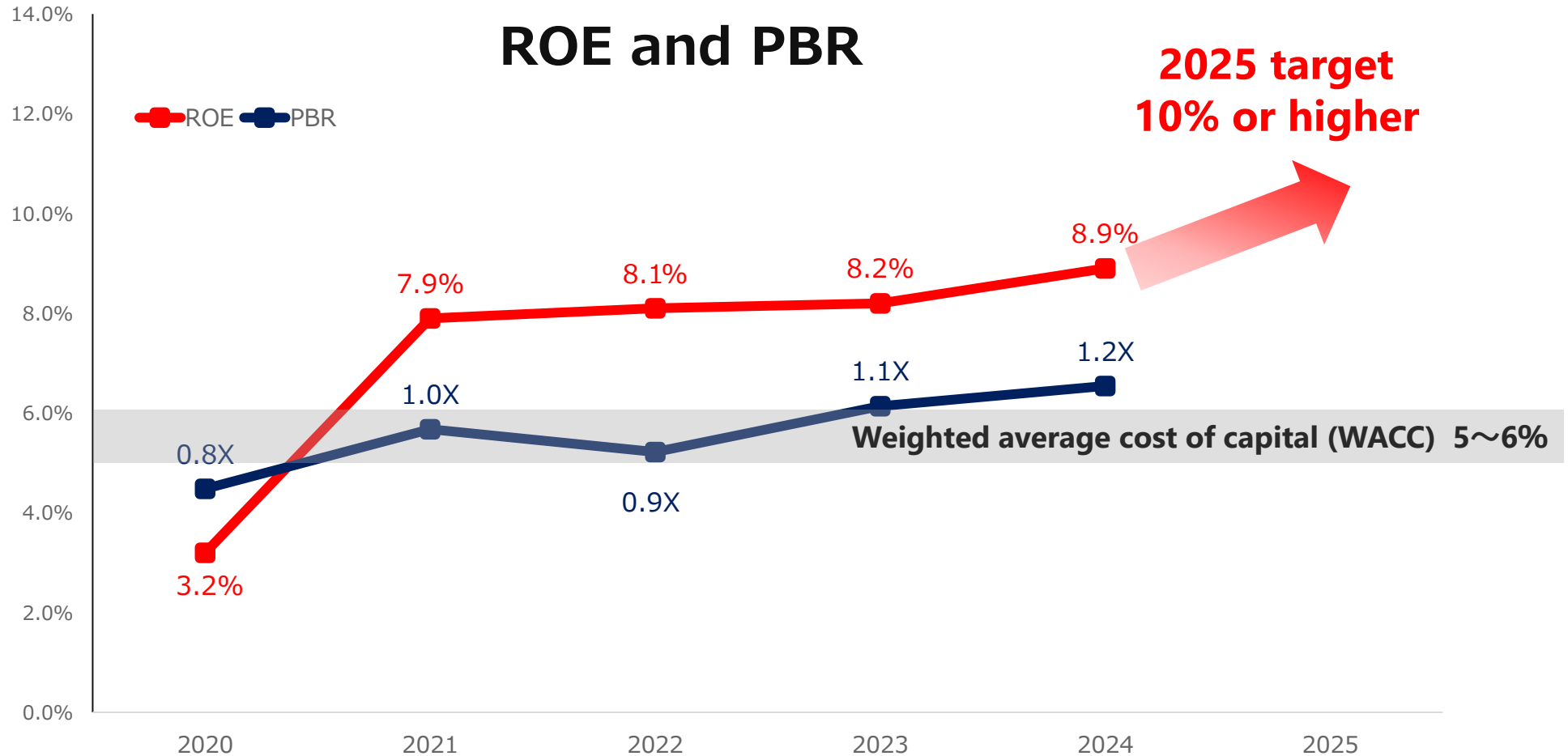
Acquire necessary technology through development of system for conducting technology research

**M&A    Co-creation    Open innovation**

■ Financial Strategy

# Return on Capital

**ROE recovers from COVID-19 impact to 8.2% in 2023  
Aiming for 10% or higher in 2025**



# Measures to Improve ROE

Looking to achieve ROE of 10% or higher in 2025

**ROE = Net income ratio X Total asset turnover ratio X Financial leverage**

## Net income ratio

### Profitability improvement

**2025 targets: Op. profit ratio of 12% or higher, net income ratio of 8% or higher**

- Optimize expense ratio through review of business structure
- Raise profitability of Medical business
- Focused investment in growth areas expected to generate more than a certain level of profitability

## Total asset turnover ratio

### Asset efficiency improvement

- Inventory reduction
- Consolidation of manufacturing sites

## Financial leverage

### Financial leverage (Capital structure)

- Pursue optimal balance between debt and equity

# Actions to raise ROE by Group

## Operating profit & Total assets

(Billions of yen)

2023	Printing	Medical	Imaging	Industrial	Corp. & Others	Total
Net sales	2,346.1	553.8	861.6	314.7	104.8	4,181.0
Op. profit	228.3	31.6	145.6	58.6	-88.8	375.4
Op. profit ratio	9.7%	5.7%	16.9%	18.6%	-84.7%	9.0%
Total assets	1,247.7	361.3	406.4	244.3	3,180.2	5,439.8

## Areas of action by Group

		Printing	Medical	Imaging	Industrial
<b>Profitability</b>	Sale expansion		◎		◎
	Lower expense ratio	◎	◎		
<b>Total asset turnover ratio</b>	Reduce assets	◎		○	

# Cash Allocation

## [Policy]

<b>Growth investment</b>	Capital expenditures: As a general rule kept within depreciation and amortization. However, be exceeded in cases judged necessary for growth. M&A: Cases where it complements growth of new businesses
<b>Shareholder return</b>	Dividend: Target payout ratio of 50% Share buyback: Will be considered if sufficient funds are available after making growth investments and paying dividends
<b>Debt repayment</b>	Debt: Ensure freedom to manage (Borrowing limit: 1 trillion yen) ⇒ Debt repayment

## Cash Flow Plan

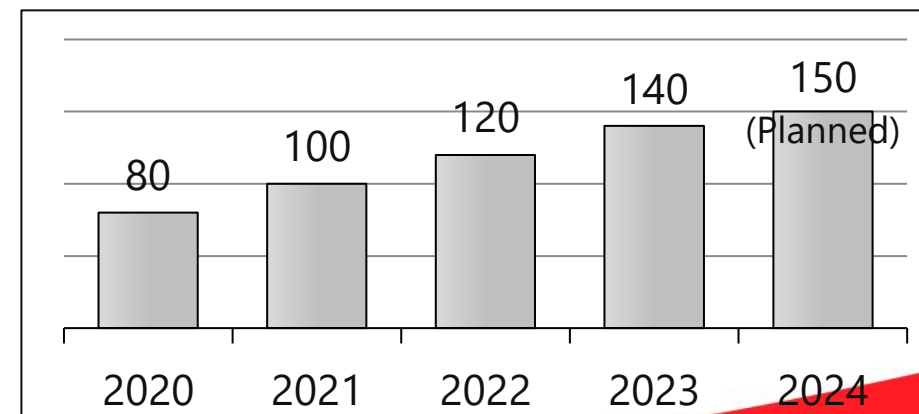
(Billions of yen)

	2021	2022	2023	2024
<b>Operating Cash Flow</b>	<b>451.1</b>	<b>262.6</b>	<b>451.2</b>	<b>562.5</b>
Net income	214.7	244.0	264.5	305.0
Depreciation & Amortization	221.2	226.5	238.7	240.0
Other	15.2	-207.9	-52.0	17.5
<b>Investing Cash Flow</b>	<b>-207.3</b>	<b>-180.8</b>	<b>-275.4</b>	<b>-240.0</b>
Capital expenditures	-179.0	-188.5	-230.3	-240.0
M&A	-31.8	-5.9	-54.6	0.0
Other	3.5	13.6	9.5	0.0
<b>Free Cash Flow</b>	<b>243.8</b>	<b>81.8</b>	<b>175.8</b>	<b>322.5</b>
<b>Financing Cash Flow</b>	<b>-267.4</b>	<b>-146.8</b>	<b>-156.7</b>	<b>-345.0</b>
Dividend	-88.9	-119.3	-131.0	-145.2
Share buyback	0.0	-100.0	-100.0	-100.0
Repayment of debt etc.	-178.5	72.5	74.3	-99.8
Effect of exchange rate changes	17.3	25.7	20.1	-3.8
Net change in cash and cash equivalents	-6.3	-39.3	39.2	-26.3
<b>Cash and cash equivalents year-end</b>	<b>401.4</b>	<b>362.1</b>	<b>401.3</b>	<b>375.0</b>

## Stable and active shareholder return

### Target payout ratio 50%

### Dividend per share (Yen)



■ Sustainability



# 共生

Realizing a sustainable society.

## Meeting stakeholder needs and expectations with innovation and technology

Contributing through technology, products, and solutions



Environmental conservation & resolving social issues



■ Summary

## Improving corporate value

Change is progress  
Transformation is advancement

- Portfolio transformation
- Business scope expansion
- Growth area diversification
- Manager skill raise

### Structure of 10 Directors

