

**Canon Inc.**  
**2024 Corporate Strategy Conference**

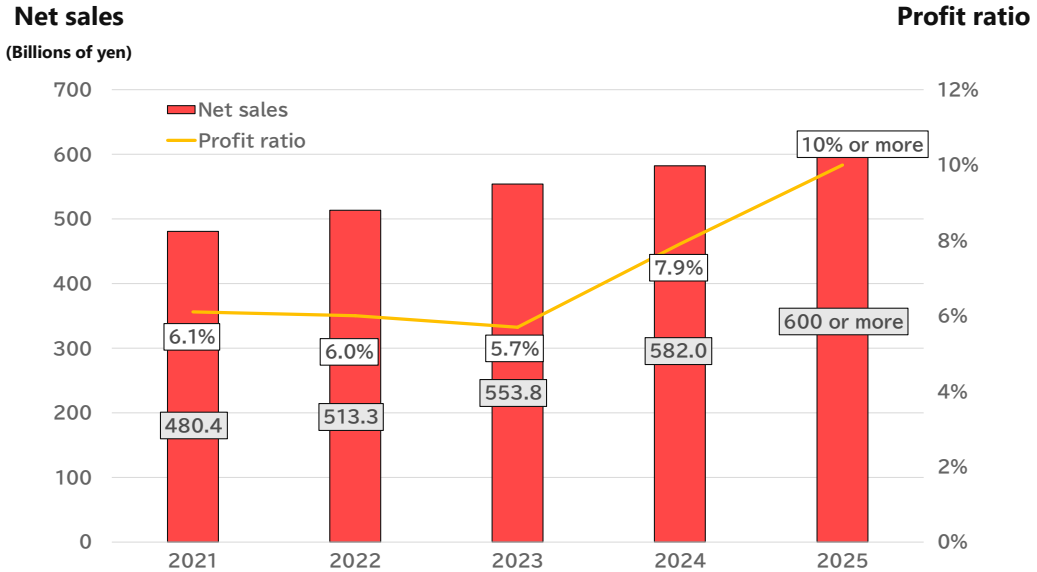
# **Medical Group**

**March 8, 2024**

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**Head of Medical Group**



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Actual and planned sales and profitability of the Medical Group up to 2025.

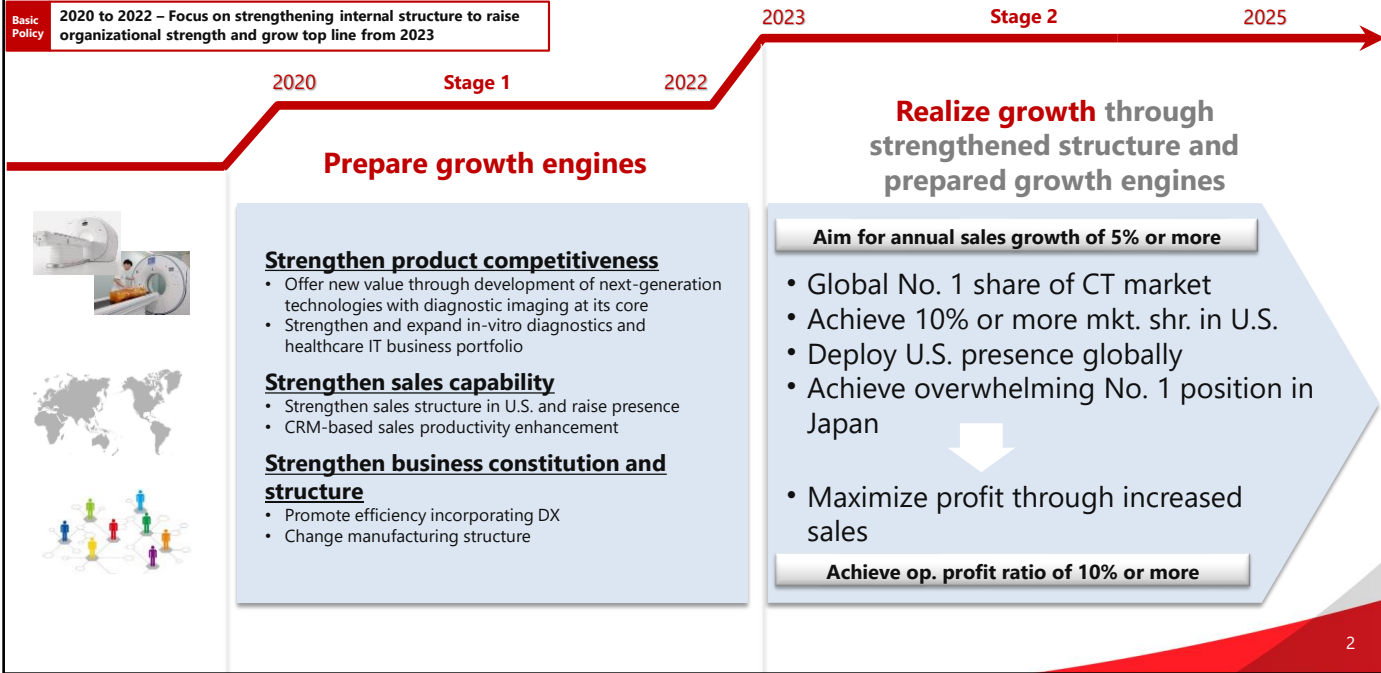
In 2021, despite being impacted by the spread of COVID-19 and heightened geopolitical tension, we captured demand that grew on the back of supplementary budgets and government subsidies.

In 2022, the market was impacted by a global shortage of materials, and in 2023, as high inflation weighed on the finances of medical institutions, there was a tendency to extend the installation period, particularly in the United States and China.

Amid the extremely challenging environment surrounding the medical business, we achieved three consecutive years of record high sales thanks to the tailwind of exchange rates, our strengthened product lineup and enhanced sales capability based on Customer Relationship Management (CRM).

Going forward, we aim to achieve annual growth of 5% or more, which exceeds market growth, and achieve sales of 600 billion yen or more and profitability of 10% or higher in 2025.

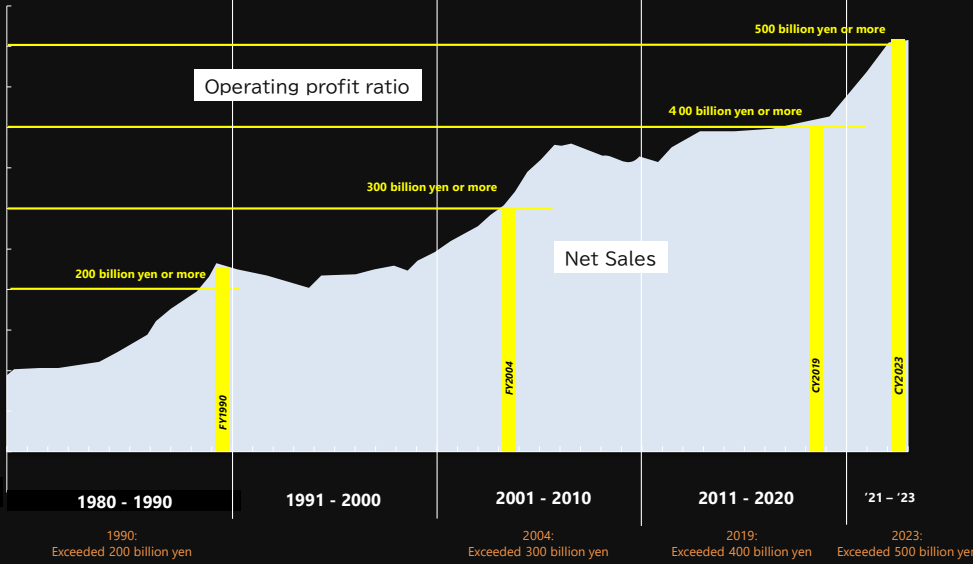
# Growth Strategy



The basic policy of our 5-year plan, between 2020 and 2022, has been to improve our organizational capabilities through measures focused on strengthening our internal structure, and from 2023, to achieve topline growth that exceeds the market. With the aim of achieving our 2025 targets, we will continue to enhance our product strength, sales capability, and business constitution and structure and through this reap the rewards of our efforts.

# Results up to 2023 & Challenges (Sales Growth)

## System Business Net Sales



### Results

Since 2019, over four year period, increased sales more than 100 billion yen

### Challenges

#### External environment

- Intensified geopolitical risks
- Raise in inflation and component prices

#### Profitability

- More efficient operation

Looking back at the history of the medical system business, as shown in this graph, it took 10 to 15 years for sales to grow 100 billion yen. However, since joining the Canon Group and reaching sales of 400 billion yen in 2019, we achieved this same level of growth in 4 years, and thanks to this, we were able to achieve our desired sales of over 500 billion yen last year.

However, mainly due to the impact of recent geopolitical risks, high inflation, and high prices of materials, in terms of profitability, we need to make further improvement and recognize that more efficient business management is a challenge to achieve a 10% profit ratio in 2025.

# Results up to 2023 & Challenges (Enhance Product Strength)

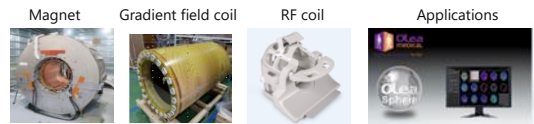
## Raise clinical value through AI tech.

- Low-dose radiation high-resolution technology (AiCE)
- Super resolution deep-learning reconstruction technology (PIQE)
- Improved workflow by advanced automation technology (INSTINX)
- Low noise high resolution images in real-time ( $\alpha$ Evolve Imaging)



## Expand sales of MRI systems manufactured solely Canon

- Enable high-quality image resolution in a short period of time
- Achieve No. 1 share in Japan



## Enhance lineup of ultrasound diagnostic equip.

- Enter EUS area through collaboration with Olympus
- Enhance competitiveness in volume zone



## Rapid practical application of PCCT

- Accelerate and expand clinical research globally
- Propose new clinical value, provide volume of supporting evidence.



Next, an introduction of major activities up to 2023

First, enhancing product strength.

In the field of diagnostic imaging equipment, the start of sales of new products that make use of various application software that was designed using deep learning with advanced AI technology, contributed to sales growth. By equipping CT and MRI systems with low-dose radiation high-resolution technology (AiCE), super-resolution deep-learning reconstruction technology (PIQE), advanced automation technology that improves workflow (INSTINX), we are receiving high marks for reducing the burden on healthcare professionals and improving the quality of medical care through more accurate and efficient testing.

As for MRI equipment, to grow this into a pillar of our system business, we have been working to enhance the competitiveness of our products through M&A, enhanced partnerships, and Canon Group synergies. As a culmination of these effects, we were able to launch a Canon MRI system solely comprised of in-house produced core components and clinical application technologies. These factors drove sales growth and helped us capture the top market share position in the domestic market last year.

As for ultrasound diagnostic equipment, the addition of mobile high-end equipment that provides high image quality and high functionality in a more compact size to our lineup, raised the competitiveness of our entire business, and contributed to global sales growth. Additionally, in January 2024, we agreed to collaborate with Olympus Corporation on an endoscopic ultrasound system and began selling Canon Medical's ultrasound system for the EUS field. Going forward, we will work to expand our market share globally, starting in Japan and Europe.

As for Photon Counting CT, the first of its kind from a Japanese manufacturer, since being certified as a medical device in December 2022, we have been conducting clinical research in collaboration with the National Center for Advanced Medical Development of the National Cancer Center, which has led to evidence being announced at numbers academic conferences. This year, we will further expand our clinical research globally to promote research for the early practical application of PCCT, develop new diagnostic methods, and explore their clinical usefulness.

# Results up to 2023 & Challenges (Enhance Sales Capability)

## Enhance Sales Capability in U.S.

- Accelerate upstream marketing activities in collaboration with Canon Healthcare USA, INC.
- Promote alliance & co-research with Cleveland Clinic
- Expand subscription sales process with NXC focus



## Develop sales promotions utilizing DX

- Provide appropriate information in a timely manner through centralized control of sales information (Concept of Canon Academy)
- Canon Medical Training Center
- New showroom for VL products



## Establish local subs. in India and Saudi Arabia

- Enhance response to large group negotiations, expanding Canon brand sales promotions
- Work with governments to expand participation in public tenders



Joined Japanese government in visiting Middle East and Gulf States and attended business forum reception

Next, enhancing sales capability.

In the medical device market, in the United States, one of the most influential markets in the medical device market, we have implemented a variety of sales enhancement measures, including strengthening the territory system, changing the sales commission system, and expanding the distinctive subscription model of Northern X-Ray Company to other regions. In January 2023, we established the Global Marketing Center in Canon Healthcare USA, which is based in the Cleveland area, to not only strengthen upstream marketing, but also strengthen sales headquarter functions in the U.S. In addition, we have agreed to a strategic research partnership with the Cleveland Clinic to develop globally competitive products that meet clinical needs.

We are also promoting more efficient sales activities that incorporate DX. In April last year, we opened a new showroom at Canon Medical Headquarters where customers can experience the latest technologies and solutions related to X-ray cardiovascular systems, enabling customers around the world to experience the ideal clinical room environment remotely.

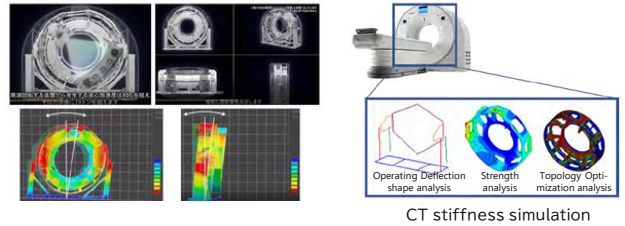
Following the establishment of a local subsidiary in India in December 2022, we established a local subsidiary in Saudi Arabia in November 2023.

By obtaining the Regional Headquarters license, it is possible to participate in government-led batch bidding of national hospitals, where we are already securing orders and have received high marks for many models.

## Results up to 2023 & Challenges (Enhance Business Constitution and Structure)

### Cost reduction measures

- Contribute to profit through product quality improvement, promoting concurrent engineering in a concerted Canon Group effort
- Begin sales of flagship CT system that is equipped with a new Canon light tube and detector that reduces electrical noise by 40% approximately compared to conventional detector



### Promoting SG&A optimization

- Through sales operational playbook based on CRM, increase visibility and win-rate as well as raise sales per person ( up to 10%)



As for enhancing our business constitution and structure, in November of 2022, the Product Value Engineering Promotion Division was established, which is promoting concurrent engineering.

Canon will use the production technology it has cultivated as well as the in-house production and automation of key components to improve monozukuri quality and raise its gross profit ratio. For example, by simulating the load and strain caused by the high-speed rotation of the CT gantry and optimizing the structure, high-quality manufacturing design is enabled.

Furthermore, the Aquilion ONE/INSIGHT Edition, released in November 2023, features a new type of detector built in collaboration with the Device Development Division, which reduces electrical noise by about 40% compared to conventional detectors, thereby improving the added-value of our products.

In addition, we were able to increase sales per person in major regions around 10% by globally developing our sales activities based on CRM and improving the level of our salesforce.

# Results up to 2023 & Challenges (Optimize Portfolio)



## Canon × Minaris Synergy



Equipment

Reagents



**Build & realize strategy for further growth In 203X, achieve 100 billion yen in IVD business sales**

### Synergy Phase 1 (From 2023)



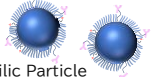
Expand sales of Minaris equipment through Canon sales channel

### Synergy Phase 2

Expand sales of Minaris reagents through global sales channel

### Synergy Phase 3

Develop immunoreagents that can be used in biochemistry through the comprehensive strength of the Canon Group



Ultra-Hydrophilic Particle

In July 2023, we began consolidated operation with Minaris Medical, Inc., which operates businesses related to in-vitro diagnostics and automated analyzers.

In phase one, we achieved sales growth by cross selling our products. Going forward, we will strengthen our business in the field of in-vitro diagnostics by taking advantage of the synergy between Minaris Medical's diagnostic technology and Canon Medical's automated analyzer technology.



# 2025 Targets & Structural Reform

**2025 Target**  
Op. Profit Ratio  
10% or higher

**Net sales**  
600 billion yen or more

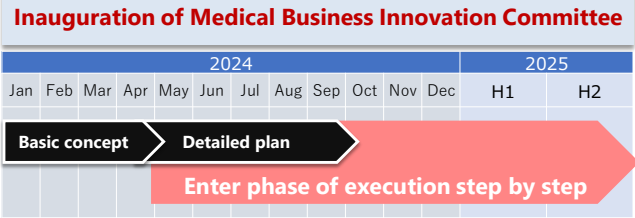
**Gross profit ratio**  
46% or higher

**SG&A ratio**  
35.8%

**Improve Profit**  
4 Key Actions

- Achieve sales target**  
(Sustaining innovation & portfolio optimization)
- Accelerate cost reduction**  
(Reduce cost of sales)
- Optimize SG&A**  
(Raise efficiency)
- Improve cash flow**  
(Reduce inventory)

## To grow medical business into true pillar



- ✓ **Deploy measures to achieve Phase VI**
  - Strengthen management structure
  - Accelerate deployment of concrete measures
- ✓ **Build Resilient management structure**
- ✓ **Foster cost awareness**

With the aim of achieving 10% profitability in 2025, we are focused on four actions, namely achieving our sales target, accelerating cost reduction, optimizing SG&A, and improving cash flow. And to ensure these activities lead to results, in February of this year, we established the Medical Business Innovation Committee as a company-wide organization to improve profitability by fully investing Canon's resources and know-how in all operations from development to production, procurement, logistics, and administration and build a solid business foundation that can match the BIG 3.

# Strategies & Measures Over Next Two Years

## Improve Profit 4 Key Actions

**Achieve sales target**  
(Sustaining innovation & portfolio optimization)

**Accelerate cost reduction**  
(Reduce cost of sales)

**Optimize SG&A**  
(Raise efficiency)

**Improve cash flow**  
(Reduce inventory)

- Steady release new products and new technologies
- IVD business expansion (Maximize synergies with Minaris)
- **Global service business innovation project**
- Visualize costs through Group in-house production
- Foster concurrent engineering
- **Shifting administrative functions in Europe to shared services**
- Improve productivity of providing information to customers
- Visualize ROIC (Selection & focus in R&D)
- PSI efficiency (IT transformation)

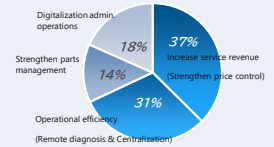
✓ Provide service solutions that maximize customer asset value at a minimum cost

**Ensure operation**    **Improve product quality**    **Optimize features**

✓ Profit impact

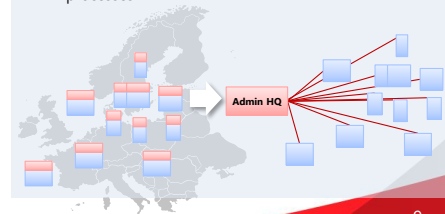


**PJ-Beyond**



**PJ-Dolphin**

- ✓ Concentrate indirect operations in each region in low cost countries
- ✓ Integrate common and standardized operational processes



As part of our efforts to link the four major actions to results, over the next two years, we are engaged in two new projects.

The first is a global services business reform project, which is directly connected to achieving sales targets and improving profitability. We will further accelerate the delivery of service solutions that maximize customer asset value by guaranteeing the operation of medical devices, improving their quality, and optimizing their functions and performance. And through remote diagnosis and the centralization of information etc., we will strive to improve the efficiency of our operations and make a concerted effort to increase service profit by around 10 billion yen over 2 years.

The second project focuses on shared services of European administrative operations.

Under this project, indirect operations in each country will be integrated into a shared and standardized business process and the administrative headquarters and related function will be established and consolidated in a low-cost region, thereby minimizing indirect resources and optimizing SG&A.

In addition to these two projects, based on the various growth engines we have developed so far, over the next two years, we will focus on getting it done and ensuring that we achieve our 2025 targets.

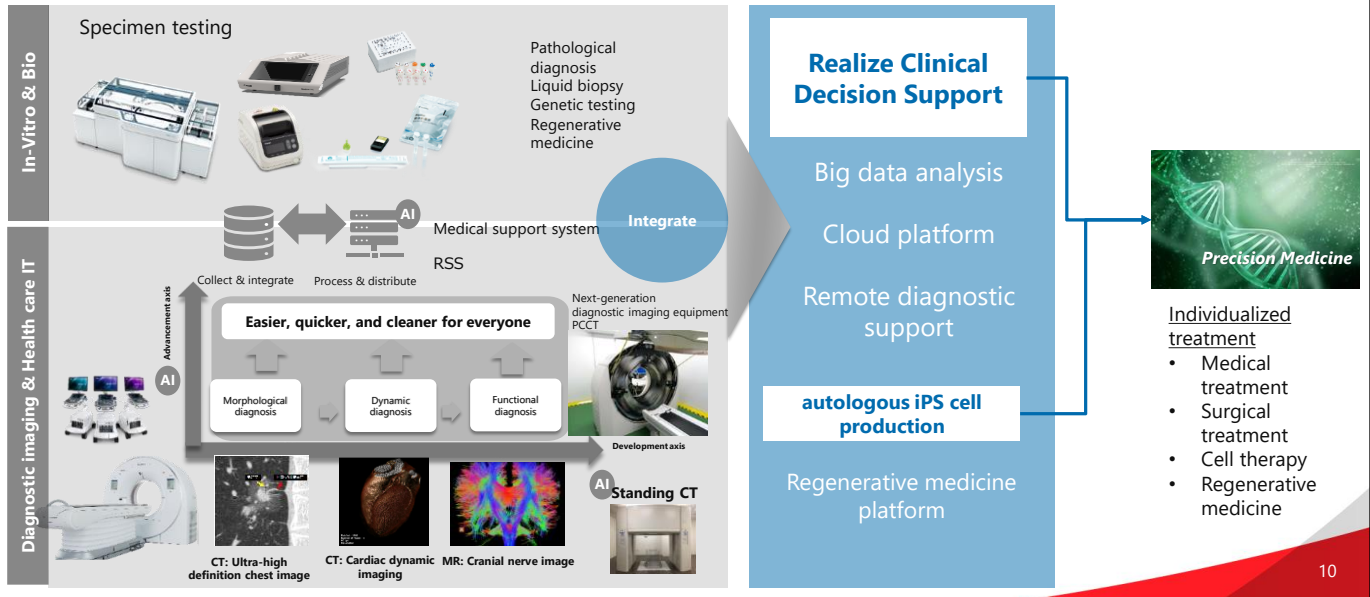
# Direction of Medical Group – Contribute to Precision Medicine

## Current business areas

Test & Diagnosis

## Business expansion area

Solutions that support personalized therapy



In our five-year plan, we plan to further develop three businesses, namely our diagnostic imaging system business, our healthcare IT business, and our in-vitro diagnostics business. Long term, we aim to broaden our scope to the bio-science field, including regenerative medicine.

By combining medical information from "diagnostic imaging & analysis" and "in-vitro diagnostics & the field of bio-science" with information on diagnosis and treatment, we will propose "solutions that support better treatment of individual patients" and contribute to the development of precision medicine, thereby expanding our business fields.