Canon Inc.
2024 Corporate Strategy Conference

Printing Group

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Phase VI Strategies & Measures and Results & Challenges

Strategies & Measures

- **Business strategy**
  Expand profit in existing business areas and **expand sales in new business areas** through **enhanced business structural reform**

  monozukuri innovation — Strengthen product development capability through **deeper Group collaboration**

  Enhance product strength through **full deployment of platform innovation**

  Sales innovation — Highly efficient sales through **expansion of smart products**

  Strengthen sales capability through **Group synergy**

Results up to 2023 & Challenges

- **Significantly progress in development of next-generation new products in synergy areas by strengthening product development capability through Group collaboration**
- **Made progress in *monozukuri* innovation which led to renewal and strengthening of lineup of products with advanced essential performance, resulting in improved market evaluation**
- **Steadily increasing sales of digital service products, but further expansion of business development by industry is needed**

Our business strategy is to expand profits in existing business areas and expand sales in new business areas through enhanced business structural reform. And as a priority measure, business structural reform is focused on *monozukuri* innovation, which covers the areas of product development and production. It also consists of sales innovation, which covers sales and service areas.

At last year's Corporate Strategy Conference, priority measures of *monozukuri* innovation such as enhancing product development capabilities through deeper Group collaboration and enhancing product strength through the full deployment of innovation in platformization, were discussed.

Results up to last year include progress in developing next-generation products through Group collaboration and strengthening product lineups.

Challenges include being slightly behind plan in launching digital service products by industry.

Although digital service product sales of mainly sales companies are steadily increase, to further increase sales, we are in a hurry to develop solutions for each industry.

Business Strategy & Business Structural Reform

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Business Strategy
Expand profit in existing business areas **and** expand sales in new business areas **through** enhanced business structural reform

Priority Measures

■ *monozukuri* innovation
- Strengthen product development capability through deeper Group collaboration
- Enhance product strength through full deployment of platform innovation

■ Sales innovation
- Highly efficient sales through expansion of smart products
- Strengthen sales capability through Group synergy

Mkt. size 2019
Mkt. size 2025

Low growth Low profit
High growth High profit

Running cost (Yen/A4)

🏠 **Home**
🏢 **Office**
🏭 **Production**

Existing areas
New areas

Running cost (Yen/A4)

Expand business area & enhance new product development
- ◆ **Home** ➡ **Expand to new business-use**
- ◆ **Office** ➡ **Expand to vertical- and professional-use**
- ◆ **Production** ➡ **Enhance commercial printing lineup**

Monthly print volume
(Unit: Number of sheets converted into A4-size paper)

Monthly print volume
(Unit: Number of sheets converted into A4-size paper)

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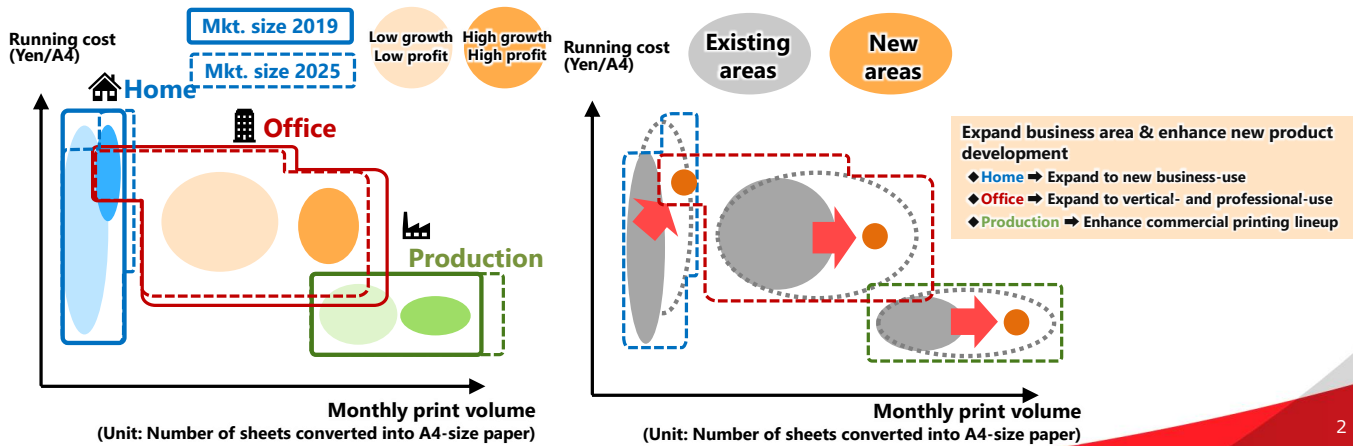
Our position in existing business areas and new business areas, where we are going with new products to expand business spheres, and the priority measures to achieve this as well as *monozukuri* innovation and sales innovation.

Launch new products through progress in *monozukuri* innovation

Advancement

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■ **Progress in Group collaboration and Progress in platform innovation**
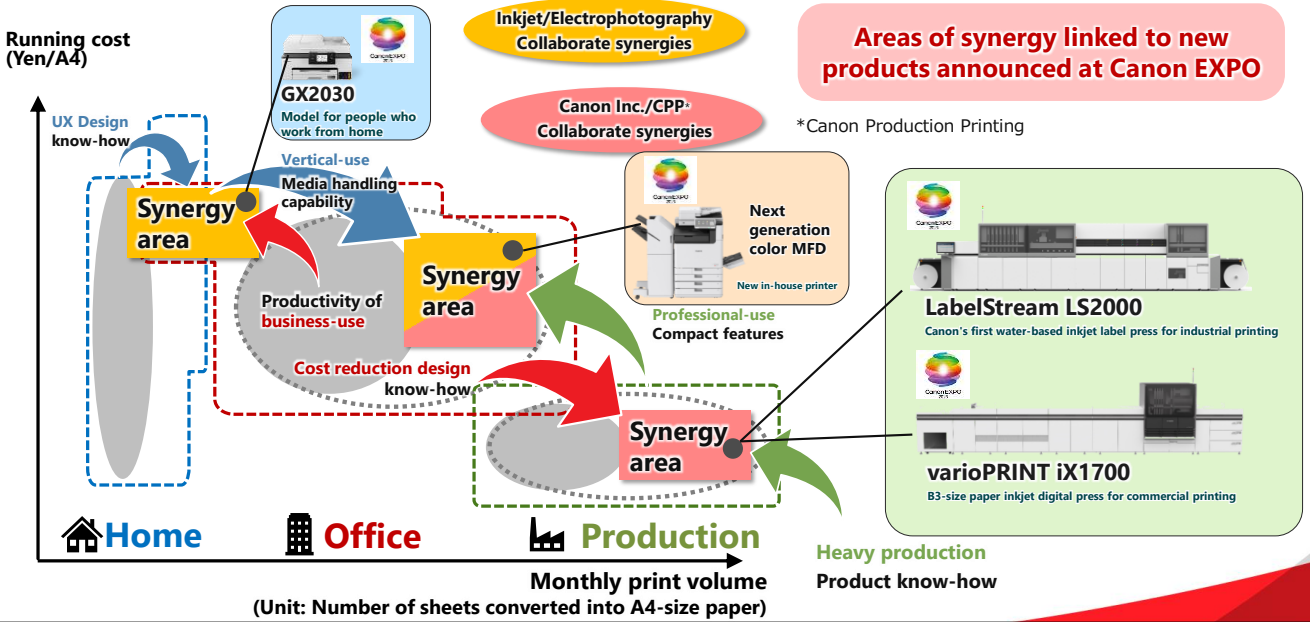
The launch of new products through *monozukuri* innovation.

At Canon EXPO, which was held in October of last year, we announced new products aimed at expanding into new business areas.

In the area of Prosumer products, we announced the GX2030, an inkjet product for people working from home.

Additionally, in the area of office products, we announced our next-generation of color MFDs that feature professional-use printing functions at reduced sizes.

And in the area of production products, we announced the varioPRINT iX1700, a B3 sheetfed digital press build on water-based inkjet technology and the LabelStream LS2000, a label printing press also build on water-based inkjet technology for industrial printing.

These products will contribute to the realization of our Phase VI sales targets.

Production Market and Canon Product Position

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Commercial Printing

*PV: Print volume (Converted in to A4-size paper)

Market		2022	CAGR	2025
	Analog PV	23.1 Trillion sheets	-3.1%	21.1 Trillion sheets
	Digital PV	0.8 Trillion sheets	+4.0%	0.9 Trillion sheets
	Digital ratio	3.4%		4.2%

Industrial Printing

	2022	CAGR	2025
Analog PV	11.1 Trillion sheets	+2.0%	11.7 Trillion sheets
Digital PV	0.1 Trillion sheets	+21%	0.1 Trillion sheets
Digital ratio	0.7%		1.2%

Segment	A3+ equip.	B3 equip.	B2 equip.	Continuous feed equip.	Label	Folding carton	Corrugated packaging
Market share	Co. A (25%)	Co. C (41%)	Co. C (65%)	**Canon (30%)**	Co. A (33%)	Co. C (55%)	Co. E (26%)
	Canon (25%)	Co. B (29%)	Co. A (22%)	Co. D (17%)	Co. C (30%)	Co. F (45%)	Co. H (22%)
'22 WW Units share	Co. B (23%)	**Canon (25%)**	Co. I (13%)	Co. C (15%)	Co. G (9%)	—	Co. C (17%)

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Existing area	New area		Existing area	New area		
V1350, V1000, V900 — Launched 2022	varioPRINT iX3200; varioPRINT iX1700 — Canon EXPO Announced Oct. 2023	—	ProStream, ColorStream	LabelStream LS2000 — Canon EXPO Announced Oct. 2023; LX series	—	—

(Source: Research company data and Canon est.)

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The production market and Canon's business expansion.

The production market and Canon's market share by product segment based on internal research. We have sorted out the commercial and industrial printing markets, referring to conventional printing methods as analog and digital printing methods as digital. Additionally, the market trend in print volume growth rates and digital printing as a percentage of total print volume are shown.

First, the commercial printing market is one in which analog print volumes are on the decline, and the digital ratio and digital print volumes are growing.

Second, the industrial printing market is one in which analog and digital print volumes are both growing, and where we are seeing particularly strong print volume growth in digital.

Although we intend to expand our business into the digital print production market where the ability to grow is recognized, our market share in both the commercial and industrial markets in 2022 were both low.

However, in Phase VI, we are planning to expand our business in this field with new production products.

Further expansion in production areas.

At drupa, a global exhibition for printing equipment to be held in Europe in June this year, Canon plans to announce a higher-end press for commercial printing and a press for a new area in industrial printing.

In this way, Canon is steadily developing new production products for new business areas.

Progress in Product Development Through *monozukuri* Innovation **Canon**

■ **Enhance product strength through full deployment of product platform innovation**

Current ---- **Phase VI Target**

Group integration development

Develop Integrated fundamental technology

Synergy **Inkjet & Electrophotography collaboration**
Synergy **Canon Inc. & Canon Production Printing collaboration**

Expand bus. areas & strengthen new product development

New product lineup expansion

Renew & strengthen lineup through advancement in essential performance

Achieve optimal product development through new "fundamental technology plus"

Next generation color MFD Platform & new technology

Platformization of office products

Platformization of Commercial printing products

Develop product platforms for new bus. areas

***monozukuri* Innovation**

Product platform innovation 2

Product platform innovation 1

Guaranteed by unit of Production products

Build platforms as a development base that supports SCE*
* Super Concurrent Engineering

Thorough product quality & cost reduction
Accelerate development speed & expand variations

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As for our progress up to last year, I highlight our market results. As for expansion, I highlight new technologies on which our future plans are based as well as our product development plan.

Secured two NO.1 rankings in J.D. Power 2023 color MFD customer satisfaction survey

Large & Medium Office Market category[1]
No. 1 in overall customer satisfaction

Small Office Market category[2]
No. 1 in overall customer satisfaction

1) 5,672 companies with 30 or more employees surveyed
2) 2,125 companies with 5 or more, but less than 30 employees surveyed

The first of these market results is the results of J.D. Power 2023 color MFD customer satisfaction report. In both the Large & Medium Office Market category and the Small Office Market category, Canon secured the No.1 ranking in terms of overall customer satisfaction.

This is the result of the spread of platform-compatible products in the market. Furthermore, we are still expanding our lineup of platform compatible products, and we believe that this will be a key factor in achieving our Phase VI sales targets.

■ W/W market share situation and targets (Source: Research company data and Canon est.)

	2022		2023	Phase VI Targets
Production ・Commercial printing Continuous feed	**1st** **30**%	Enhance product strength through collaborative development **+4pt**	**1st** **34**%	UP
・Commercial printing A3+	**2nd** **25**%	Expand sales of imagePRESS V-series to **secure No. 1 share** **+2pt**	**1st** **27**%	UP
・Large format Graphic arts(GA)/CAD	**2nd** **30**%	Strengthen product lineup **+1pt**	**2nd** **31**%	UP
Office ・A3 B/W & Color	**1st** **18**%	**3 consecutive years No.1** Through Enhancement of essential performance **±0pt**	**1st** **18**%	UP
Prosumer ・Inkjet Home & business	**3rd** **27**%	Reconstruct product lineup **±0pt**	**3rd** **27**%	UP

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The second of these market results is the results of our global market share. In office MFDs, we have maintained the NO. 1 market share position for the third consecutive year. And in A3+ commercial printing equipment, we secured the No. 1 position for the first time.

Sales of the imagePRESS V series of commercial printing presses have continued to increase over the past two years. We are proud that the launch of three models of this class of products in a short period of time around the same time is a result of the effects of platform development.

Major product categories of the Printing Group.

Reform in Platform Consolidation and Progress in Developing Integrated Fundamental Technology Development (1)

Advancement

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■ **New expansion through large-scale production equip.**

Platform concept
Classify products into classes,
1. **Standardized frame** by class
2. **Shared assembly process** by platform
3. **Shared digital design assets** by platform

Thorough product quality

Cost reduction

Accelerated Development

Expand variations

New axis of expansion through large-scale production equip.

Guaranteed by unit through platform architecture

Individual units (functional modules) separately guaranteed for performance

Ease of installation (Serviceability) Improvement

Ease of maintenance

I/F I/F I/F I/F I/F I/F
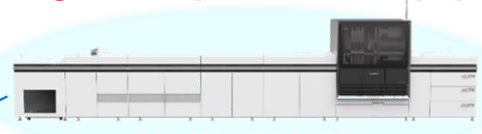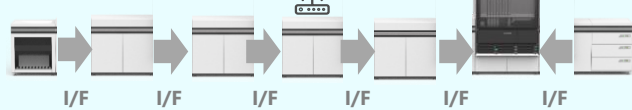
varioPRINT iX1700

LabelStream LS2000

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Advancement in platform innovation, starting with the development of fundamental technologies for further business efficiency and their product application.

In the production area, we are promoting the simultaneous development of two new products thanks to the use of platform architecture.

In addition, as a new axis for platform development, we are applying a new system design of fundamental technologies called a unit guaranteed, which guarantees the function and performance of individual functional modules independently.

Through these technologies, we plan to realize groundbreaking product differentiating specifications in the new production products such as improved install ability and easy maintenance.

Reform in Platform Consolidation and Progress in Developing Integrated Fundamental Technology Development (2)

Highly efficient sales through smart products

Limitless pursuit of safety, security, easeness, and comfort — **Data-driven Service Foundation**

Obtained ISO/IEC 27001, 27017 certification in 2023
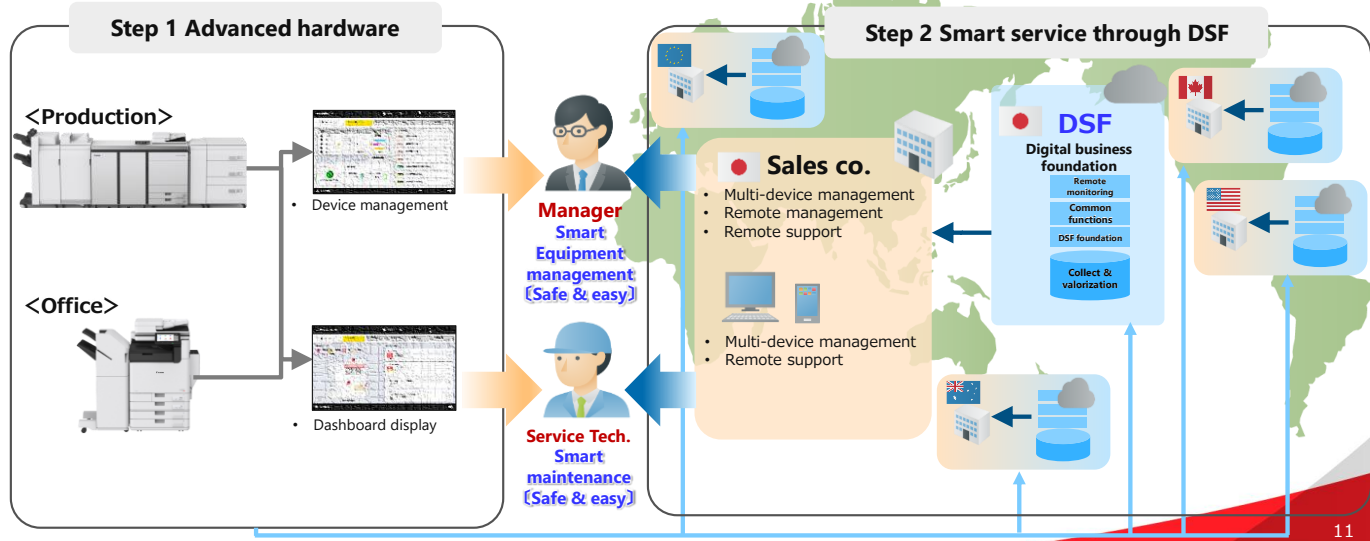
The development and application of new fundamental technologies that link to greater sales efficiency.

The new fundamental technologies are the Edge IC, which is embedded in platformed products and is responsible for monitoring the products status, and a cloud platform that enables product health monitoring of machines that are in operating and are connected to the platform. these two key technologies provide customers with a more stable operating environment for their products.

On top of this, one of the key elements of sales innovation is to realize lower selling costs by decreasing the burden of service operations. And through this, we plan to realize our Phase VI sales target and our target for improved profitability.

Promote GX responsive manufacturing

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Progress

Progress in 2023

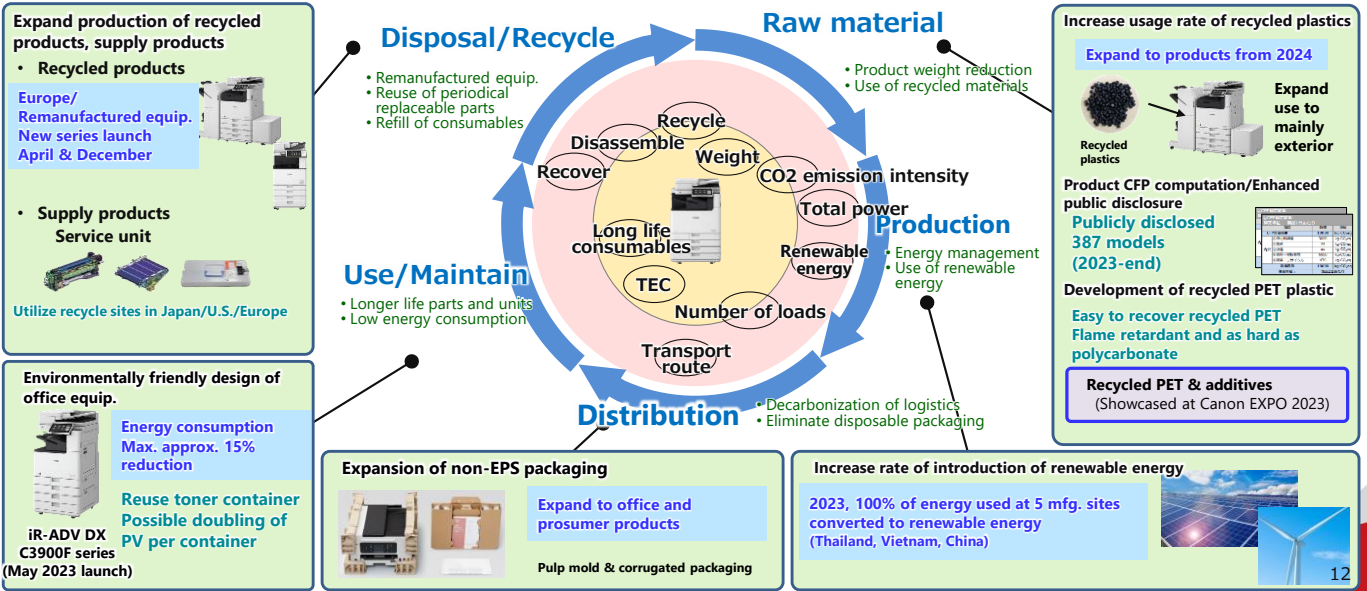Address **decarbonization and resource recycling** within **product lifecycle**

Environmental specs. actualized in products
Environmental specs. actualized in supply chain
Green measures

Expand production of recycled products, supply products
• **Recycled products**
Europe/ Remanufactured equip. New series launch April & December

• **Supply products**
Service unit
Utilize recycle sites in Japan/U.S./Europe

Disposal/Recycle
• Remanufactured equip.
• Reuse of periodical replaceable parts
• Refill of consumables

Raw material
• Product weight reduction
• Use of recycled materials

Recycle
Disassemble
Recover
Weight
CO_2 emission intensity
Total power
Long life consumables
Renewable energy
TEC
Number of loads
Transport route

Production
• Energy management
• Use of renewable energy

Use/Maintain
• Longer life parts and units
• Low energy consumption

Distribution
• Decarbonization of logistics
• Eliminate disposable packaging

Increase usage rate of recycled plastics
Expand to products from 2024
Recycled plastics
Expand use to mainly exterior

Product CFP computation/Enhanced public disclosure
Publicly disclosed 387 models (2023-end)

Development of recycled PET plastic
Easy to recover recycled PET Flame retardant and as hard as polycarbonate
Recycled PET & additives (Showcased at Canon EXPO 2023)

Environmentally friendly design of office equip.
Energy consumption Max. approx. 15% reduction
Reuse toner container Possible doubling of PV per container
iR-ADV DX C3900F series (May 2023 launch)

Expansion of non-EPS packaging
Expand to office and prosumer products
Pulp mold & corrugated packaging

Increase rate of introduction of renewable energy
2023, 100% of energy used at 5 mfg. sites converted to renewable energy (Thailand, Vietnam, China)
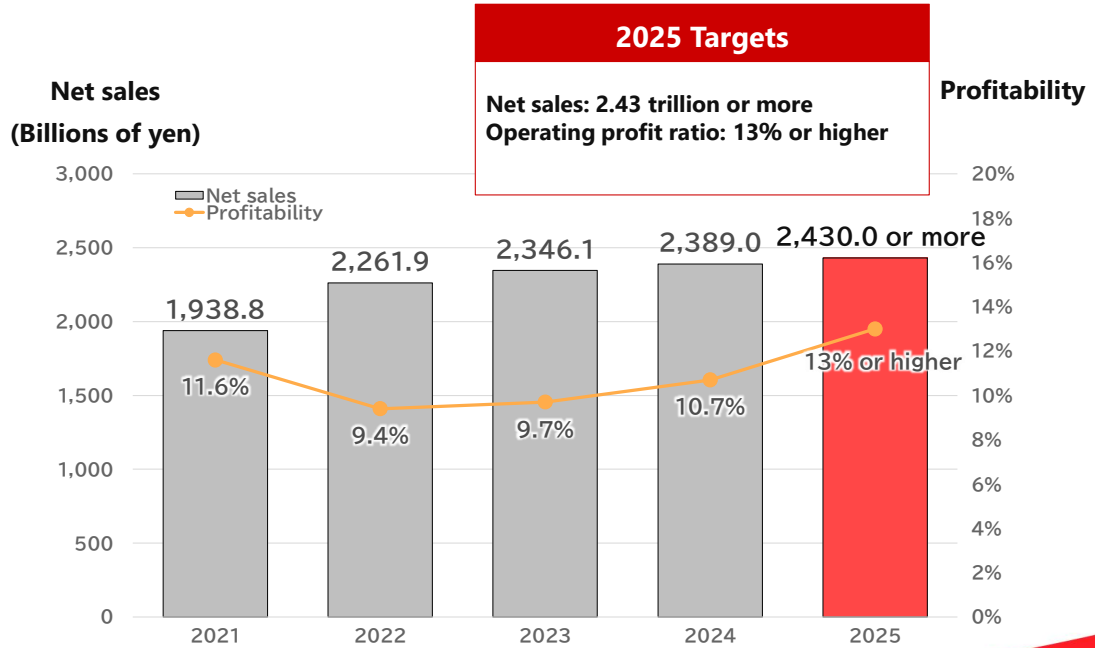
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As a final example of progress we are making in key initiatives, I highlight the promotion of GX compatible *monozukuri*. Our basic policy is to implement measures of decarbonization and resource recycling throughout the products entire life cycle, exceeding the specification of the standalone product.

As concrete examples of progress in these measures, we have announced a new series of recycled product in Europe, lower energy consumption of office MFDs, the expanding use of non-styrofoam packing, and the conversion to 100% renewable energy at production sites.

As such, we plan to strongly support our sales goals by enhancing our product specifications to meet certain global standards, including the environment in which we manufacture products and the environment in which we manage and guarantee the life of our products in the market.

2025 Targets (Printing Group)

Net sales
(Billions of yen)

Profitability

2025 Targets

Net sales: 2.43 trillion or more
Operating profit ratio: 13% or higher

- Net sales
- Profitability

Year	Net sales	Profitability
2021	1,938.8	11.6%
2022	2,261.9	9.4%
2023	2,346.1	9.7%
2024	2,389.0	10.7%
2025	2,430.0 or more	13% or higher

Through our business strategy and priority measures, we will achieve our 2025 targets for Printing Group sales and profitability.