Business Environment
Businesses have gradually gone paperless in recent years with the adoption of mobile devices and digital work flows, and the number of printing opportunities using multifunction devices (MFDs), laser printers and other printing equipment is in decline. At the same time, there is growing interest in solutions to improve office productivity as many companies review how work is done. There is also increasing demand for information security measures due to the growing risk of data security breaches with the spread of IoT.

Yet, while the market for office printing equipment is projected to shrink, demand for printing on paper will not disappear completely. In fact, we see greater opportunities for print-capable MFDs that are integrated with cloud-based digital technologies.

Mission-critical Initiatives
Responding to increased demand for more efficient office processes, Canon is supplying products and services that help realize smoother and faster business communications by utilizing cloud-based solutions and other upgraded network functions. To help save time and expense for customers, we are also reducing the frequency of maintenance through online support for off-site machine evaluation and the adoption of more durable replacement parts. In addition, with environmental concerns increasing worldwide, we are accelerating efforts to create energy-efficient designs and make products even lighter and more compact so Canon products continue to have low environmental impact.

Results (FY2019)
Unit MFD sales were boosted by strong sales of the imageRUNNER ADVANCE Gen3 3rd Edition series, which offers stronger security and enhanced convenience through compatibility with external cloud services. In other developments, the launch of the imagePRESS C165 enabled us to access a previously untapped segment of the production printing market. Capable of producing professional-quality prints, this compact model is designed for in-house corporate printing needs.

Sales of laser printers declined, reflecting the impact of the economic slowdown in Europe and China. Sales of medium- and high-speed models held up under challenging conditions due to our introduction of more advanced energy-efficient models employing a newly developed toner that enables lower temperature fixing.

In the commercial printing sector, we launched new models for the fast-growing segment of graphic arts applications such as posters and catalogs. These printers enjoyed strong sales, earning praise for their ability to
handle a wide range of paper types and deliver professional image quality.

As a result, total sales for the business unit fell 5.8% year on year to ¥1,702.6 billion, while operating profit declined 23.5% year on year to ¥168.9 billion.

Future Strategy

We expect the MFD market to remain firm in 2020, supported by the growing demand for models with advanced efficiency-enhancing features, and by the ongoing shift to color models, notably in emerging markets. In 2020, we plan to accelerate our sales of solutions-integrated hardware by launching a series of new models designed to meet users’ changing needs. In addition, we will work to boost profitability through expanded sales of such products as color MFDs and production equipment.

The forecast for the laser printer market is one of gradual contraction over the medium term. In 2020, we expect an economic slowdown in emerging markets to exacerbate this trend. Amid tough market conditions, we are focusing on securing sales of medium- and high-speed models that can create steady demand for consumables due to high print volumes. To this end, we are working to further reduce development lead-times while continuously introducing high-performance models that enhance convenience for users.

* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standards. 2017 figures have been restated to conform with the current presentation.

* From 2018, a portion of results previously included in the Office Business Unit have been reclassified under the Industry and Others Business Unit. 2017 figures have been restated to conform with the current presentation.

---

**Net Sales**

(Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,119.8</td>
<td>1,807.8</td>
<td>1,807.3</td>
<td>1,702.6</td>
<td></td>
</tr>
</tbody>
</table>

**Operating Profit / Operating Profit Ratio**

Operating profit (%) Operating profit (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13.8</td>
<td>10.5</td>
<td>12.2</td>
<td>9.9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>200.6</td>
<td>169.5</td>
<td>189.3</td>
<td>220.8</td>
<td>168.9</td>
</tr>
</tbody>
</table>
Business Strategy

Imaging System Business Unit

With the aim of enriching lives, Canon develops and applies a wealth of imaging technology to support people-to-people communication by capturing and conveying the experience and emotion of unforgettable moments.

Business Environment

The digital camera market continues to contract, particularly within the entry-level segment, as the camera features of smartphones improve. Even under these circumstances, cameras offering advanced functionality, with technology such as full-frame image sensors and interchangeable lenses for rich expressiveness, are being sought by professional photographers and advanced amateur users.

In the inkjet printer market, demand for home printing is declining in advanced countries due to greater use of mobile devices. However, in emerging markets, with continued economic development, we expect growth in demand for refillable ink tank models from those users with high-volume printing needs.

Mission-critical Initiatives

Leveraging its strengths in optical and image-processing technologies cultivated over many years since its founding, Canon is working to further raise camera functionality, while seeking to expand applications in new fields.

In interchangeable-lens digital cameras, we are focusing on developing models that work well across varied conditions, including capturing fast-moving objects or shooting in low light. By allowing sports photographers to capture emotive moments, or advanced amateurs to exude expressiveness and creativity through faithful color reproduction, Canon’s high-performance cameras are contributing to the development of culture, sports and the arts.

We are also developing new-concept cameras that are unconventional by design. With highly specialized functions or shooting capabilities to differentiate them from smartphones, these are cameras aimed at satisfying new needs. We are also seeking to expand in business-to-business fields by applying camera technologies to the development of data-entry devices for use in the automotive and industrial sectors. These products could help realize innovations such as smart mobility or smart factories.

Results (FY2019)

Reflecting ongoing market contraction, unit sales of interchangeable-lens digital cameras declined further. However, the continuing development of our mirrorless camera range in 2019 with the launch of three new models boosted sales. In digital compact cameras, amid a continued decline in unit sales, we focused on sales of high-value-added models such as the PowerShot G-series to improve profitability.

Sales revenue from inkjet printers declined, reflecting ongoing contraction in the market for home-use printers in developed countries and the impact of slower economic growth in emerging markets, regions that have supported the market to date.
As a result, overall sales for the business unit fell 16.8% year on year to ¥807.4 billion, while operating profit declined 62.0% year on year to ¥48.2 billion.

### Future Strategy

In interchangeable-lens digital cameras, we will continue to expand the lineup of full-frame mirrorless camera bodies. In addition to the "EOS R" and "EOS RP," currently existing models, we plan to launch a high-performance model while further expanding our lineup of lenses to cater to the needs of professional and advanced amateur photographers.

In 2019, we launched the new IVY REC concept camera (iNSPiC REC in Japan), an ultra-compact carabiner-clip camera that is ideal for taking pictures outdoors. Going forward, we will aim to continue bringing the joy of shooting images to more people with new value-added cameras based on a less conventional approach.

In inkjet printers, we will work to capture demand in emerging markets, where medium-term growth is expected, promoting the enhancement of our lineup of large-capacity refillable ink tank models.

---

* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures have been restated to conform with the current presentation.

* From 2019, a portion of results previously included in the Imaging System Business Unit have been reclassified under the Industry and Others Business Unit. 2018 figures have been restated to conform with the current presentation.
## Business Strategy

### Medical System Business Unit

Canon supplies products and services, including diagnostic imaging systems, healthcare IT solutions and in vitro diagnostics systems, to help create a society in which everyone around the world can enjoy high-quality healthcare and live a healthy life.

![CT Scanner](image)

### Business Environment

Demand for the prevention, early diagnosis and treatment of disease is growing due to aging populations, primarily in developed countries, and increasing affluence in emerging markets. Steady growth over the medium term is projected for the market for diagnostic imaging equipment, this Business Unit’s core operations. Demand is also increasing for healthcare IT solutions to ease the burden on healthcare professionals and enhance diagnostic support through effective use of vast quantities of imaging data. The growing demand also provides an opportunity to expand Canon’s business operations by leveraging its strengths in diagnostic imaging equipment, AI and imaging analytics.

At the same time, greater competition is expected to emerge within the sector from medical equipment providers based in emerging markets amid heavy investment in healthcare infrastructure. Companies in other sectors are also looking to enter the field of healthcare IT.

### Mission-critical Initiatives

Utilizing technical strengths in diagnostic imaging, Canon aims to contribute to a society where people can lead healthy lives.

With diagnostic imaging equipment, we are using image reconstruction based on deep learning AI technology to provide high-resolution images. This technology also provides other benefits such as making procedures less invasive for patients based on less exposure to radiation and shorter scan times, as well as quieter machine operation.

In addition, we are upgrading our lineup of in vitro diagnostics systems to provide fast, accurate and simple tests for infectious diseases and other conditions. These efforts promise to help more people access early stage diagnosis.

We are developing healthcare IT solutions that can provide highly accurate disease auto-detection capabilities by applying AI-based imaging analytics to huge quantities of diagnostic imagery. As patient numbers rise due to aging and medicine becomes more advanced, we hope to relieve the burden on medical providers while improving diagnostic accuracy.

### Results (FY2019)

The focus in the past few years has been on revamping our lineup of diagnostic imaging systems, the core business in this segment. The introduction of a series of new products helped to increase sales in 2019.

In CT scanners, we made the image noise-reduction technology from top-end models a standard feature across the range and launched entry models offering high cost performance in emerging markets. The expanded lineup addresses various customer needs in terms of price and functionality, and is helping us to expand our customer base.
As a result, overall sales for the business unit increased 0.2% year on year to ¥438.5 billion, while operating profit fell 7.3% year on year to ¥26.7 billion.

**Future Strategy**

First, in the core diagnostic imaging equipment business, our focus is on further upgrading the product lineup while expanding sales by reinforcing our marketing capabilities, especially outside Japan. In the United States, the world’s largest and most advanced healthcare market, we plan to expand our workforce significantly to capture market share by generating more sales leads. This approach should also create a positive ripple effect in other regions. In emerging markets, we aim to make a positive contribution to the government-led development of medical infrastructure through cooperation with local manufacturers so that more patients can enjoy access to high-quality healthcare.

We entered the gene analysis services business when ACTmed joined the Canon Group in 2018. In 2019, we initiated joint research with Kyoto University’s Center for iPS Cell Research and Application (CiRA) aimed at realizing high-quality autologous iPS cells. Going forward, we will seek to expand further into bioscience and other business fields with enhanced growth potential.

* In 2018, a reclassification of operating profit and other income (deductions) was conducted due to change in pension accounting standard. 2017 figures have been restated to conform with the current presentation.
Business Strategy

Industry and Others Business Unit

Industrial Equipment
Canon is helping to stimulate progress in industrial innovation by applying proprietary optical and image-processing technologies to applications in industrial equipment.

Business Environment
Technological innovation in such fields as IoT, big data, AI and robotics is leading to diversification of semiconductor devices and expectations that the semiconductor lithography equipment market will continue to grow. We also expect growth in investment in the equipment needed to manufacture FPDs and OLED panels, reflecting solid investment in high-resolution display panels for use in increasingly larger and foldable smartphones and high-definition TV sets for 4K/8K broadcasting. Although equipment demand in these sectors tends to be cyclical depending on variations in levels of capital investment by customers, steady growth is expected over the medium- to long-term.

Mission-critical Initiatives
In industrial equipment, Canon aims to contribute to the manufacturing of semiconductor devices and displays that will drive the IoT era.

We are helping customers to boost productivity by strengthening and expanding our lithography equipment lineup and via the timely supply of various upgrades in features and performance. Besides lithographic approaches, we are also promoting practical use of next-generation equipment through development of a new technology “nanoimprint,” which achieves circuit pattern miniaturization at lower cost.

Building on its technological advantages in OLED panel manufacturing equipment, Canon Tokki is making progress towards developing equipment for manufacturing large-sized panels.

Results (FY2019)
Unit sales of semiconductor lithography equipment declined in year-on-year terms, despite strong levels of investment in sensors linked to advancement in IoT, and due to constrained customer investment linked to the erosion of memory chip prices. The continued restraint shown by manufacturers of small- and medium-sized panels due to sluggish smartphone sales also impacted the market for FPD lithography equipment.

Sales of OLED panel manufacturing equipment declined as well amid a correction in investment in smartphone displays. However, we made progress in improving profitability by aggressively cutting costs and promoting the standardization of specifications from the design phase.

Future Strategy
Buoyant demand is expected in the semiconductor lithography equipment market in 2020, reflecting a recovery in memory chip prices and higher demand for sensors and other non-memory semiconductor devices. We plan to boost unit sales by maintaining our competitive edge based on responding flexibly to the diverse requirements of semiconductor manufacturers.

In FPD lithography equipment, we expect demand to stay firm for high-resolution panels used in large TV sets. Leveraging Canon’s proprietary one-shot exposure lithography technology, we aim to gain further market share by capturing demand from panel manufacturers.

In OLED panel manufacturing equipment, we expect a surge in panel investment due to high replacement demand for 5G phones with OLED displays. Going forward, we will work to maintain a dominant position in this market by honing our proprietary ultra-high-definition technology.
Network Cameras

Based on technical advancements in network cameras and video content analytic software, Canon aims to expand its presence in network visual solutions to contribute not only to the creation of a safe and secure society, but also to such fields as marketing and manufacturing.

Business Environment

Homes and businesses worldwide face an increasingly diverse range of safety and security threats such as crime and natural disasters. To mitigate these threats, there is a need for infrastructure development and maintenance in various fields which ensure a safer and more secure life.

Mission-critical Initiatives

Canon is contributing to the realization of a safer and more secure society with high-performance, high-quality network cameras, along with video content analytic software for high-speed data processing. With leading camera, video management and video content analytic software companies Axis, Milestone and BriefCam all part of the Canon Group, we aim to strengthen our product lineup and enhance solutions. Going forward, with demand expected to grow not only for security applications, but also for uses in such sectors as marketing, manufacturing and sports, we will focus on developing new and improved solutions that will meet each sector’s needs.

Results (FY2019)

Net sales rose in 2019 as the result of securing large orders from public-sector institutions and major corporations, who value the superior sensitivity and image resolution of our products in security applications. Additional contributions to revenue growth came from products equipped with a new image processing chip that enables reduction in data transmission costs by compressing captured video data, and sharper images of moving subjects in low light conditions.

Future Strategy

Besides upgrading the functionality of our camera hardware, we plan to respond to the growing demand for video analytics as well. Achievements to date include the development of software for real-time crowd counts of thousands of people. Going forward, we plan to further expand our lineup of video analytics solutions. We are also aiming to expand business by building on the strong global network developed by Axis spanning some 90,000 business partners.

Results of Industry and Others Business Unit (FY2019)

Overall sales for the Industry and Others Business Unit fell 12.5% year on year to ¥737.9 billion, while operating profit declined 72.2% year on year to ¥15.5 billion.