Canon Inc.

Imaging Group Business Strategy Conference

Go Tokura
Executive Vice President
Head of Imaging Group

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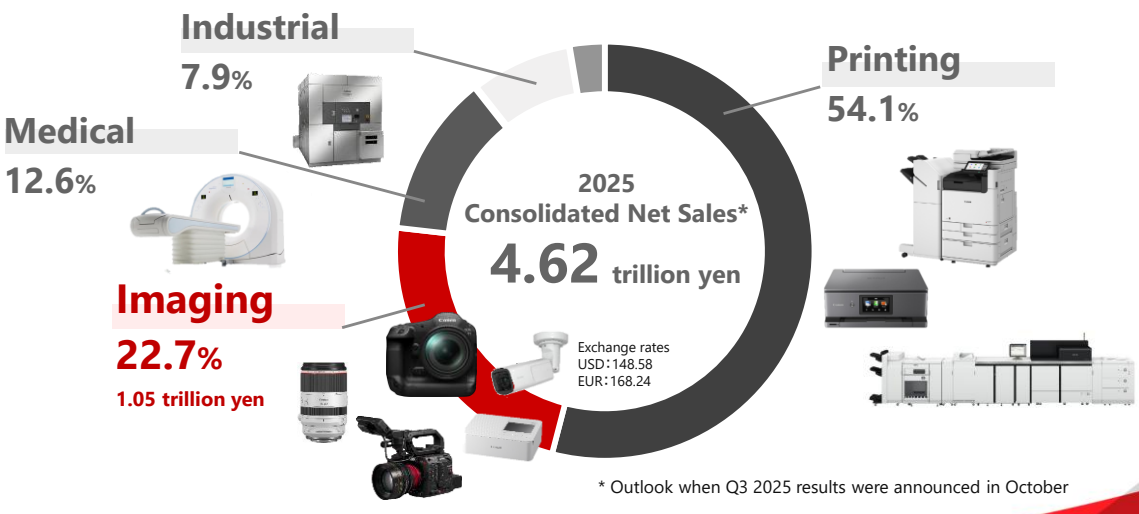
Agenda

1. **Imaging Group Overview**
2. **Camera Strategy**
3. **Network Camera Strategy**
4. **New Business Areas**

Imaging Group's Position Within Canon



* Outlook when Q3 2025 results were announced in October

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This slide shows Canon's sales by industry-oriented business group.

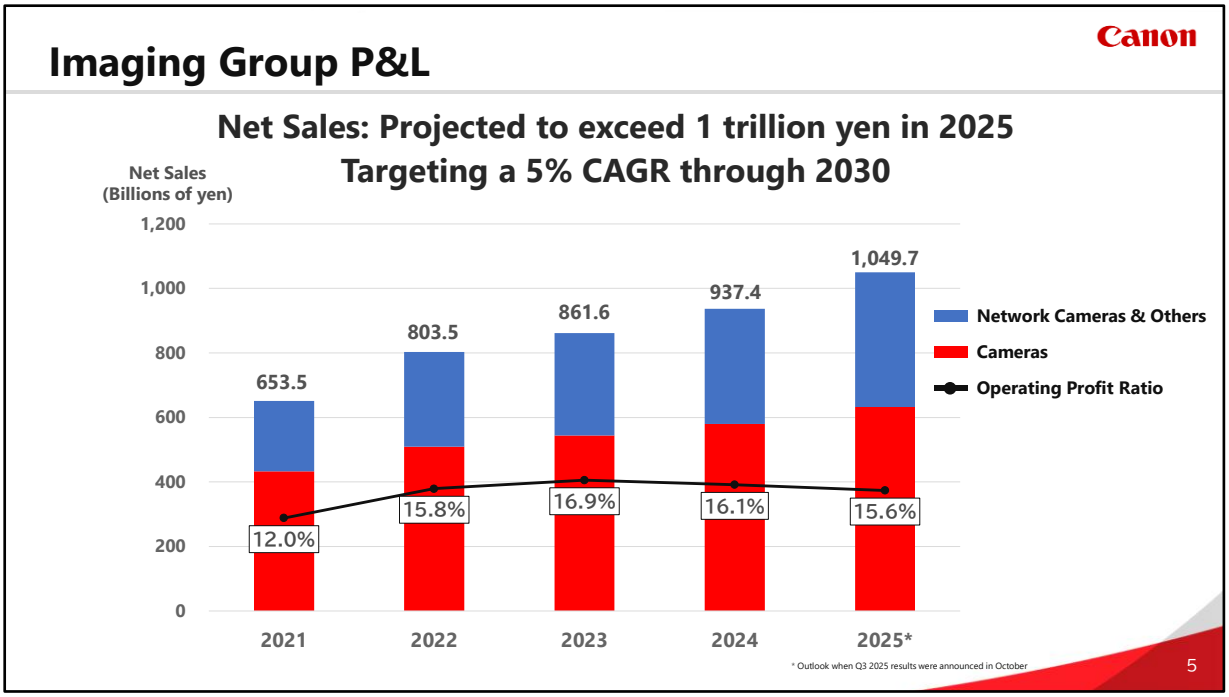
The Imaging Group accounts for about one-quarter of total sales.

And in 2025, the Imaging Group expects its total sales to exceed 1 trillion yen.

This is an overview of the products and businesses of the Imaging Group.

The Imaging Group business is supported by two main pillars, an integrated camera business, which includes camera products, professional camcorders, and broadcast lenses, and the network camera business. Beyond these pillars, it is actively expanding into new growth areas.

Imaging Group P&L



This shows the trend in the Group's P&L from 2021 to 2025.

The red bar represents sales of the camera business and the blue bar represents sales of network camera & other business.
The black line represents the operating profit ratio for the Group as a whole.

Since 2021, the Group has delivered steady sales growth. And from 2026 to 2030, it aims to achieve an average annual growth rate of 5%.

By 2030, we aim to exceed 1.3 trillion yen in sales for the entire Imaging Group, including approximately 700 billion yen for the camera business and approximately 600 billion yen for the network camera & other business.

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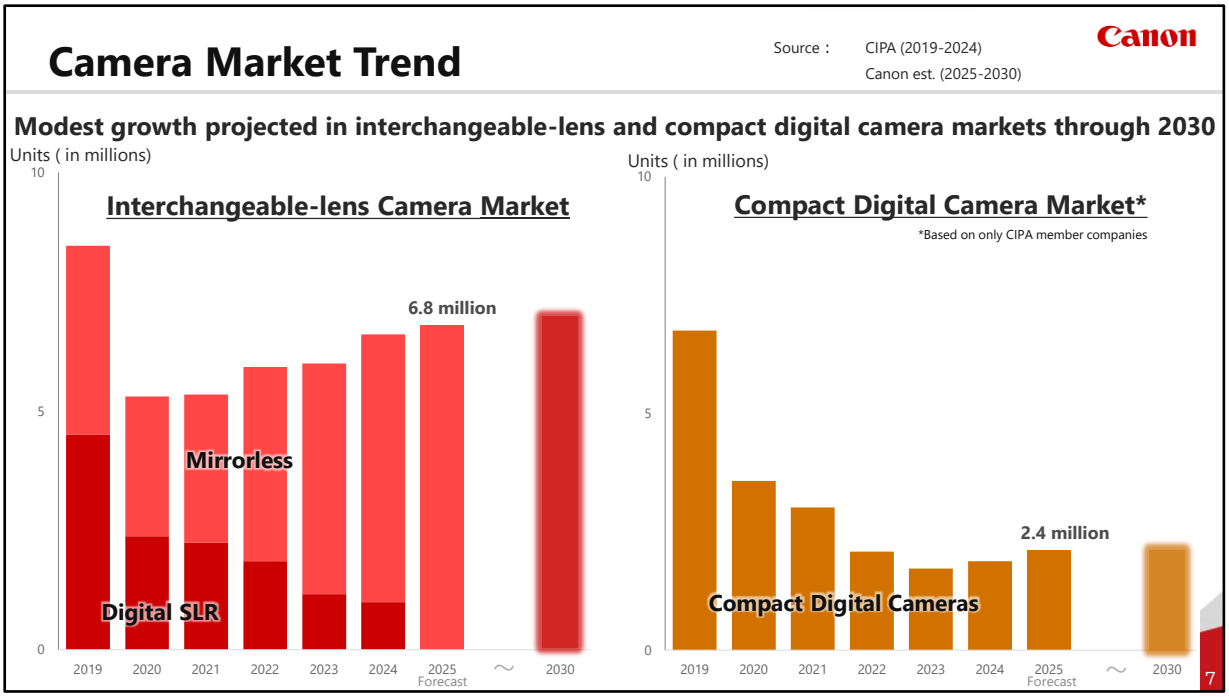


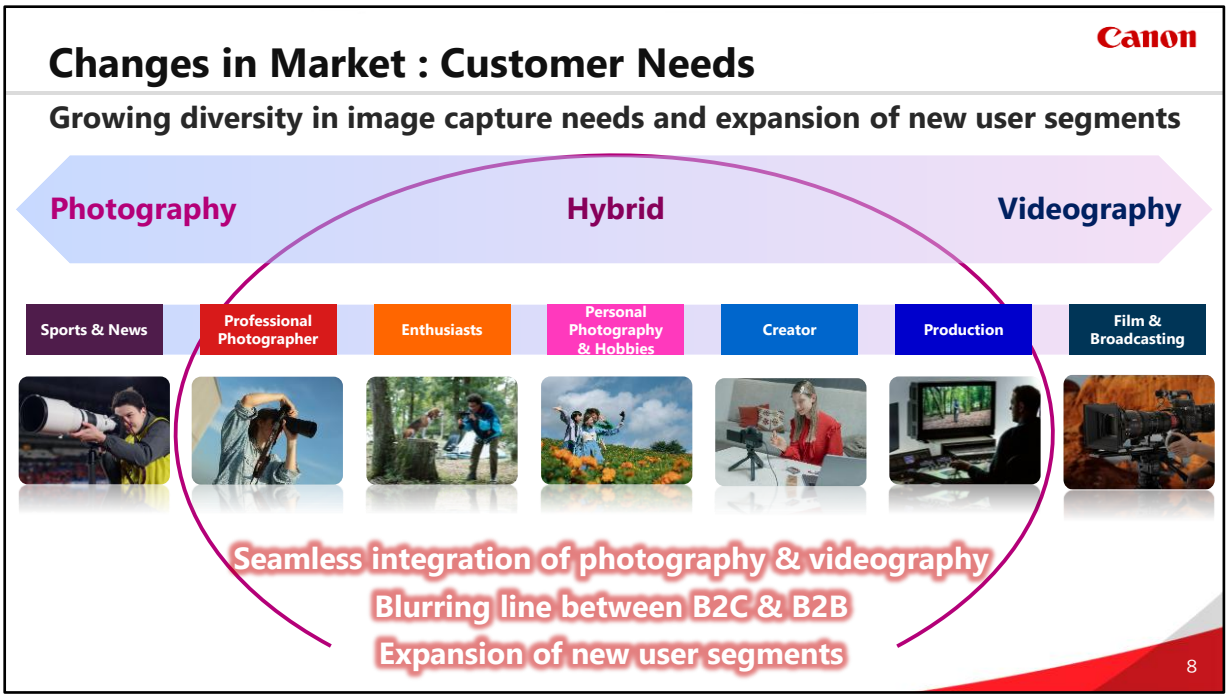
First, an overview of camera market trends.

The market for interchangeable-lens cameras has been growing more than expected over the past few years, amid the ongoing shift from SLR cameras to mirrorless cameras. With this in mind, we expect the market to grow by 6% to 6.8 million units in 2025.

In addition to hobbyists who enjoy high-quality photography, demand for videography is growing.

Furthermore, in the compact digital camera market, the number of new users, primarily young people, who are interested in creating images that are different from those taken by smartphones and who see the value in camera designs and other features that cannot be obtained with smartphones, is increasing. As a result, we expect that the market for both interchangeable-lens cameras and compact digital cameras will continue to increase modestly for at least several years to come.

Please note that the data for compact digital cameras is compiled from CIPA members only, and the actual market size is believed to be even larger if non-member overseas manufacturers are included.

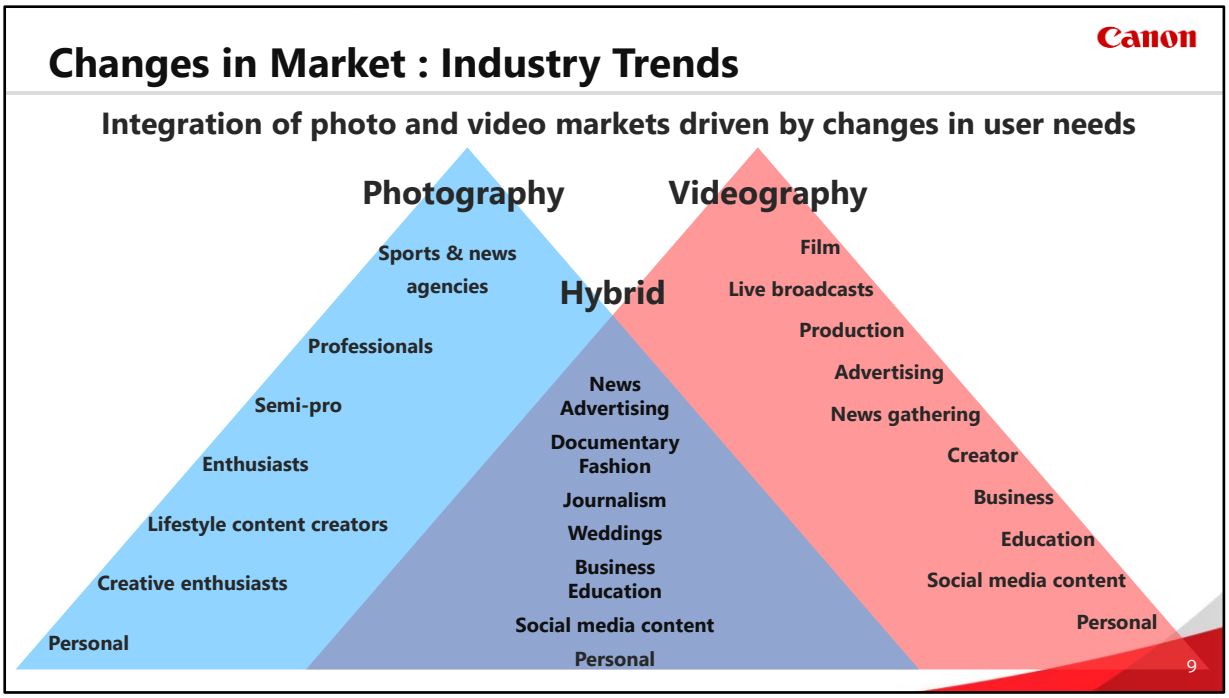


This shows the changes in customer needs in the market.

In recent years, in addition to traditional still photographers, the number of video-oriented users has been increasing.

In particular, the "hybrid shooting" style, which allows you to shoot both still images and videos with a single camera, is rapidly becoming popular.

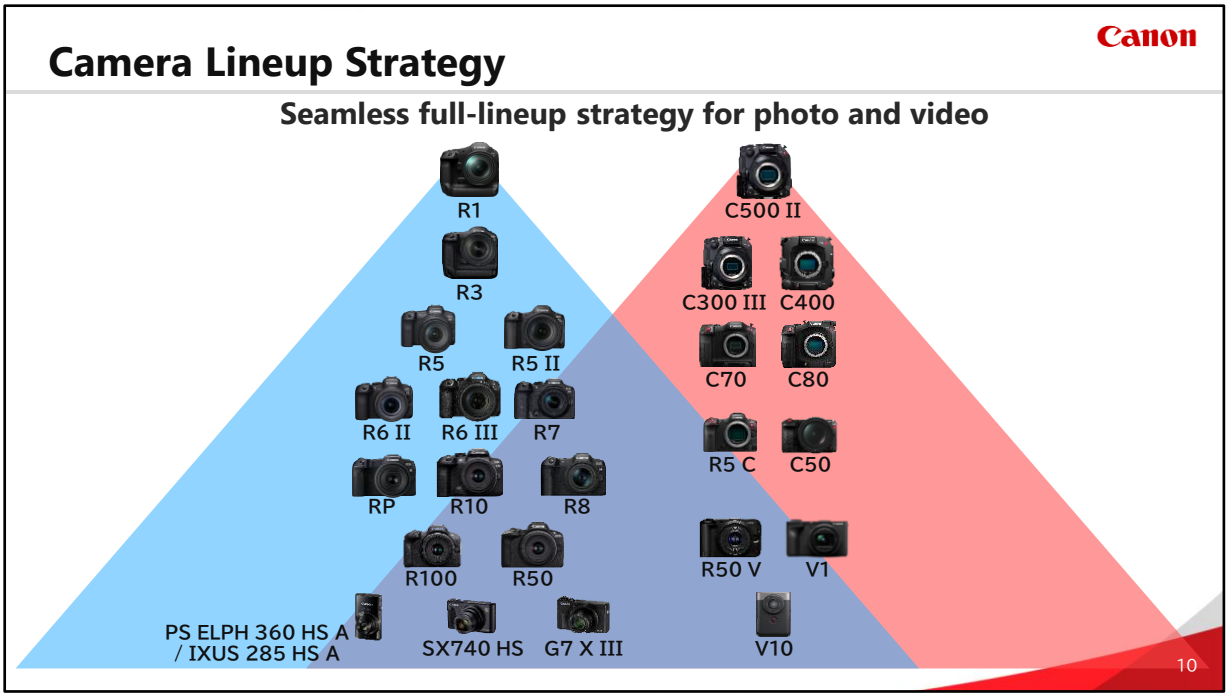
Changes in Market : Industry Trends



The integration of the traditional still photography market and the videography market are rapidly progressing due to the changing shooting styles of users.

The hybrid shooting style, which combines still images and video, is popular among a broad range of users and still continues to grow.

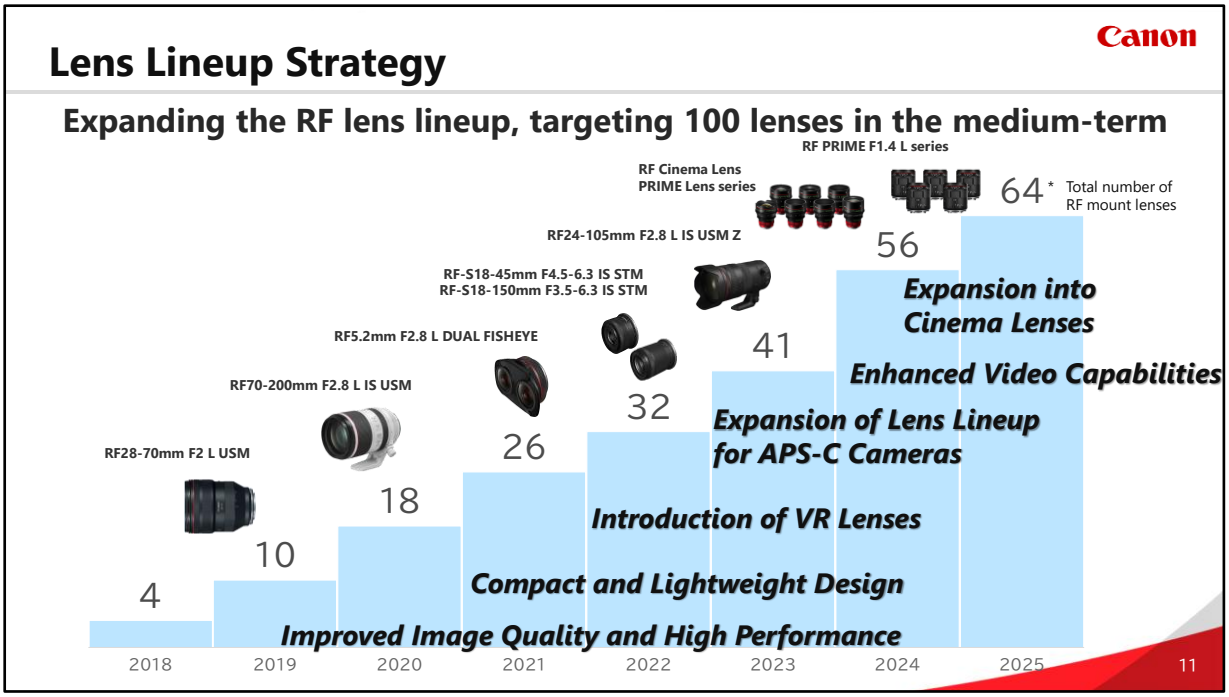
Accordingly, there is growing need for equipment that combines high-performance still image shooting with extensive video features.



To respond to these changes in the market environment, Canon offers a wide range of products, including interchangeable-lens cameras, Cinema EOS, and compact digital cameras, and is pursuing a "full lineup strategy" to meet a wide range of user needs.

8 years have passed since the mirrorless EOS R system was introduced in 2018 and we now offer a lineup that ranges from flagship to entry-level models.

Going forward, we will address all shooting styles, from still images to video and hybrid shooting, and for all users, from professionals to general users.



In addition to strengthening our camera lineup, we will actively promote the enhancement of our RF lens portfolio.

Leveraging the key features of the RF mount, which are its large-diameter mount and short back focus, we opened up new possibilities for high image quality, high specifications, and compact design.

Through this, we are now able to offer innovative lenses that we could not commercialize in the past.

During the EOS R system introduction period, we launched high image-quality, high-specification lenses and gradually expanded our lineup to include compact and lightweight RF lenses.

In addition, we introduced VR lenses designed for 3D video capture.

In 2023, in response to the increase in video-oriented users, we launched hybrid lenses with enhanced video capabilities. Additionally, by expanding into the cinema field, we are now able to support professional video production.

We introduced the EOS R system in 2018, and as of 2025, 8 years later, we have a lineup of 64 RF lenses. Going forward, we will continue to expand our lineup at the same pace, with the aim of reaching 100 lenses over the medium-term.

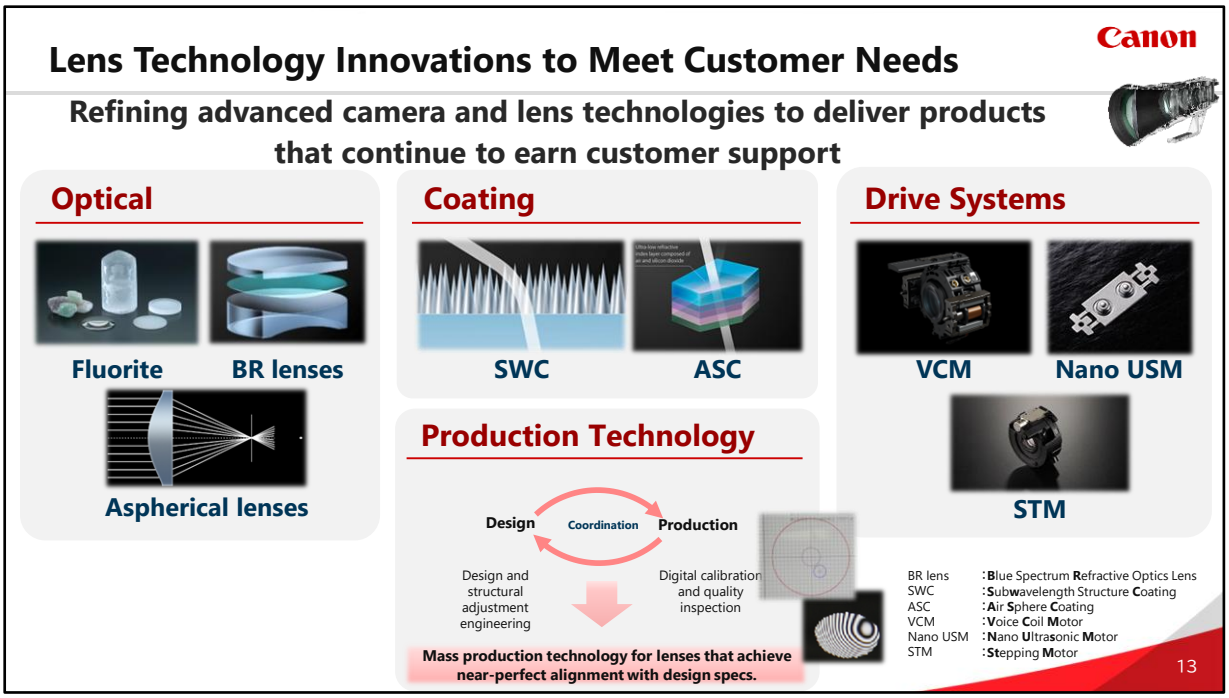
We will not only expand our lineup, but also promote technological innovation to address customer needs and further raise added value.

This is an example of the evolution of camera technology. Canon's proprietary Dual Pixel CMOS AF, which achieves high-speed and high precision autofocus, and deep learning, which utilizes AI technology, have enabled improved tracking AF performance in challenging scenes.

Additionally, improved continuous shooting and video performance are achieved through the DIGIC image processing engine, and the DIGIC Accelerator, another DIGIC installed in the "EOS R1" and "EOS R5 Mark II," which works in conjunction with the high-speed readout sensor to process large volumes of data quickly and with high precision.
Deep learning technology is also used in image processing, enabling upscaling to generate high-resolution images within the camera.
Going forward, we will continue to actively leverage AI technologies. At the same time, we will implement measures to verify image authenticity, addressing risks such as the misuse of AI for generating fake images or altering original content.

Another important focus is the camera-lens system.
The EOS R system achieves a high level of image stabilization by coordinating in-body and optical lens stabilization.
Furthermore, with the aim of creating a system that can be used for over 30 years, we have increased the number of communication pins to enable greater data transfer capacity.
The system is also scalable to accommodate future functional enhancements that will require even faster, high-capacity data transfer.

Leveraging these strengths, we will continue to refine our state-of-the-art technology and offer products that remain popular with our customers.



This is an overview of the technology that supports the high performance of RF lenses.

As for optical technologies, there are fluorite lenses that achieve high image quality, BR lenses made from proprietary materials that significantly reduce chromatic aberration and color bleeding, and aspherical lenses that achieve high resolution through proprietary design and production technologies.

In coating technologies, SWC with wedge-shaped structures on the lens surface, and ASC, a coating featuring an air-containing layer, provide anti-reflective effects.

In terms of drive technology, we employ a range of solutions, including VCM, Nano USM, and STM, to achieve both high product performance, such as low noise and fast autofocus, and appropriate driving force tailored to lens size and weight.

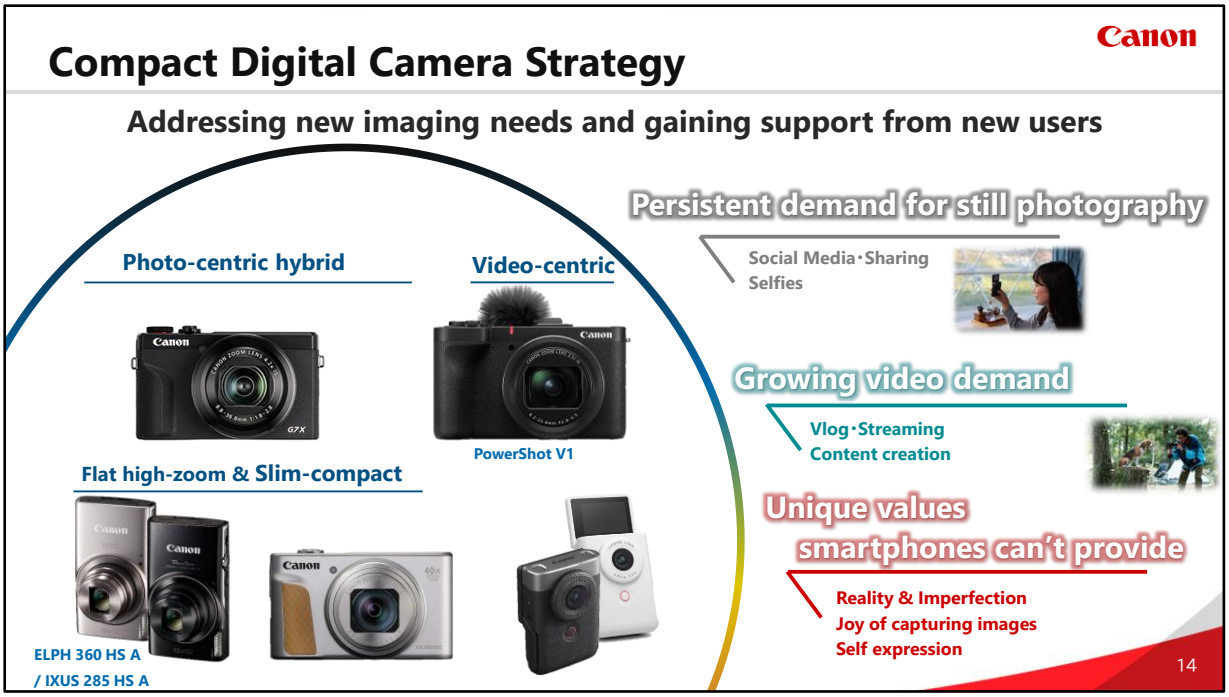
Furthermore, even if a design is excellent, it is meaningless if it cannot be manufactured consistently.

Canon lenses are superior thanks to the production technologies that produce lenses which closely match the intended design values.

We minimize manufacturing tolerances and ensure high quality through close coordination between design and manufacturing, employing adjustment mechanisms that align lens elements to their ideal positions and applying digital calibration and inspection.

Even when comparing EF lenses for SLR cameras with the latest RF lenses for mirrorless cameras, manufacturing errors have been reduced, and the lenses have evolved to perform closer to the design values.

These proprietary technologies support the high image quality and high performance of RF lenses, and we will continue to refine these technologies.



In recent years, we have seen strong demand for still images and rapid demand expansion for video.

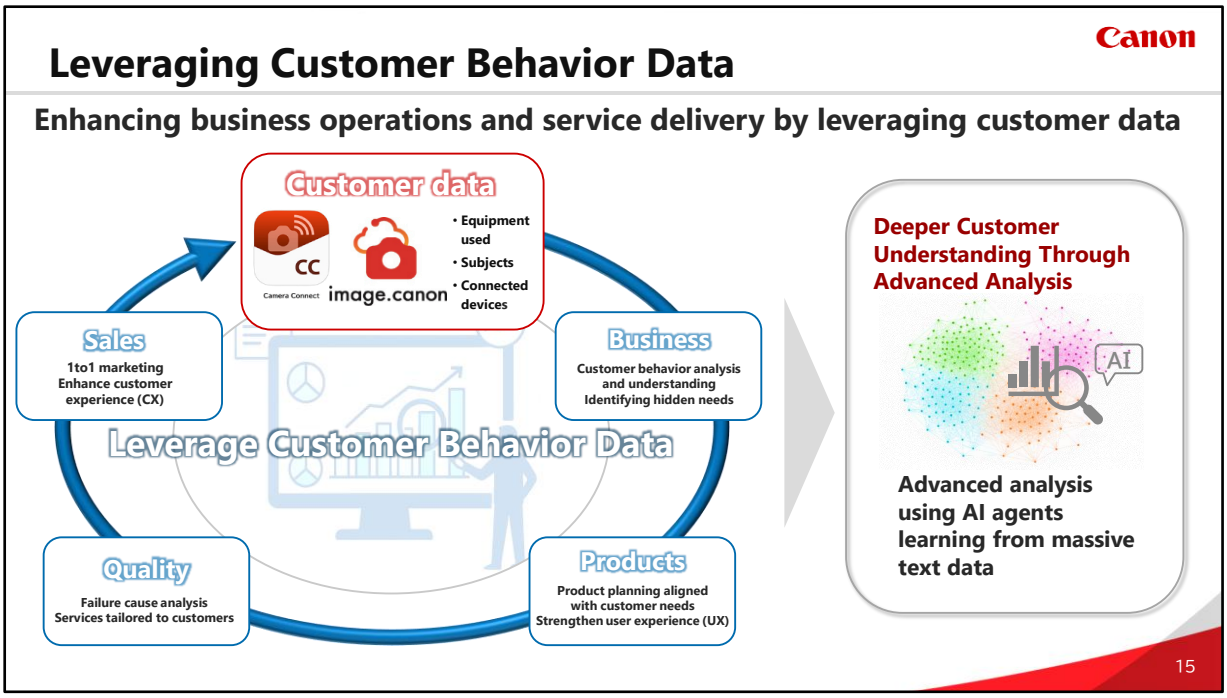
Furthermore, there is growing demand for image creation that cannot be achieved with smartphones and camera designs, and a growing presence of new user that cannot be fully covered by interchangeable lens cameras alone.

Accordingly, compact digital cameras are once again attracting attention.

To meet new demand, we are increasing production of current products, and in 2025, launched the "PowerShot V1" and "ELPH 360 HS A" / "IXUS 285 HS A."

Our lineup of compact digital cameras includes photo-centric hybrid models, video-centric models, flat high-zoom models that maintain image quality even at long zoom, and the Slim line that emphasizes a lightweight, compact design.

To meet the demand of a wide range of users, including the smartphone-native generation, we will further expand our lineup of compact digital cameras in addition to interchangeable-lens cameras, and offer new experience value that allows users to enjoy both still images and videos.



This is about effective utilization of customer behavioral data.

To gain a deeper understanding of customer behavior, Canon leverages a diverse range of customer data such as the device they use, the subject photographed, and the equipment connected, which is gathered through “Canon Connect” and other camera-related applications, and our cloud service, “image.canon.”

By analyzing this data, we aim to identify potential needs, develop products that align with customer demand and further improve UX.

Additionally, by analyzing failure factors, we will improve quality and provide optimal services to our customers.

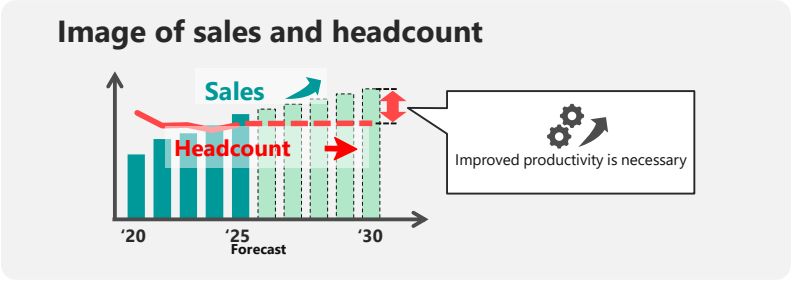
We are also working to strengthen our sales capabilities through one-to-one marketing, to make proposals tailored to each customer.

Moving forward, we will further enhance the quality of our business activities and service offerings by deepening our understanding of customers through advance big data analytics.

Enhancing Profitability Through Improved Productivity

Canon

Carrying out measures to improve productivity across entire commercialization processes



Planning

Thoroughly utilize IT tools to strengthen data driven business operations

Development

Build an efficient R&D structure to improve performance and shorten development lead-time

Production

Construct an optimized production system to deliver high-quality products at low cost

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Here, we address strengthening profitability through productivity improvements.

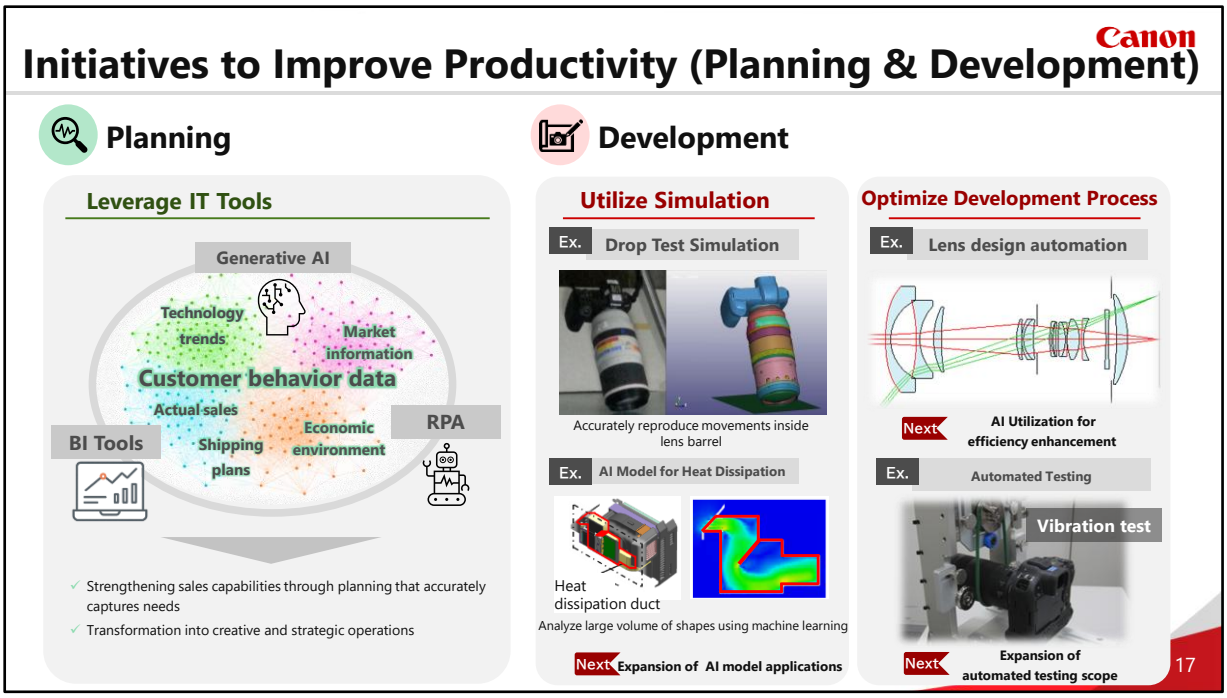
The Imaging Group plans to continue increasing sales beyond 2025 and making productivity improvements in the process of commercialization is essential.

In planning, we will leverage customer behavior data and IT tools to realize plans that accurately capture customer needs.

In development, we will build an efficient development structure to strengthen product competitiveness while reducing costs.

In production, we will construct an optimized production system to deliver thorough cost reduction and quality improvement.

By advancing these initiatives across all divisions, we aim to further reinforce our profitability structure.



The Planning Division is now able to directly gather customer behavior data through "Camera Connect" and "image.canon." We analyze this vast amount of data using various IT tools, including generative AI, to further enhance UX and develop products and services that meet customer expectations.

In addition, we will use IT tools to improve quality and efficiency in research and analysis of market information and technological trends, and in the formulation of shipment plans based on sales performance. The time saved will be devoted to more creative and strategic tasks.

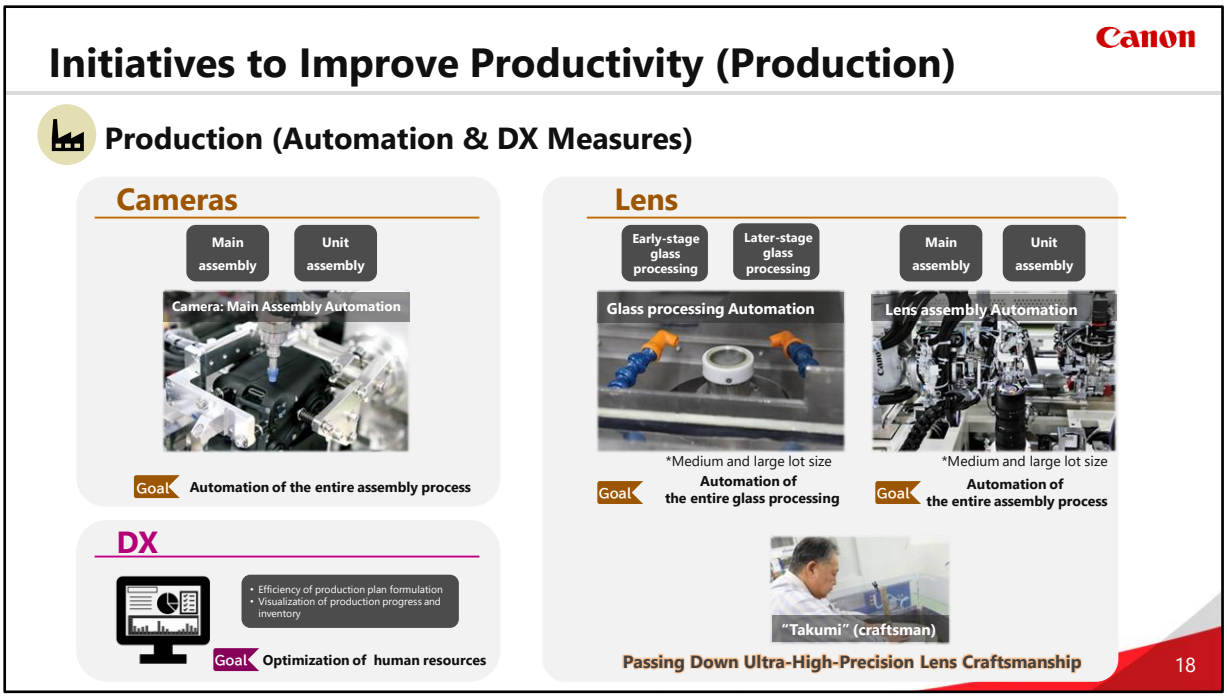
Productivity enhancement efforts in the Development Division include the use of simulations and the optimization of development processes.

For example, in some areas, such as drop testing and heat dissipation, automated analysis through simulation has already been realized, enabling shorter development cycles while reducing costs.

In the optimization of the development process, for example, partial automation has been achieved in lens design automation.

By leveraging AI technologies and Canon's accumulated know-how, we are working to efficiently derive optimal design solutions.

In evaluation, with the increase and rising sophistication of camera functions, the evaluation workload, measured by the number of personnel, time required, and units tested, is expanding and becoming more complex. Unlike people, automated systems can operate 24 hours per day. We will expand the scope of automated testing to vibration testing and other applications, to improve efficiency.



As for automation of the camera bodies, in addition to the main assembly, we plan to expand automation to unit assembly in the future.

Regarding lens automation, we have automated the early-stage glass processing, from polishing through centering, and will pursue automation of the later-stage processing, from cleaning to vacuum deposition.
In addition, we are advancing automation in the assembly process.

At present, ultra-high-precision products are processed and assembled by highly skilled craftsmen, known as Takumi.

This is also the source of Canon's competitiveness. We will continue the training of Takumi so that their skills will be succeeded. At the same time, we will digitize Takumi skills and automate their highly advanced techniques even though this will take time.

Our ultimate goal is to automate the entire process of glass processing and lens assembly.

Furthermore, by leveraging AI technologies, we aim to visualize real-time data across the entire factory, including automated planning, location management, operation monitoring, and quality control, to optimize human resources within the factory and establish an efficient production system.

Continue to Drive Growth in Camera Market

We have maintained the No.1 market share in interchangeable-lens cameras for 22 consecutive years.

This legacy was not built by maintaining traditions, but by sensing the changes of each era and continuously evolving our cameras through transformation.

Changing is evolution itself.

We will continue to evolve to meet the changing needs of the times.

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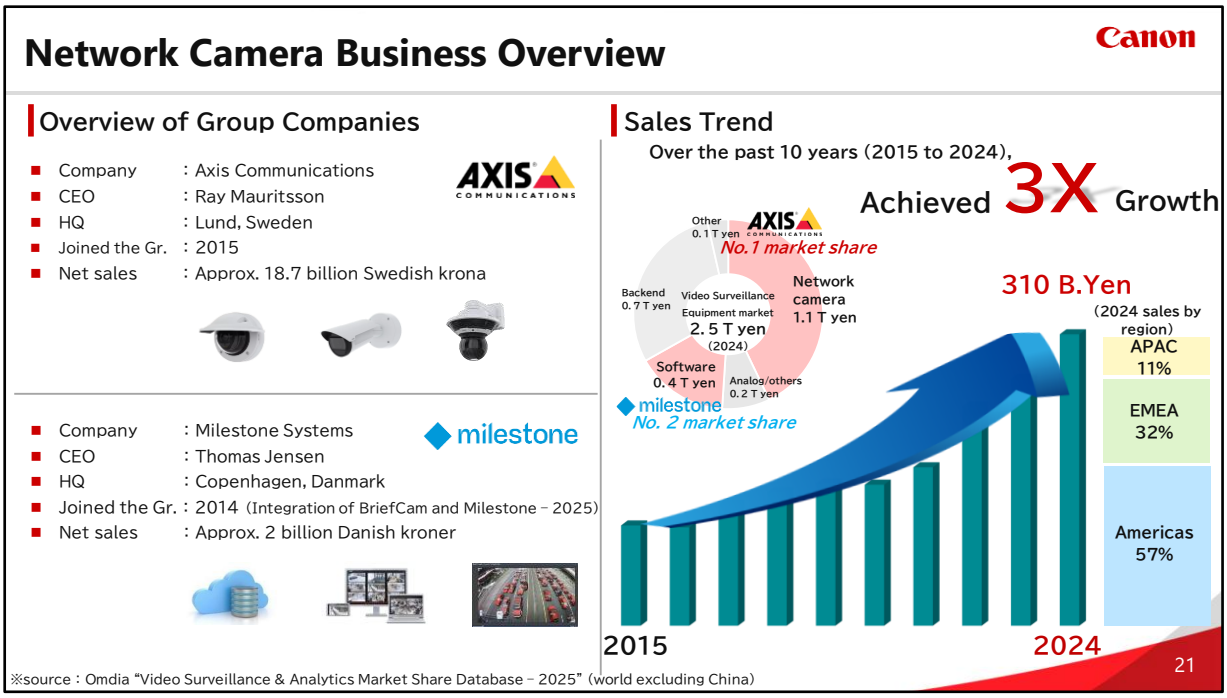


In 2013, Canon positioned network cameras as one of its new business domains.

To establish a solid foundation, we welcomed Axis, the world's top network camera provider, in 2015, and Milestone, a global leader in video management software, into the group in 2014.

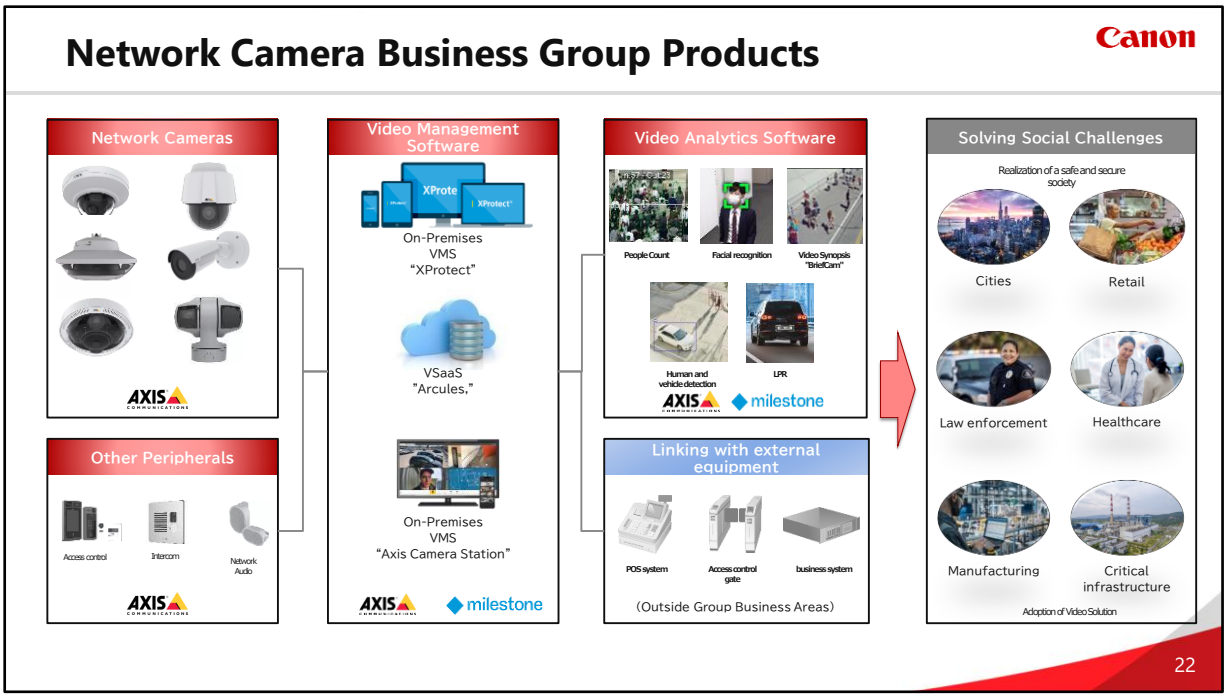
The pie chart illustrates their respective size in the video surveillance equipment market, excluding China:

Axis primarily operates in the network camera segment, while Milestone focuses on software.

Since joining the Canon Group, Axis and Milestone have driven growth alongside market expansion, tripling the scale of this business over the past decade.

Throughout this period, we have respected their autonomous management while providing technical and sales support as needed.

Sales by region are largest in the Americas, which will continue to be one of our key focus markets going forward.

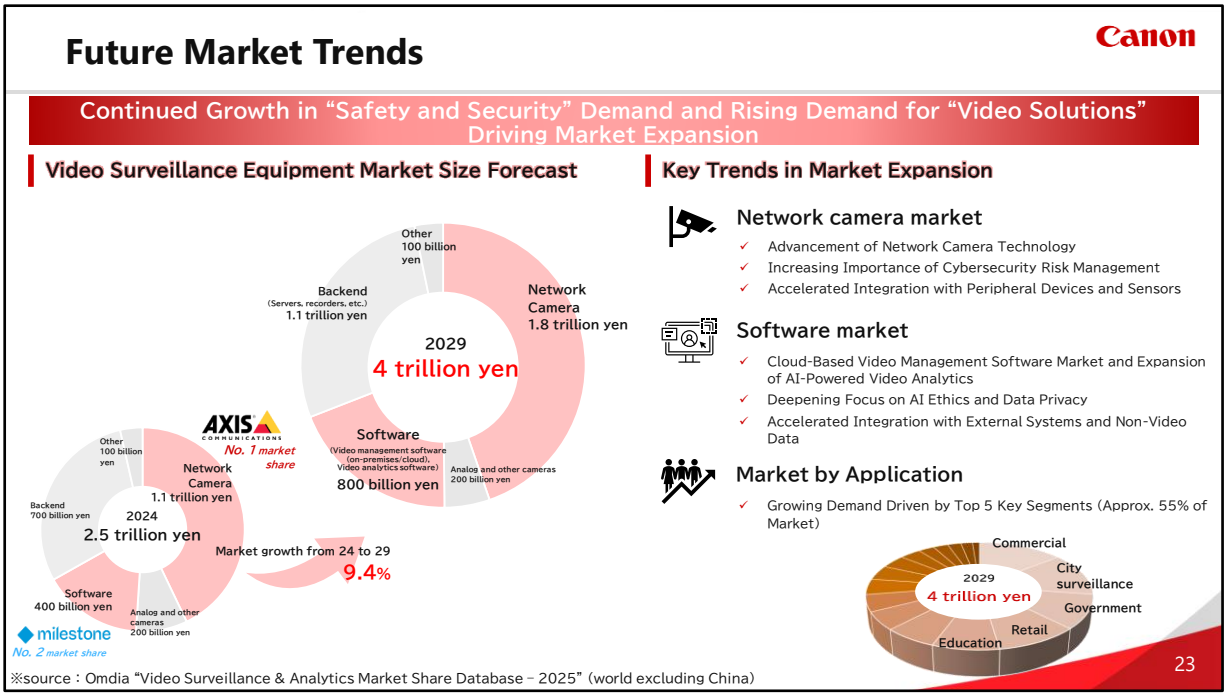


Next, the products and services offered by the Canon Group.

Our portfolio spans three main areas: network cameras, video management software (VMS), and video analytics software. Through these offerings, we contribute to solving social challenges.

Our video management software enables centralized viewing, storage, and search across multiple cameras, available in both on-premises and cloud-based formats.

Video analytics software processes captured footage to deliver actionable insights. In addition to video synopsis—quickly extracting relevant objects from long recordings—we offer solutions such as people counting and facial recognition.



The graph on the left illustrates the size of the video surveillance equipment market in 2024 and in 2029.

The market is projected to grow from 2.5 trillion yen in 2024 to 4 trillion yen by 2029.

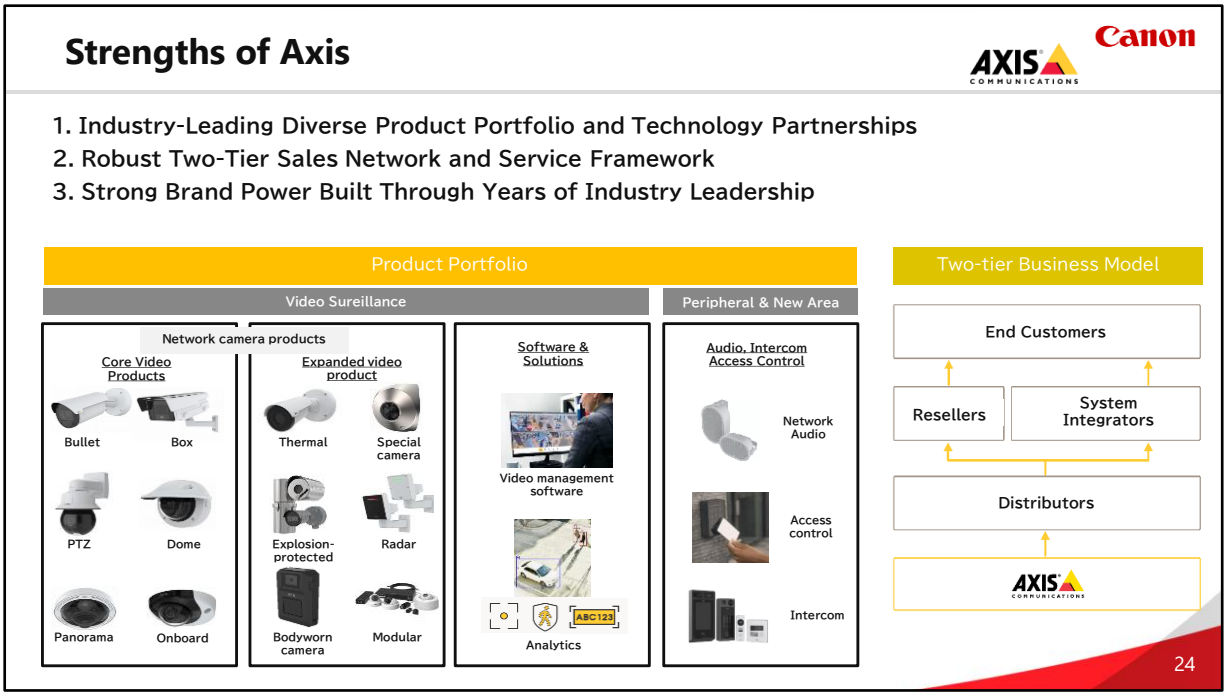
The main trend of market expansion is the advancement of technology in the field of network cameras, such as higher resolution and widespread adoption of AI, and the need for cybersecurity measures and integration with peripheral devices and sensors.

In the software market, adoption of cloud-based solutions is gaining momentum alongside traditional on-premise systems.

Additionally, considerations for AI ethics and data privacy, particularly in Europe, are becoming increasingly important and responding to these trends is vital.

Furthermore, AI-driven video analytics is expected to see widespread adoption.

Applications are expanding across diverse sectors, including commercial facilities, city surveillance, and government agencies.



Axis has three key strengths:

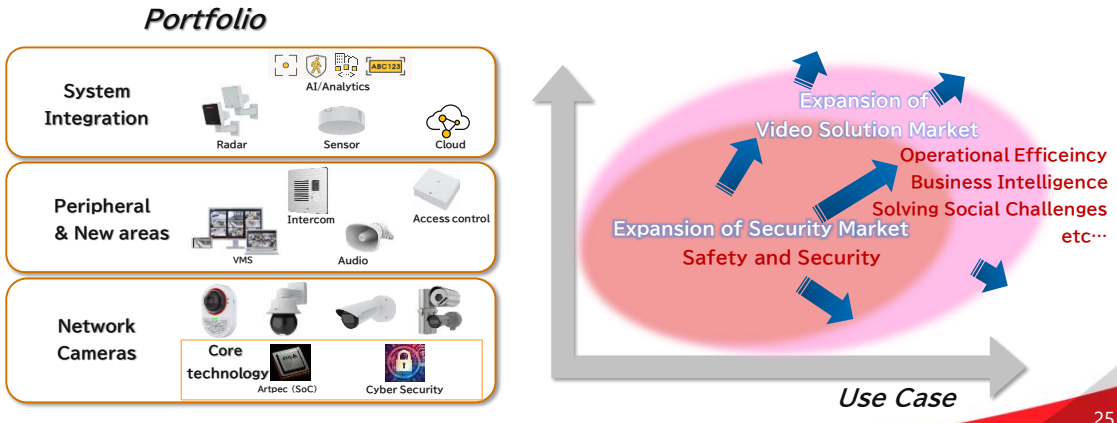
1. Axis offers a wide range of network cameras, from standard models known as “Core Video Products” to specialized solutions such as thermal cameras, explosion-protected cameras, and body-worn cameras. The portfolio also includes software for video management and analytics, as well as peripheral products like audio systems and access control.
   In addition, Axis collaborates openly with technology partners, including VMS vendors, to deliver comprehensive solutions to customers.

2. Axis operates a two-tier distribution model, partnering with distributors, system integrators, and resellers to serve end-customers. This model, built on long-standing trust, has enabled Axis to establish a strong global sales network.

3. Since launching the world’s first network camera in 1996, Axis has consistently led the market. This track record underpins its strong brand recognition.

Axis Business Expansion Strategy

- Strengthen Core Technologies and Portfolio of Network Cameras
- Further Expansion of Security Business through Strengthening New Domains
- Expansion into Video Solution Areas (Operational Efficiency and Business Intelligence) through System Integration

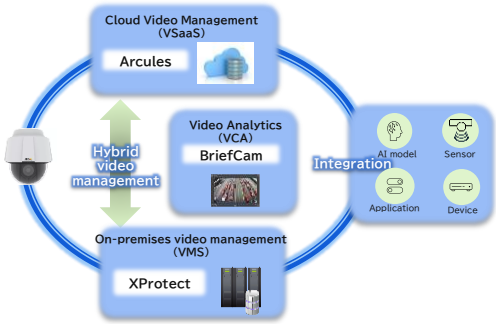


The portfolio on the left illustrates business area expansion from the bottom to the top. The figure on the right shows the expanding market.

Axis will pursue long-term growth by expanding its core network product portfolio and strengthening key technologies, including SoCs developed in-house and cybersecurity, to deliver higher value-added products and services.

Axis will also expand adjacent areas such as audio and access control to further grow its security business. Moreover, by advancing AI analytics, sensor integration, and cloud compatibility, Axis aims to move beyond security applications into video solutions for operational efficiency and business intelligence, driving sustainable growth.

Strengths of Milestone and Its Business Expansion Strategy



Strengths

1. Scalable Product Portfolio Offering XProtect, Arcules and BriefCam across On-premises and Cloud
2. Industry-leading Technology and Sales Partners Built on an Open Platform
3. Strong Brand Power Built Through Years of Industry Leadership

Expansion Strategy

- Providing Comprehensive Solutions Through Enhanced AI Analytics and Integration with Non-Video Data
- Acceralating VSaaS Business Model Through Strengthened Cloud and Hybrid Capabilities
- Reinforcing “Responsible Technology” for AI Ethics and Privacy Protection

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Next, the three key strengths and characteristics of Milestone.

1. Its scalable product portfolio, including VMS, VSaaS, and VCA, supports both on-premises and cloud-based video management is its greatest strength. It delivers industry-leading solutions capable of reliably managing multi-site deployments and tens of thousands of network cameras.

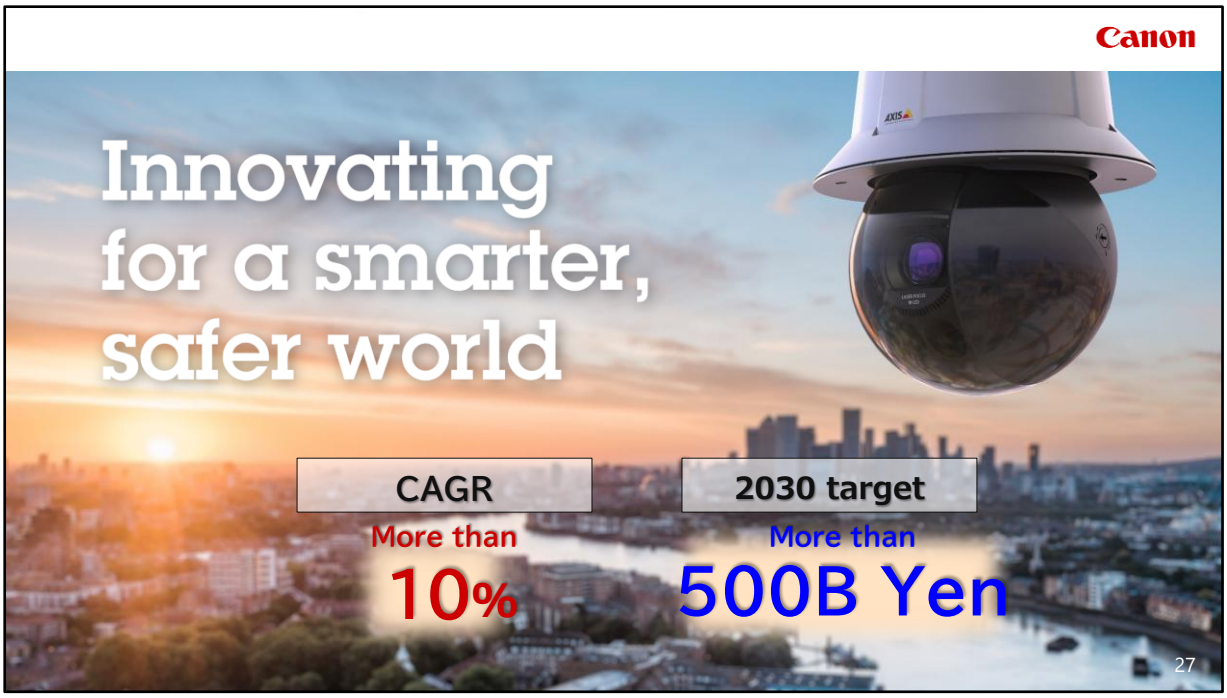
2. Milestone’s open-platform architecture enables seamless collaboration with leading technology partners worldwide, allowing Milestone to deliver tailored solutions that best meet customer needs. By offering customers and solution partners “freedom of choice,” Milestone has become a preferred vendor in the market.

3. As a leader in video management and analytics solutions, Milestone has built strong brand equity through years of industry leadership.

Milestone’s growth strategy focuses on strengthening its core products—XProtect, Arcules, and BriefCam, while enhancing AI analytics and integrating non-video data such as sensor inputs to deliver comprehensive solutions.

Additionally, Milestone will accelerate adoption of cloud and hybrid video management systems, driving subscription-based services to expand revenue.

Milestone also emphasizes “Responsible Technology,” ensuring safe design and operation with strong consideration for AI ethics and privacy protection, reinforcing its industry leadership.



Our outlook for the Network Camera business.

Through the acquisitions of Axis and Milestone, Canon has significantly expanded this business. Moving forward, we will continue leveraging their strengths to contribute to a smarter and a safer world.

The network camera market is expected to maintain double-digit growth, and Canon aims to achieve annual growth of over 10%, targeting revenue of 500 billion yen by 2030.

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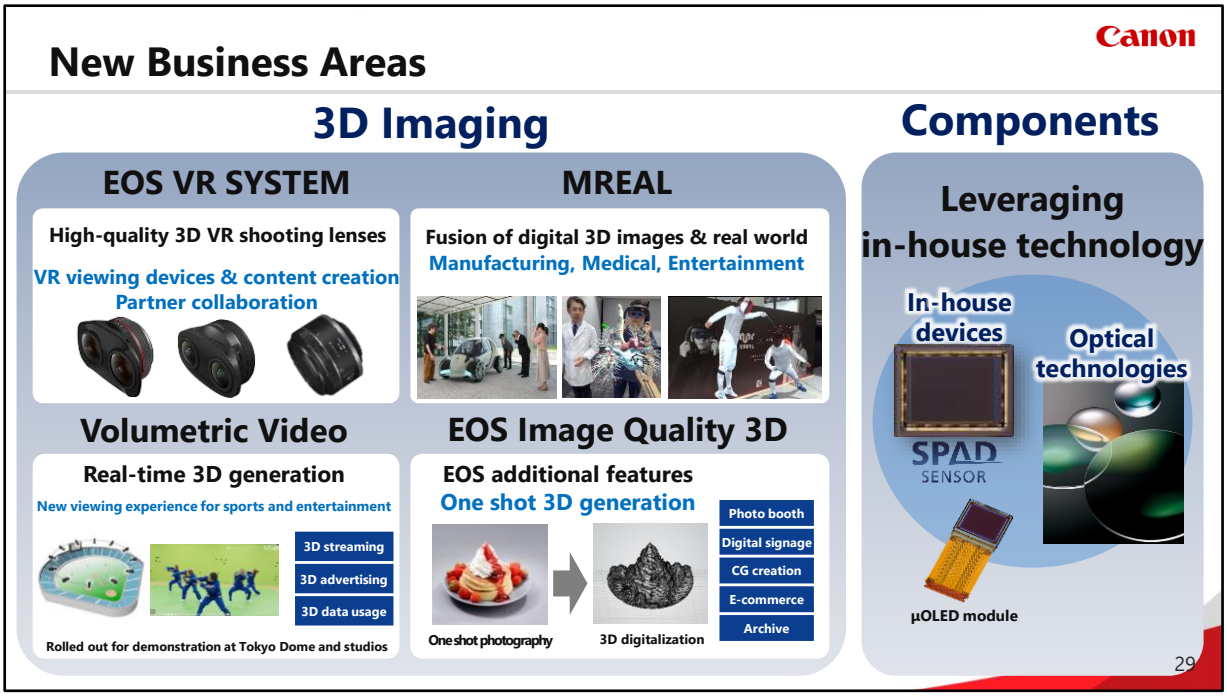

Canon develops and offers a diverse range of 3D imaging solutions that utilize proprietary technologies.

The EOS VR (Virtual Reality) System has been selected as a spatial video recording device for Apple Vision Pro since last year.
Going forward, we will further strengthen our collaboration with partners responsible for VR viewing equipment and content production and aim for wider use in the consumer market and business areas.

MREAL, which offers MR (Mixed Reality) that combines virtual images with the real world, has been adopted and deployed by customers in the manufacturing and other industries, leveraging our expertise and know-how gained at development and manufacturing sites. Going forward, we plan to also expand and strengthen our business in other fields such as medical and entertainment.

For real-time 3D volumetric video, we are working with partners to further develop new businesses and services through repeated demonstration tests at the Tokyo Dome and studios where it has been introduced.

EOS Quality 3D, which can generate high-quality 3D data from images taken with existing EOS cameras, will provide new added value to EOS cameras and expand their usability for customers.

Lastly, the components business.
We are working on a business model in which we provide the optical technology and in-house devices we have cultivated through our camera business to vendors and solution partners who develop end products and solutions.

We will expand our business by seizing business opportunities that Canon cannot reach on its own.

Conclusion

Continuing to solve customers' diverse challenges and enrich lifestyles

As a leading company in imaging, we will continue to solve our customers' diverse challenges and create richer lifestyles.