

**Canon Inc.**

# **Medical Group Business Strategy Conference**

**March 24, 2025**

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**Head of Medical Group**



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# Today's Agenda

- 1 . Position of Medical Business within Canon**
- 2 . Environment**
- 3 . Outlook for Profitability Improvement in 2025**
- 4 . Measures and Strategies from 2026 and after**

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# From Founding of Canon to Acquisition of Toshiba Medical, and Organizational Integration

## Entering Third Stage of Canon's Medical Business

### Canon Medical Business 1.0

- In 1940, Canon develops Japan's first domestically produced X-ray camera



### Canon Medical Business 2.0

- In 2016, Canon acquires Toshiba's medical system business



### Canon Medical Business 3.0

- In 2024, Medical Business Innovation Committee is established
- In 2026, Canon Medical Systems will be integrated with Canon Inc.

# Direction of Medical Group – Contribute to precision medicine

## Current business areas

Exam and diagnostic

## Business expansion areas

Solutions that support personalized treatment

In vitro diagnostics & Bio

In vitro testing

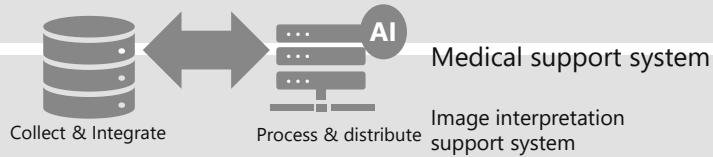


Various reagents

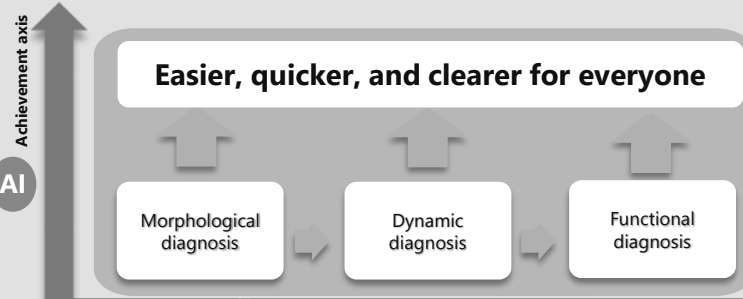


Pathological diagnosis  
Liquid biopsy  
Genetic testing  
Regenerative medicine

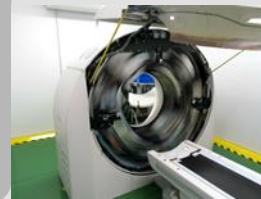
Diagnostic imaging & Health care IT



Integrate



Next-generation diagnostic imaging system PCCT



Development axis

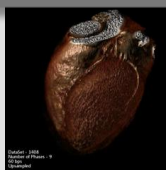
AI Multi-position CT



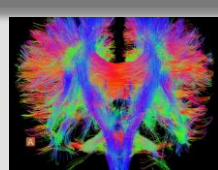
CT : Ultra-high definition chest image



CT : Cardiac dynamic image



MR : Cranial nerve image



**Realize Clinical Decision Support**

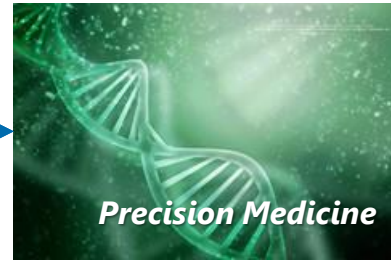
Big data analysis

Cloud platform

Remote diagnosis support

**Autologous iPS cell production**

Regenerative medicine platform



Personalized treatment

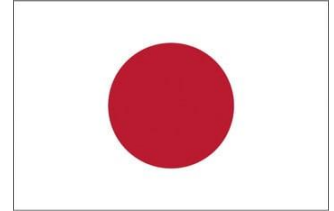
- Medication treatment
- Surgical treatment
- Cell treatment
- Regenerative medicine

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# Environment in Japan

- **Changes in demographics and medical demand towards 2040**
  - ✓ **Aging population and expanding medical needs**
  - ✓ **Changes in disease structure and importance of preventive medicine**
- **Hospital management environment**
- **Market and industry trends**
  - ✓ **Demand toward hospital management and cost efficiency**
  - ✓ **Increasing use of AI**



## Environment in China



- **Impact of anti-corruption campaign on introduction of new technology reduced to certain extent**
- **Continued weakness of Chinese economy**
- **Healthcare area relatively stable over medium- to long-term due to government support and demand from aging population**
- **Centralized purchasing**
- **Preferential treatment for domestic produced goods (Stricter definition of domestically produced goods)**



## Environment in the U.S.

- **Transition to “Value-based healthcare”\***
- **Large-scale medical network (Integrated Delivery Network)**
- **Complex public (Medicare & Medicaid) and private insurance framework**
- **Diagnostic imaging equipment market – Continued stable growth**
- **Demand for high-performance equipment such as CT and MRI systems, and portable ultrasound and digital X-ray systems**



\* Efforts to improve healthcare while reducing medical costs by focusing on medical outcomes

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# Outlook for Profitability Improvement in 2025

Operating profit (Billions of yen)		Operating profit increase	ROS improvement % impact	Measures etc.
<b>2024 operating profit (Actual)</b>		24.7	ROS 4.3%	
Increase in op. profit due to top-line growth	Reform global service business			Offer service solutions that improve efficiency of customer operations
	Strengthen product competitiveness and sales capability			Introduce new products that maximize customer value Strengthen U.S. sales network with focus on CHCU
Increase in op. profit due to improvement in productivity and cost management	Prepare business foundation Reform business structure Improve mfg. profit			Review business foundation Optimize overseas fixed costs Achieve excellence in quality control, cost reduction, procurement, and supply-chain
	Optimize operation Review development system Improve operational efficiency etc.			Optimize sales co. structure etc. Continuously improve operational efficiency
<b>2025 operating profit (Plan)</b>		39.5	ROS 6.7%	2.4%
				Net sales growth rate +3%

# Improve Global Service Business

## Accelerate offering of service solutions/Pursue operational efficiency

Based on the philosophy of “*Made for life*” we will further accelerate the offering of better service solutions such as quality improvement and optimization of functions and performance so that medical equipment can be used stably and with peace of mind at medical sites in each region, thereby minimizing downtime at customer sites. At the same time, we aim to increase service profits by pursuing operational improvements through DX and other means.



### High customer satisfaction

- Improve quality, strengthen remote service solutions through digital transformation, and increase the efficiency of installation, inspection, and repair



### High market share and profitability

- Offer services that improve the value of customers' assets (Launch of SLA/service solutions )



### Optimize management resource

- Shift to centralized operation

# Strengthen Product Competitiveness CT & MRI Systems



- Photon Counting CT
- Planned launch: End of FY25
- Currently under evaluation at four influential sites around the world

- Commercialization of multi-position CT system
- Further raising clinical value
  - ✓ Showcased at Canon EXPO



- 3-Tesla MRI
- New hardware to leverage AI technology
- Improve sequent flexibility



Workflow

Workflow steps

40%

reduction

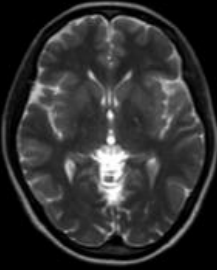
INSTINX

Instinctive user experience

- Further efficiency in testing
- Strengthen and expand automation technology utilizing AI
- Various solutions that contribute to operability
  - ✓ Solutions that support image interpretation
  - ✓ Integrated viewer of acute medical information
  - ✓ Remote operation

Total scan time : 5 sec

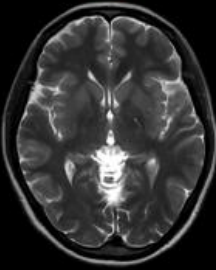
Original



Matrix 160 x 256  
Reso 1.5 x 0.9 mm

>>>

PIQE



Recon Matrix 768 x 768  
iReso 0.3 x 0.3 mm

powered by Altiivity

- Achieve both high-resolution and reduced imaging time through super-high resolution DLR「PIQE」\*

\*Precise IQ Engine

# Strengthen Product Competitiveness Ultrasound & X-ray systems

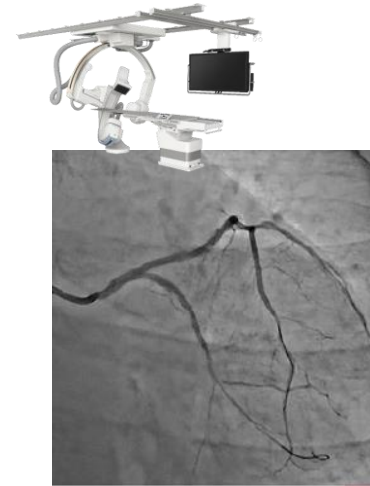


- Expand diagnostic field  
(Strengthen collaboration with other cos.  
In gastrointestinal field)
- Endoscope with build-in ultrasound



- Expand into POCUS\*<sup>1</sup> area
- Utilizing E-commerce

- Expand into breast area
- Re-sales of QT Imaging's Breast Acoustic CT scanner
- Sales expansion centered around NXC\*<sup>2</sup> in the U.S.



- Image processing that utilizes AI
- Global expansion (Promotions to start in U.S.)



- NRT\*<sup>3</sup> product sales expansion
- Multipurpose DR system
- From still image DR systems to video systems

\*<sup>1</sup> Point of Care Ultrasound

\*<sup>2</sup> Canon Medical Systems USA's subsidiary, NXC Imaging

\*<sup>3</sup> Denmark's NORDISK RØNTGEN TEKNIK A/S (NRT)

# Enhance Sales Capability in U.S.

Based on integrated platform in Cleveland, utilize products for new areas and AI applications to further strengthen and expand sales capability

## Upstream marketing

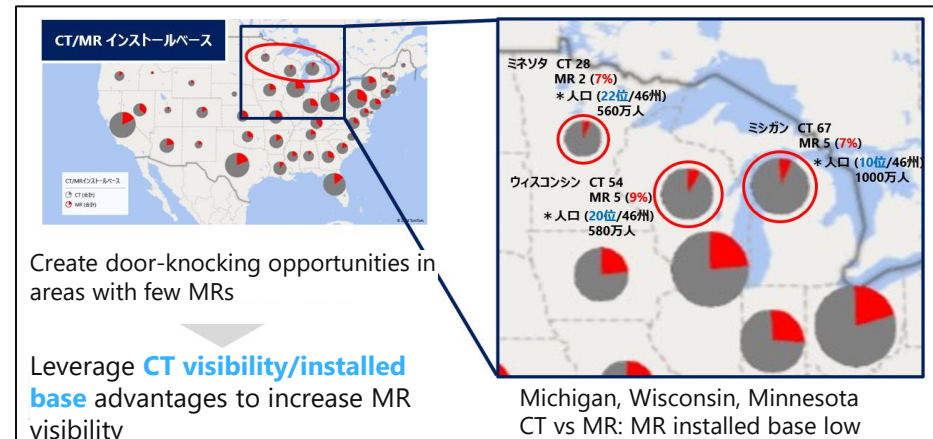


- Further expand KOL network in U.S.



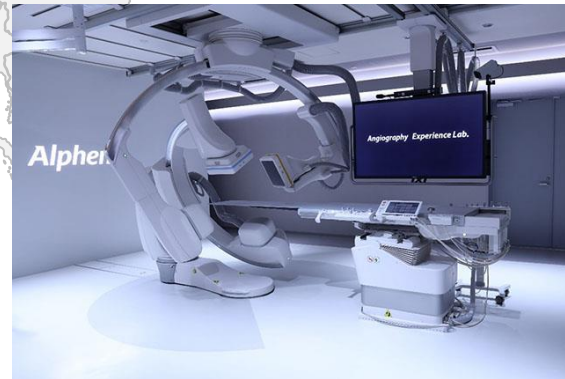
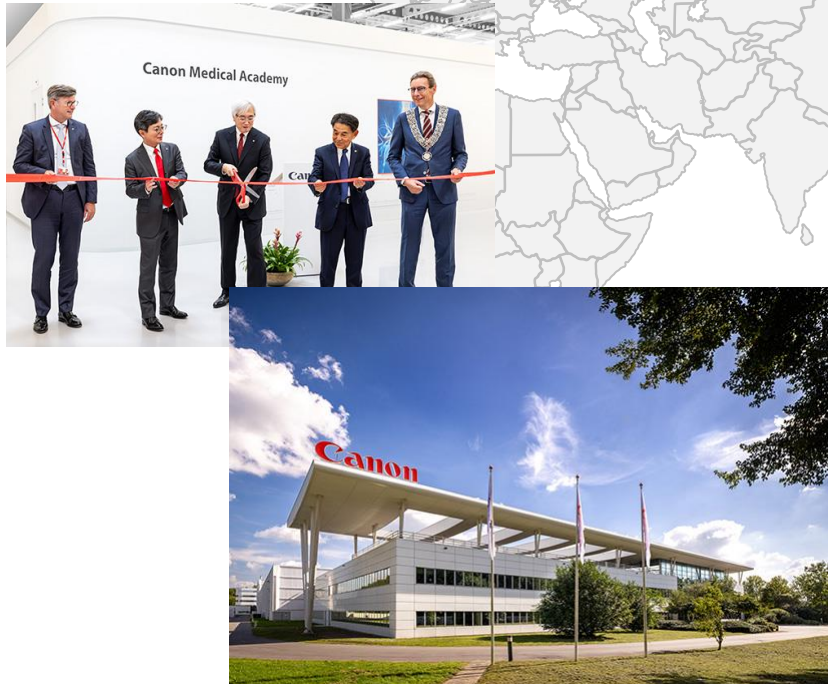
- Disseminate globally from Canon Medical Academy
- Expanding from radiology to specialized areas
- Business expansion utilizing CT install base

## Downstream marketing



**Established "Canon Medical Academy," training centers in Japan, U.S., and Europe**

**Under head office management, latest information is centralized and appropriate information is provided in a timely manner depending on business case**





# Regional Strategy (India and Near & Middle East)

## Established local subsidiary in India



- Established local subsidiary (Corporate registration) – Dec. 2022
- Obtained sales license – Jun. 2023
- Obtain import license – Jan. 2025, by completing compliance with all regulations

## Established local subsidiary in Saudi Arabia

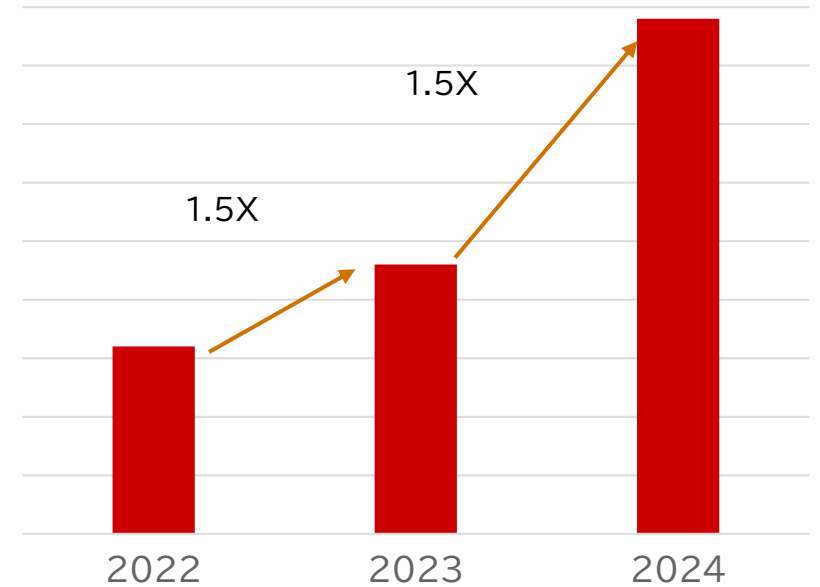


- Expand Canon brand sales promotions and strengthen response to large group business negotiations
- Participating in bulk bidding for national and public projects through government cooperation

### Participation in Recent Events in India and Near & Middle East

- Asia Oceania Congress of Radiology 2025
- Arab Health 2025
- Accompanied Japanese government visit to Middle East and participated in business forum and reception

Net sales



# SCM Reform Working Group

**Reform SCM (procurement, production, logistics) systems and processes**  
**Raise productivity, improve quality, and reduce costs**

## **Maximize use of Canon's technology, quality control, and cost reduction**

- **Procurement reform**
  - Integrate procurement operating with head office
  - Thorough pursuit of optimal procurement
  - Canon-style cost reduction and quality improvement through collaboration and cooperation with business partners
  
- **Production reform**
  - A system and execution that fully utilizes Canon's production technology and on-site know-how
  - Thoroughly promotion of automation, insourcing, and labor-saving
  - Improve productivity and yield in all processes
  - Renewal of facility layout and promotion of efficient manufacturing flow and space saving
  
- **Logistics reform**
  - Integrate logistics operations with head office
  - Optimization of all logistical areas, including domestic, overseas, import/export, on-site, and warehouse
  - Thorough pursuit of optimal logistics costs

# Development Reform Working Group

**Improve development systems and processes**  
**Improve development efficiency and strengthen product competitiveness**  
**Utilizing Canon's human resources in medical business divisions**

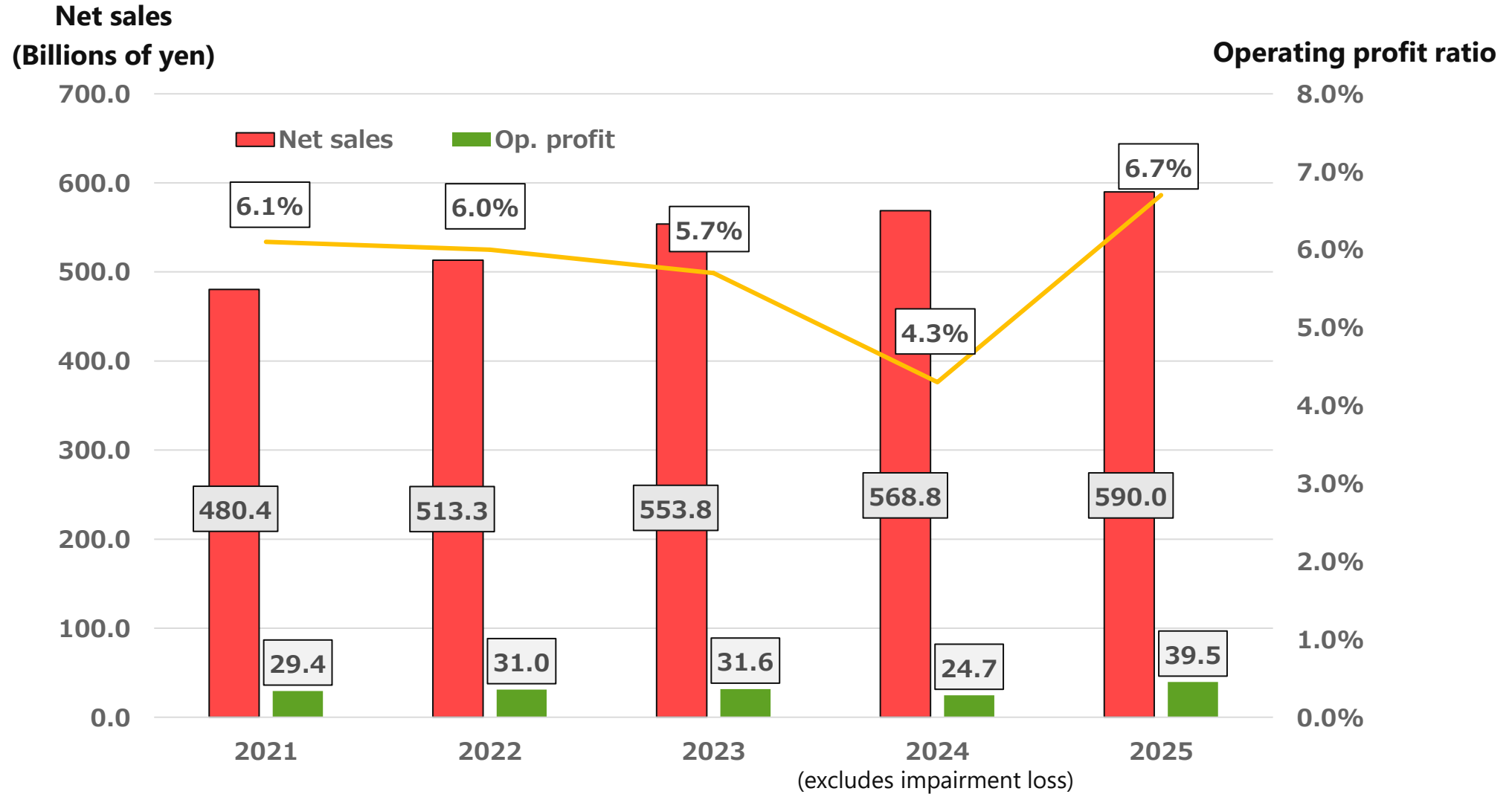
Comprehensively strengthen quality and efficiency of development by introducing Canon's development process and utilizing Canon's human resources

**■ Enhance development structure WG**

- **Build new development structure in cooperation with Canon headquarters**
- **Rebuild global development structure**
  - Rebuild global development structure that takes advantage of the characteristics of each development base

**■ Promote insourcing of development WG**

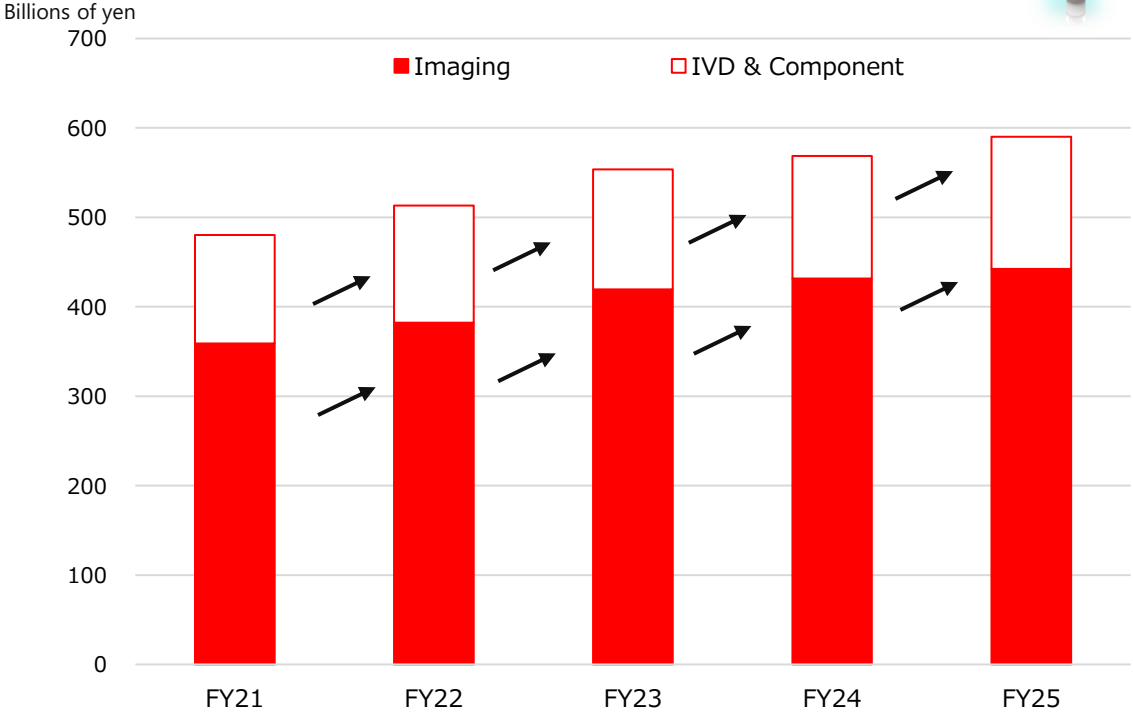
- **Promote insourcing of hardware and software development**
- **Improve quality of development and reduce external distribution costs through insourcing**



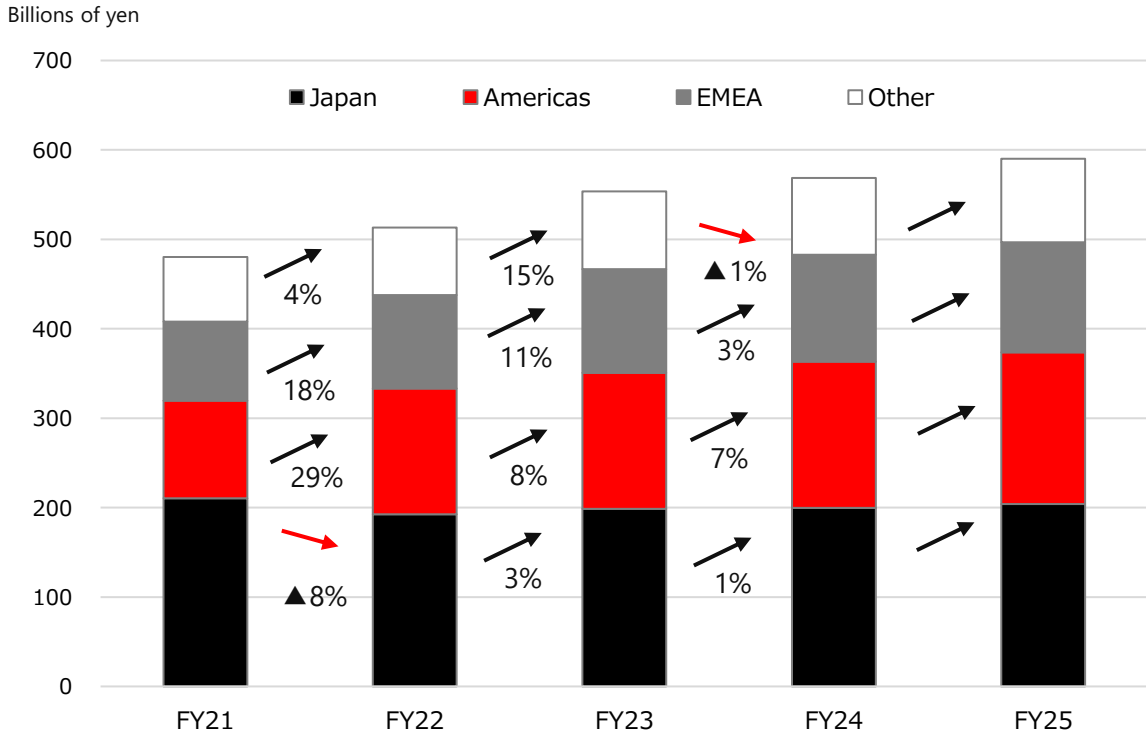
# Results by Modality and by Region

## Imaging

## IVD & Component



With sales network of 15 major local subsidiaries and 90 agents, continue to grow while working closely with medical facilities in over 190 countries and regions around the world



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## Key measures for future growth

- Promote innovation
  - ✓ Launch new products that drive growth (PCCT)
  - ✓ Support diagnostic imaging that utilizes AI and other technologies, and raise workflow efficiency
- Strengthen portfolio management and expand business
  - ✓ In Vitro Diagnostics (IVD) business
- “Operation excellence”
  - ✓ Reaping benefits of Medical Innovation Committee activities

# Canon PCCT Research System: Global Research and Goals

- Promoting early empirical research to realize "Global No. 1 Highest Image Quality and Low Exposure"
- Maximize awareness and expectations for Canon's PCCT technology in global markets and academic circles to prepare for commercial product launch
- Promote measures to enhance the "value" of products and services through early clinical evaluation of Redlen detectors and deep learning reconstruction technology
- Focus on the clinical areas in which each institution is strong and disseminate a wide range of clinical value globally from Japan, Europe, and the United States



## University of Pennsylvania

November 27, 2024

**Canon Launches Research Collaboration with Penn Medicine for Application of Photon-Counting CT**

TOKYO, November 27, 2024—Canon Inc., Canon Medical Systems Corporation, and Canon Healthcare USA, Inc. announced today that they have launched a research collaboration with Penn Medicine for the application of photon-counting CT after completing the installation of the world's 4th Canon-developed system for photon-counting CT technology at the Hospital of the University of Pennsylvania. Research is underway aimed at accelerating the development of PCCT by continuing the advancement of diagnostic devices based on feedback from clinical practice. The partnership will focus on enhancing specific diagnostic imaging specialties such as chest/cardiac and musculoskeletal imaging.

Researchers at Penn Medicine

<https://global.medical.canon/News/PressRelease/Detail/158010-834>

## Radboud University

February 26, 2024

**Clinical Research on Photon-Counting CT Begins with Radboud University Medical Center**

Canon Medical Systems Corporation (hereinafter "Canon Medical"; President and CEO: Toshio Takiguchi; headquarters: Otawara, Tochigi, Japan) has completed the second installation of its Canon photon-counting CT (PCCT) system worldwide at Radboud University Medical Center (Chair: Dr. Bertine Lahuis; location: Nijmegen, the Netherlands), and clinical research began in late January. PCCT is expected to be the next generation of X-ray CT.

System with Prof. Prokop (far left)      Radboud University Medical Center

<https://global.medical.canon/News/PressRelease/Detail/147516-834>

## Hiroshima University

April 8, 2024

**Start of Clinical Research with Hiroshima University on Photon-Counting CT**

Canon Medical Systems Corporation (hereinafter "Canon Medical"; President and CEO: Toshio Takiguchi; headquarters: Otawara, Tochigi, Japan) and Hiroshima University (President: Mitsuo Ochi; location: Higashi-Hiroshima, Hiroshima, Japan) began clinical research, using a Canon photon-counting CT (PCCT) system (the company's third such system worldwide) with the aim of rapidly advancing its practical application. PCCT is expected to become the next generation of X-ray CT.

System with Prof. Kazuo Arai (fifth from left)      Hiroshima University Hospital

<https://global.medical.canon/News/PressRelease/Detail/149824-834>

## National Cancer Center / Advanced Medical Development Center

TOKYO, November 7, 2022—Last year, Canon Inc. acquired Redlen Technologies Inc. (Redlen), one of the world's leading companies in creating new technologies related to the development and manufacture of semiconductor detector modules<sup>1</sup>. Canon Medical Systems Corporation (Canon Medical), a group company of Canon Inc., has developed the first domestically produced<sup>2</sup> photon-counting CT (PCCT)<sup>3</sup> system incorporating Redlen's advanced technologies. This system has been installed at the National Cancer Center (NCC) Exploratory Oncology Research & Clinical Trial Center in Japan, where it is currently used to conduct research exploring the clinical applications of PCCT.

An advanced modular photon-counting detector based on the latest crystal production/processing technologies developed by Redlen Technologies Inc. is incorporated in the PCCT system. The modular design of the photon-counting detector allows the size of the detector to be increased while reducing manufacturing and service costs. The modular detector supports a wide range of examinations and is expected to satisfy the most demanding requirements of advanced clinical practice.

Researchers at NCC Hospital East      Operating the system

<https://global.canon/en/news/2022/20221107.html>



## Collaborative imaging with AI

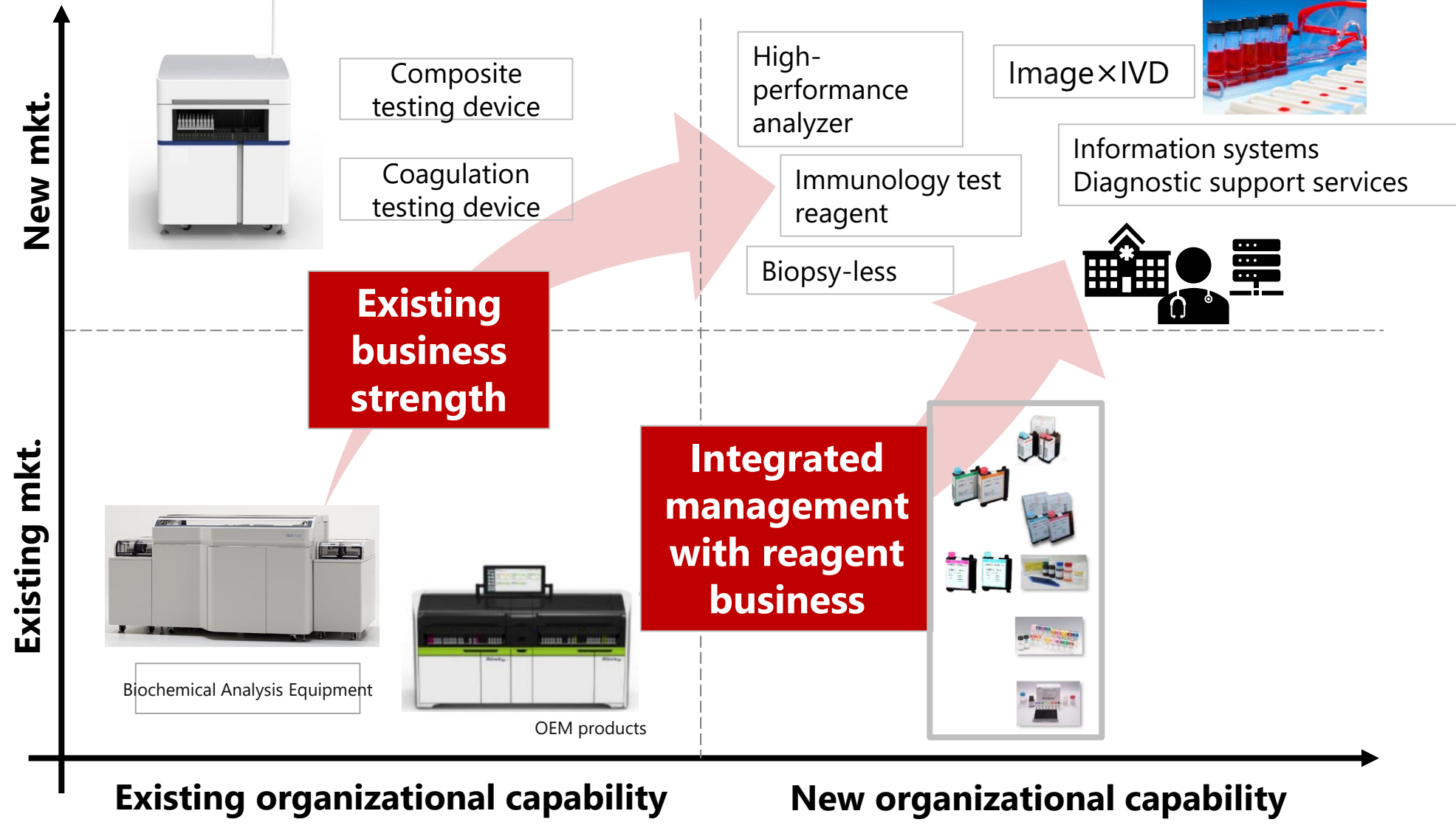


Advanced diagnostic imaging solutions & collaboration with health care IT that consolidates clinical information as well as **use of AI**

**To realize further cost reduction and further raise the quality of patient outcomes**

# IVD Business Growth Strategy

Further strengthening existing businesses and expanding into adjacent business areas



# Operation Excellence

## Change to “Canon-style” Management Policy

### ■ Reaping benefits of Medical Innovation Committee activities

1. Prepare business foundation
2. Strengthen manufacturing and development capabilities

### ■ Prepare business foundation

### ■ Establish business HQ operations and strengthen governance structure

- ✓Further promote integration of development, manufacturing and management divisions with Canon
- ✓Make full use of Canon Inc.'s resources
- ✓Strengthen governance structure

### ■ Strengthen manufacturing and development capabilities

### ■ Improve QCD through cooperation between development and manufacturing, and enhance product competitiveness

- ✓Introduce Canon's development and manufacturing processes and realize early benefits
- ✓Promote insourcing of core technologies
- ✓Realize Canon-style manufacturing

# Direction of Medical Group – Contribute to precision medicine

**Current business areas**  
Exam and diagnostic

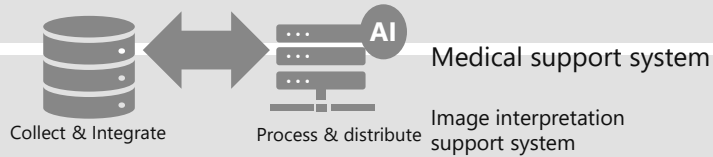
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Solutions that support personalized treatment

In vitro diagnostics & Bio

In vitro testing

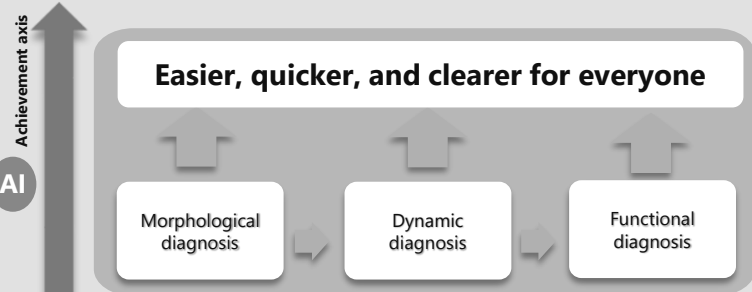
Various reagents

Pathological diagnosis  
Liquid biopsy  
Genetic testing  
Regenerative medicine

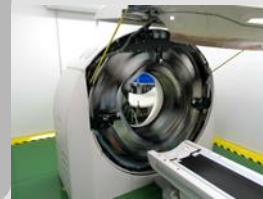


Integrate

Diagnostic imaging & Health care IT



Next-generation diagnostic imaging system PCCT



Development axis

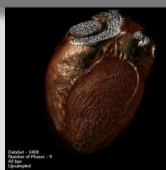
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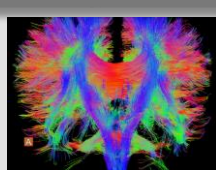
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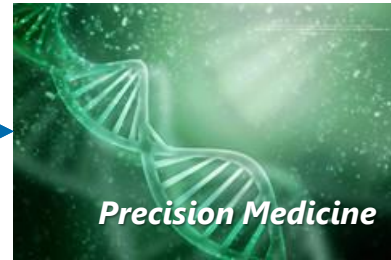
**Realize Clinical Decision Support**

Big data analysis  
Cloud platform

Remote diagnosis support

**Autologous iPS cell production**

Regenerative medicine platform



Personalized treatment

- Medication treatment
- Surgical treatment
- Cell treatment
- Regenerative medicine

A close-up photograph of two hands, one larger and one smaller, holding each other. The background is a soft, out-of-focus bokeh of warm, golden light, suggesting a sunset or sunrise. The hands are positioned in the center-right of the frame, with the larger hand on top and the smaller hand on the bottom.

# ***Made For life***

**Made for patients.  
Made for you  
Made for partnerships.**