

Canon Inc.

Corporate Strategy Conference 2019

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Agenda

- Excellent Global Corporation Plan Phase V – Progress P1-3
 - Revitalization of Existing Businesses P4-6
 - Progress and Future Measures of New Businesses P7-18
 - Summary P19
-

Excellent Global Corporation Plan Phase V 2016 – 2020

(Basic Policy)

**Embrace the challenge of new growth
through a grand strategic transformation**

(Key Strategies)

1. Achieve a cost-of-sales ratio of 45%
2. Strengthen and expand new businesses
3. Restructure global sales network
4. Enhance R&D capabilities through open innovation
5. Complete the Three Regional Headquarters management system

M&As for Business Portfolio Transformation

2005-
2007

Tokki, Anelva, & Machinery Industrial Equipment

2010



Commercial Printing

2014



Network Cameras

2015



Network Cameras

2016



Medical

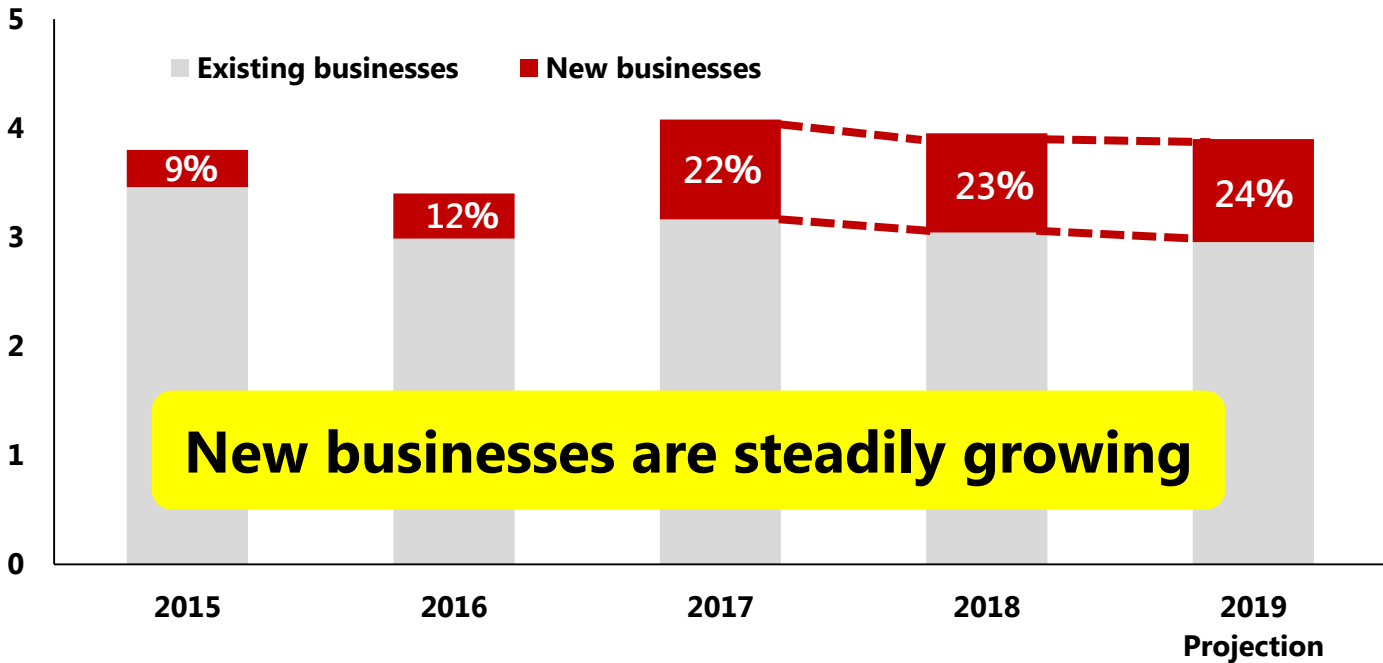
Excellent Global Corporation Plan Phase V (2016 – 2018 Update)

- **Steady progress in portfolio transformation**
- **New business sales expanded to 23%**

**Raise to
around
30%**

(Trillions of yen)

Total net sales and new business composition



New businesses are steadily growing

Existing Businesses

Revitalization of Existing Businesses (Launch Competitive New Products)

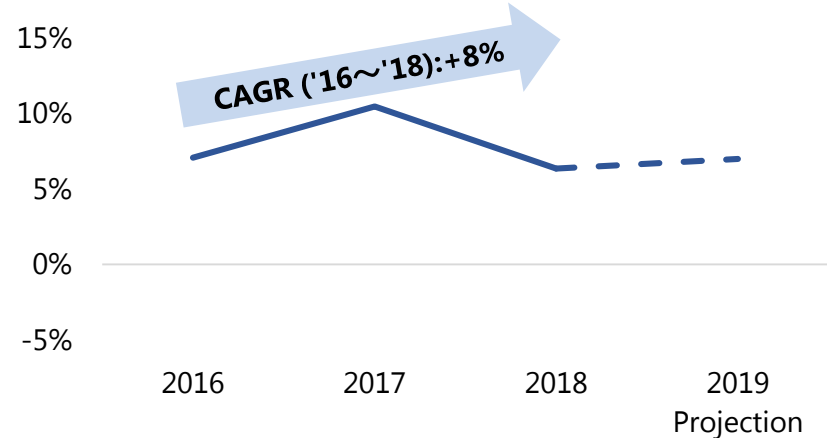
- Aim to raise market share through products offering superior features



MFD
Color Mkt. Shr.
'16⇒'18
17% ⇒ **19%**

Growth thanks to total cost of ownership improvement

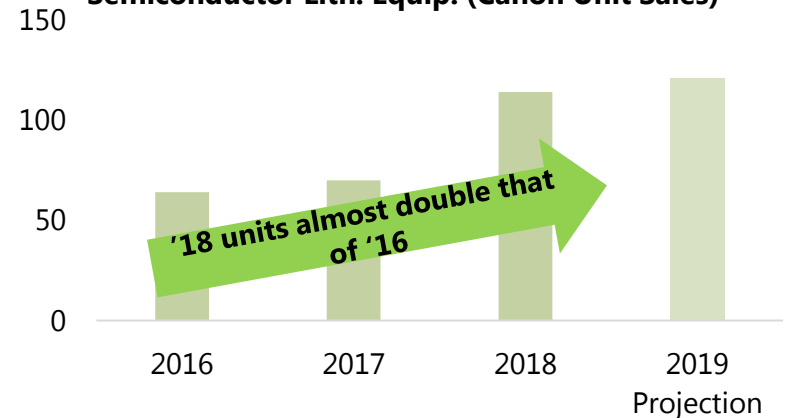
Color MFDs Y/Y Growth Rate (Canon Unit Sales)



Semi-conductor
Mkt. Shr.
'16⇒'18
26% ⇒ **32%**

Highly evaluated by the market for high productivity and leading customer support capability

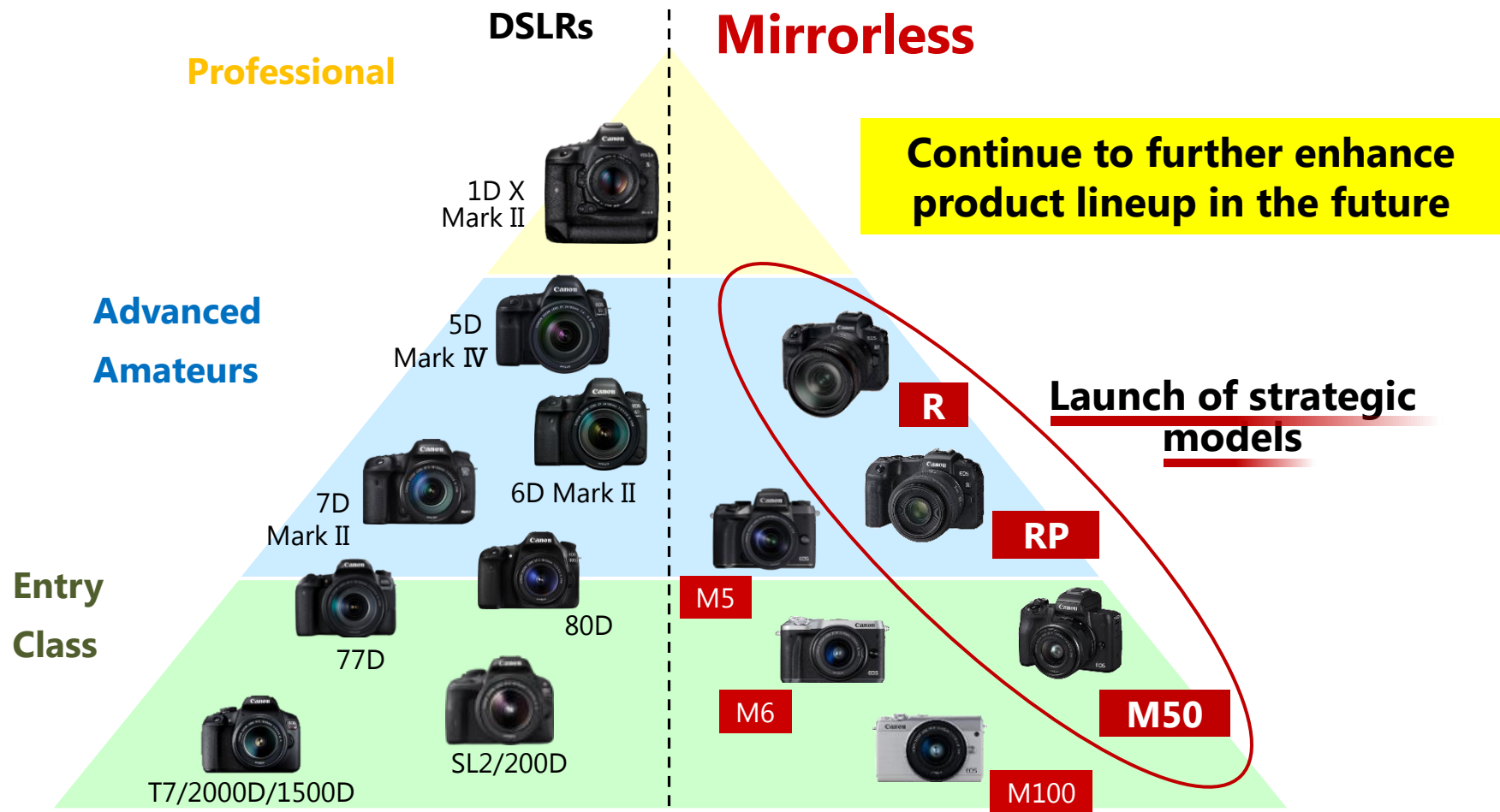
Semiconductor Lith. Equip. (Canon Unit Sales)



Revitalization of Existing Businesses

(Cameras: Focus on growth areas amid continuing market contraction)

- Support camera bus., concentrating mgmt. resources on mirrorless
- Plan to stabilize business over medium term, shifting to B2B areas



Revitalization of Existing Businesses

(Improve Profitability – Expansion of automated assembly)

Expand range of products

Apply automation to mirrorless cameras and lenses

Expand range of processes

In addition to assembly of end goods and units, use automation in investigation and packaging processes

- Improved workforce efficiency more than doubled that of last year through automation
- Re-aligned workforce to in-house production etc.

New Businesses

Progress and Future Measures of New Businesses

(4 new businesses that will drive future growth)



Commercial Printing



Network Cameras

Medical



Industrial Equipment

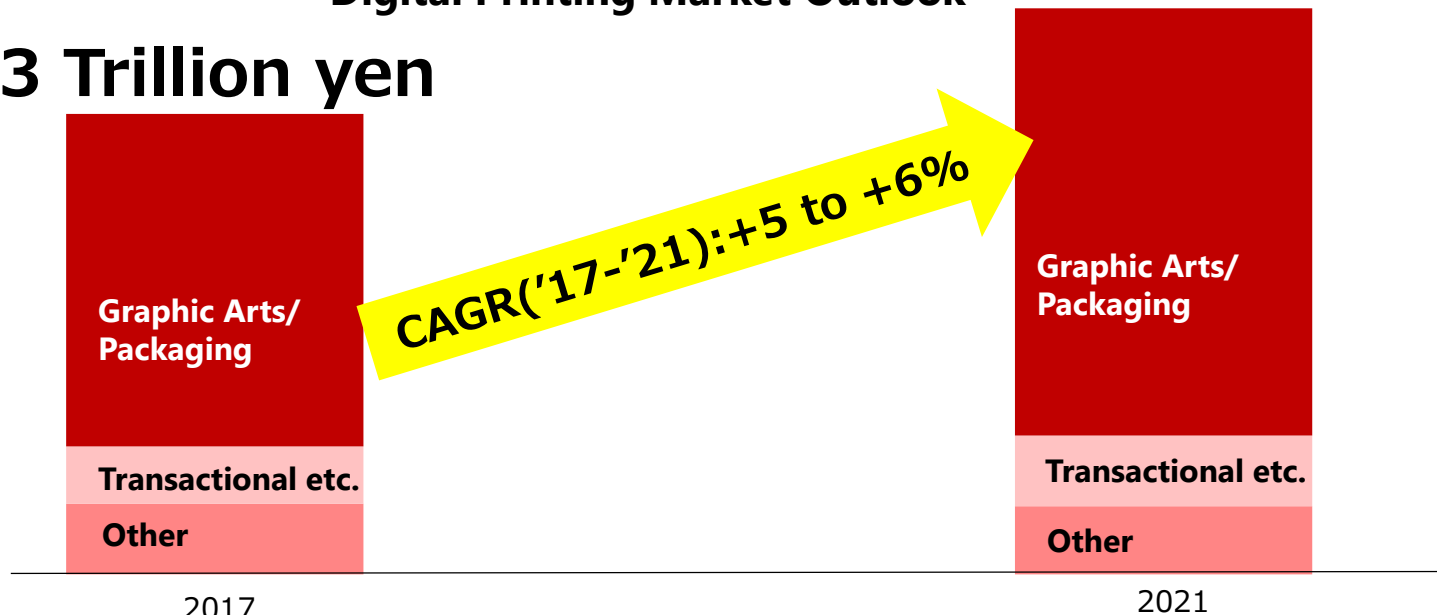


Progress and Future Measures of New Businesses (Commercial Printing)

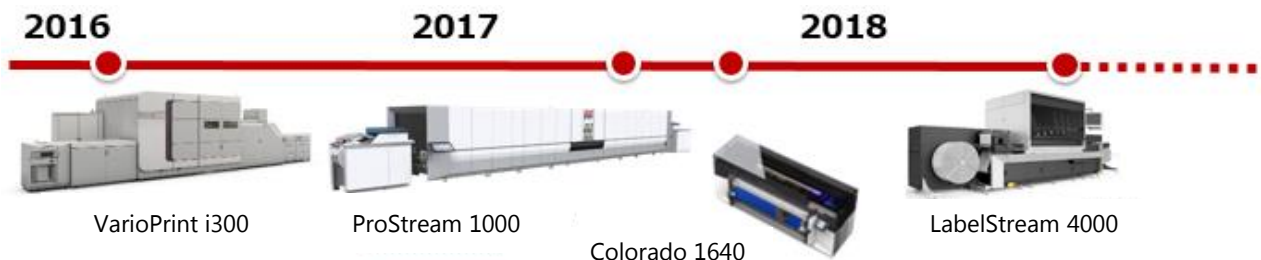
- Continuing to grow 5 to 6% per year, supported by shift to digital
- Change in printing technology trend from toner to inkjet

Digital Printing Market Outlook

3 Trillion yen



Company's
new
products



Progress and Future Measures of New Businesses (Commercial Printing)

Progress and Achievements

- Launched 3 new products into graphic arts market where high growth is expected
- Also launched new product into packaging market, with the aim of building a position in this market

Challenges and Measures over the next 2-years

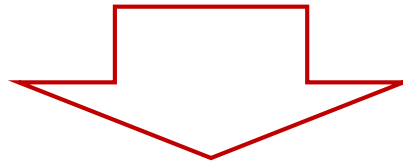
- Accelerating the pace of market penetration of new products that were launched
 - ✓ Increase number of high-level sales engineers that are able to properly address customer challenges
 - ✓ Employ sales structure that was successful in North America to Europe

Progress and Future Measures of New Businesses (Network Cameras)

- **High market growth thanks to demand for security and shift to digital**
- **Expanding use from security to marketing analytics**

Camera hardware, Video management systems –
CAGR ('17-'21) +8 to +9%

Video analytics software – CAGR ('17-'21) +20% or more



Network camera market expected to grow more than 10% overall in the medium term

Progress and Future Measures of New Businesses (Network Cameras)

Progress and Achievements

- Achieved market exceeding CAGR of more than 20%
- Expanded industry-leading global partner network to 90 thousand
- Acquired BriefCam, a company known for strength in video synopsis technology

Challenges and Measures over the next 2-years

- Strengthening ability to handle customer needs in line with swiftly expanding market sphere
 - ✓ In addition to proprietary development, enhance applications through M&As
 - ✓ Promptly respond to diversifying needs for cloud-based management services etc.

Progress and Future Measures of New Businesses (Network Cameras)

- Market is swiftly expanding from office to infrastructure



Enhancing applications to respond to diversifying custom needs

Marketing

Customer base/
People flow analysis



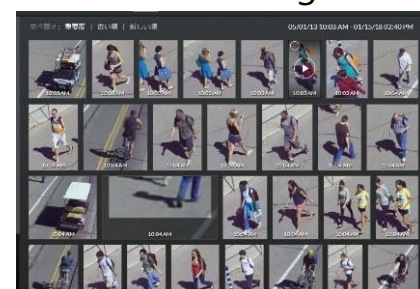
Entertainment

People counter/
Understand usage situation



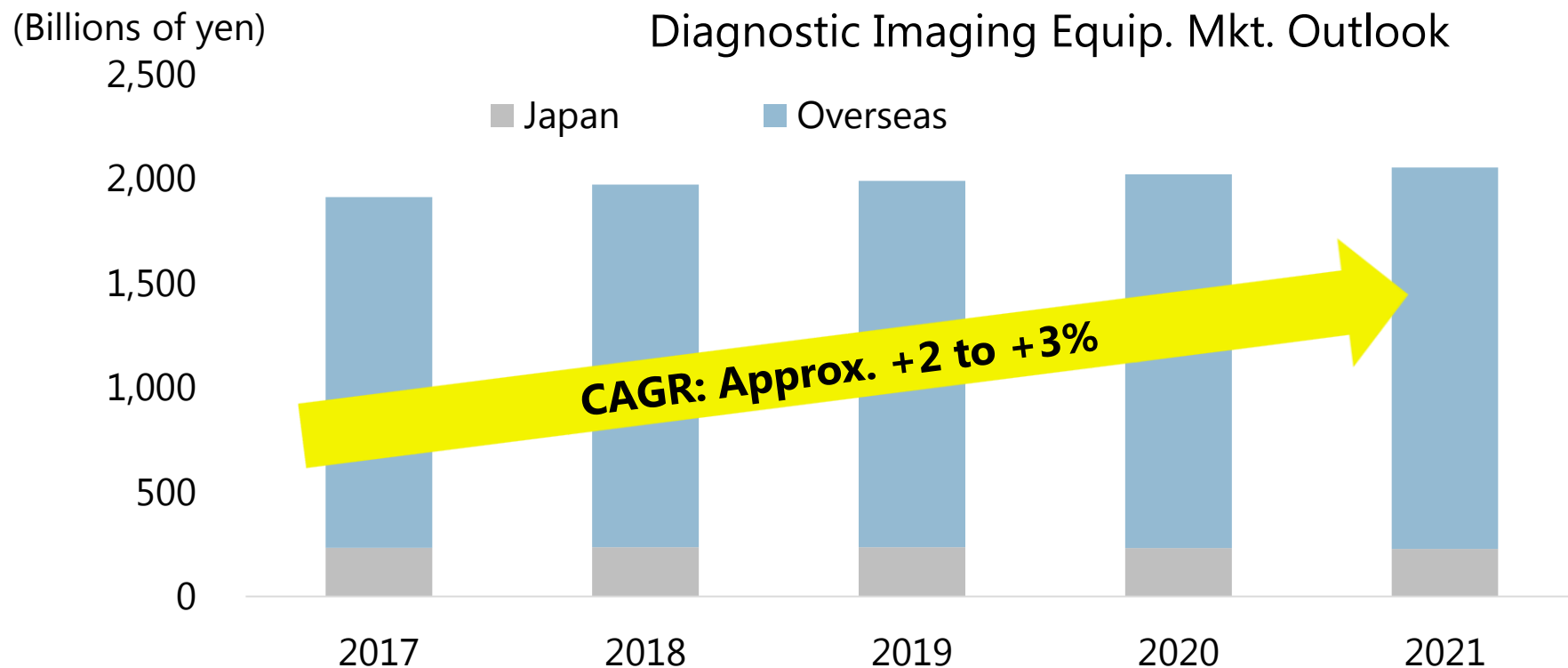
Security

Spot suspicious people/
Human tracking



Progress and Future Measures of New Businesses (Medical)

- Demand for leading-edge systems in developed countries and medical infrastructure development in emerging markets continues in the diagnostic imaging equipment market



Progress and Future Measures of New Businesses (Medical)

Progress and Achievements

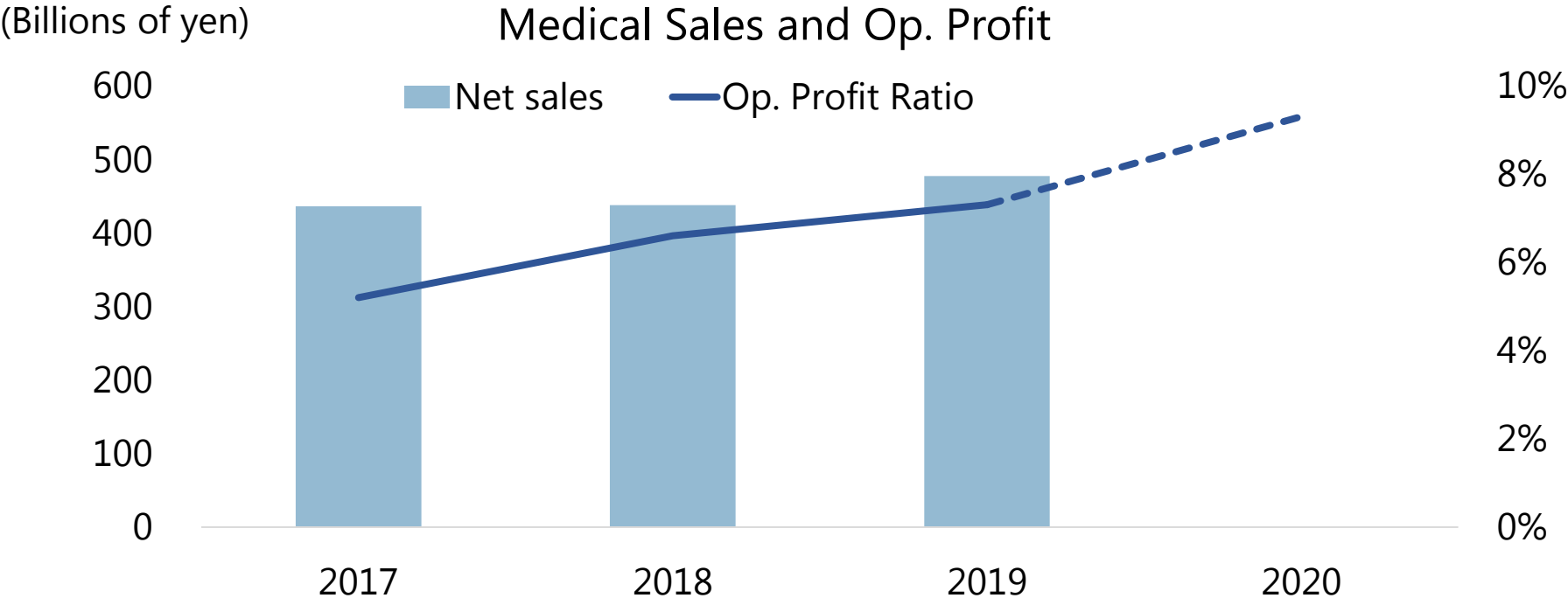
- Drastically renewed CT, MRI, ultrasound, and X-ray lineups
- Improved overseas awareness, collaborating with well-recognized universities
- Prepared for business field expansion through M&As, business partnerships etc.

Challenges and Measures over the next 2-years

- Expanding sales in growing overseas markets as well as strengthening profitability
 - ✓ Expand sales force and local incorporation of distributors
 - ✓ Cost reduction through maximization of Group synergies
 - ✓ Continue strengthening lineup in each business area

Progress and Future Measures of New Businesses (Medical)

- **Cost reduction on parts through cooperation with Canon HQ's procurement div., reduced lead-time by leveraging production tech.**
- **Swiftly achieve operating profit ratio of 10% or more, maximizing Group synergies**



Progress and Future Measures of New Businesses (Industrial Equipment)

Progress and Achievements

- Established high-definition technology which meets panel manufacturers expectations
- Achieved overwhelming market share in the OLED vacuum deposition equipment market

Challenges and Measures over the next 2-years

- Preparation for recovery phase, during period of completed one round manufacturer investment
 - ✓ Accelerate cost reduction activities to improve profitability
(Reducing system size, switch to general-use parts, standardize manufacturing process)
 - ✓ Promote development of large-size vacuum deposition equip. in anticipation of expanding demand for large TVs

Progress and Future Measures of New Businesses (Industrial Equipment)

- **Preparation for recovery phase, during period of completed one round manufacturer investment**

Strengthen Profitability

Growing use of OLED panels in large-size TVs

Switch to general-use parts for easy cost reduction

Standardization of manufacturing process

Reduce system size, reducing the number of parts



Accelerate cost reduction activities

Promote development of large-size vacuum deposition equip.

Improve Company-wide Productivity

Progress and Achievements

- Improve work force efficiency through automated assembly
- Expansion of highly specialized training facilities (Software, Manufacturing)

Challenges and Measures

- Train and re-align human resources from production divisions
- Reallocate go-to-market resources from B2C to B2B



■ Canon Institute of Software Technology



■ Manufacturing (Monozukuri) Training

Summary

(Achievement Goals by the end of Phase V 2020)

Return to path of growth by promoting measures in each business

Raise new business sales composition to around 30% of total company

Further reinforce transformed business portfolio

Canon