Canon Marketing Japan Group

Long-Term Management Objectives Phase II 2011–2015
Three-Year Management Plan 2011–2013

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Canon

Look back at Long-Term Management Objectives Phase I (2006-2010)
1-1. Road to 2005

1968 to 1980s

Created and enhanced system to sell Canon products ourselves

1990s

Grew through sales of non-Canon products, with focus on foreign manufacturers' PCs, etc.

2000 to 2005

Laid foundation of creative solution company focused on solving customer issues: To form a group through M&A of IT service companies

Look back at Long-Term Management Objectives Phase I (2006-2010)
1-2. Long-Term Management Objectives Phase I

Became overwhelming No.1 in Japan in Canon product segment

- Maintained high market share amid severe climate for consumer products
- Centralized service functions & introduced system. Improved productivity.

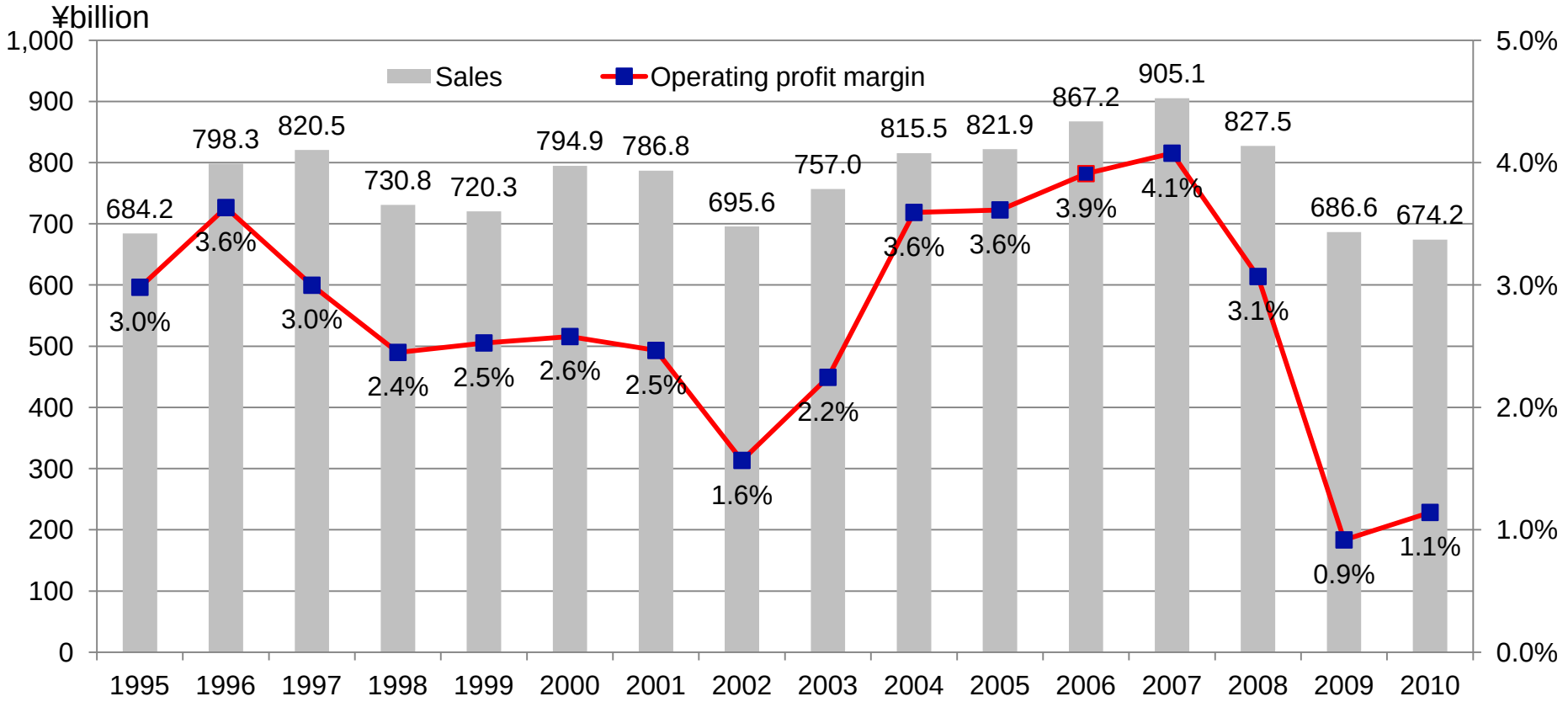
→Bolster the foundation to achieve number-one in customer satisfaction

Established next-generation segment

- Structured organization and sped up decision making by incorporating Canon MJ IT Group Holdings Inc.
- Prepared to pursue new cloud-based segment with datacenters as foundation

Look back at Long-Term Management Objectives Phase I (2006-2010)

1-3. Performance trends



Management reform measures

Long-Term Management Objectives ~Phase Ⅰ~

Left unprofitable segments, reorganized group, M&A
Introduced consolidated group IT system at Shinagawa headquarters

Change company name

Transfer semiconductor segment
Reorganize ITS group

Canon Group's Excellent Corporation Plan Phase IV

Excellent Global Corporation Plan

Continue to contribute through technology based on its philosophy of *kyosei* (coexistence), and be liked and respected around the world

Phase IV (2011-2015)

2015 management objective: Be in world's top 100 in all major management indices

Net sales: ¥5 trillion or more
Operating ratio: 20% or more
Profit margin: 10% or more
Equity ratio: 75% or more
(Assumes: USD = ¥85, EUR = ¥110)

Slogan

"Aiming for the Summit"

～ Speed & Sound Growth ～

Long-Term Management Objectives Phase II 2011–2015

Forward

~charting a new course for growth through business creation~

Canon

1. Mission & Vision

Mission

To provide optimal value through marketing innovation that enhances security and comfortable and supports creativity in all areas of life, work and society

Vision

To be a group of service creation companies that practices the principle of customer focus with a global perspective

2. Priority Strategies

1. Strengthen market shares of Canon products
2. Diversify business
3. Evolve into a service company
4. Further group management innovation

- Beyond CANON, Beyond JAPAN -

2. Priority Strategies

2-1. Strengthen market shares of Canon products

Strengthen share

Help make Global Canon No.1 in world

2. Priority Strategies

2-2. Diversify business

Expand business domain in step with changes to market environment

Establish new businesses in fields of focus by Global Canon Group

- Commercial Printing
- Retail Photo
- MR
- Medical equipment

Actively market world's top products

- Industrial equipment

Target: Increase sales by ¥100b through diversification (2015)

2. Priority Strategies

2-3. Evolve into a service company

As extension of ITS3000:
Evolve group as a whole into a service company

Expand service businesses

- Maintenance services for document solutions
- Outsourcing of document & IT solutions
- Cloud-based ITS segment
- Canon Inc. creative solutions
- Consumer services

Global growth with focus on IT businesses

- Offer IT solutions to global Canon Group
- Offer IT solutions to companies expanding in Asia

Target: At least 45% of sales from service segments (2015)

2. Priority Strategies

2-4. Further group management innovation

Maintain and strengthen a solid management foundation in order to implement priority strategies

- Strengthen links between management & IT strategies
- Develop workforce suited to a global service company
- Reform group personnel structure
- Pursue CSR activities

2015 Performance Objectives

Net sales	**¥850b or more**
Operating profit (margin)	**¥42.5b (5%)**
Profit per share	**¥185 or more**

Reference indices

Beyond CANON ratio	**30%**	**Ratio of sales from externally procured products and independent services**
Beyond JAPAN ratio	**10%**	**Proportion of sales from international sales and sales of imported products**

Three-Year Management Plan

2011–2013

Canon

1. Basic Strategies

1 We will strengthen our collaboration with Global Canon Group and further enhance the solutions capabilities of the Canon MJ Group so as to achieve overwhelming leadership for Canon products and establish them as No. 1 in terms of world market shares.

2 We will use the core competencies and know-how of the Canon Group and the Canon MJ Group to create original solutions with high added value.

3 We will realize the "Beyond Canon, Beyond Japan" concept through the evolution of the Canon MJ Group toward new business domains and business models.

The strength of Canon products and the capacity of the Canon MJ Group to offer solutions will be the core drivers for our evolution into a service creation group capable of continually providing original added value in the global business arena.

2. Performance Targets

2-1. Group-wide

(¥billion)

	2010	Ratio	2011	Ratio	2012	Ratio	2013	Ratio
Net Sales	674.2		685		740		785	
(YoY)	(10%)		(102%)		(108%)		(106%)	
Op. profit	7.7	1.1%	9	1.3%	20.5	2.8%	28.5	3.6%
(YoY)	(123%)		(116%)		(228%)		(139%)	
Ord. profit	9.5	1.4%	10	1.5%	22	3.0%	30	3.8%
(YoY)	(115%)		(105%)		(220%)		(136%)	
Net profit	3.7	0.6%	4	0.6%	13	1.8%	17.5	2.2%
(YoY)	-		(107%)		(325%)		(135%)	

Net profit/share	¥27	¥29	¥95	¥128

* Net profit per share in 2011 and later: calculated by number of shares as of end-2010

2. Performance Targets

2-2. By segment

(¥billion)

		2010		2011		2012		2013	
			Ratio		Ratio		Ratio		Ratio
Business solutions	Sales	342.5		347.5		359.5		378.5	
	Op. profit	2.3	0.7%	2.4	0.7%	5	1.4%	7.5	2.0%
IT solutions	Sales	133.3		132.1		145.5		153	
	Op. profit	-3.7	-	-1.9	-	3.5	2.4%	6.5	4.2%
Consumer imaging	Sales	213.8		214.1		225		231.5	
	Op. profit	9.8	4.6%	8.4	3.9%	10.5	4.7%	11.5	5.0%
Industrial equipment	Sales	13.4		17.8		35.5		50	
	Op. profit	-0.2	-	0.1	0.6%	1.5	4.2%	3	6.0%
Corporate or eliminations	Sales	-28.7		-26.5		-25.5		-28	
	Op. profit	-0.4	-	0	-	0	-	0	-
Total	Sales	674.2		685		740		785	
	Op. profit	7.7	1.1%	9	1.3%	20.5	2.8%	28.5	3.6%

3. Priority Strategies by Segment

3-1. Business solutions

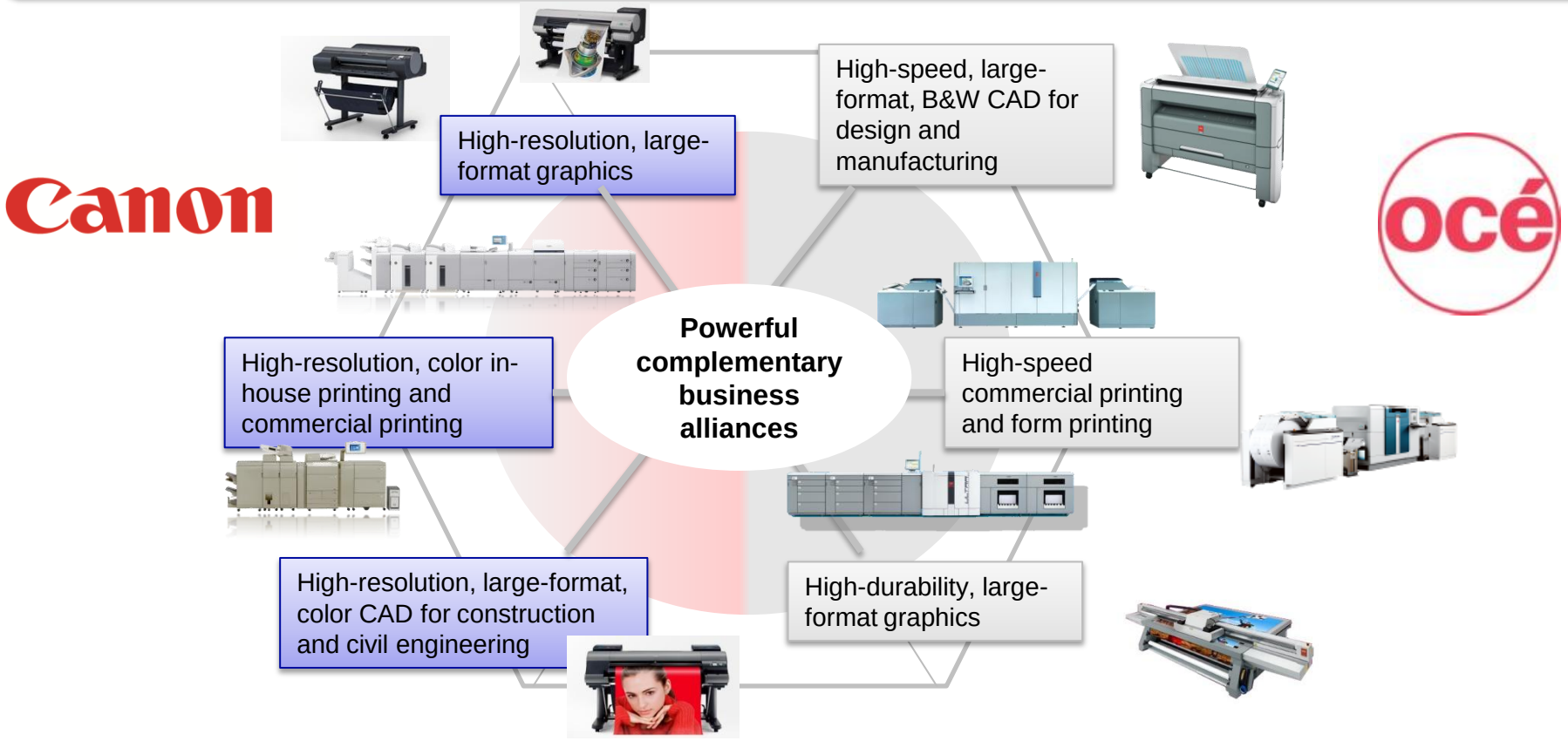
(1) Restructure the document segment to create a new income structure

- Increase the number of office MFPs in use in the field and improve market shares
  - ◆ Target share: 17% (2010) to 22% (2013)
  - ◆ Improve support of large/medium corp. market by creating BC Sales Div.
  - ◆ Improve support of small/medium bus. market through stronger partner channels
- Improve profitability of maintenance services
  - ◆ Gain new document volume in commercial printing, etc.
  - ◆ Reduce costs by using IT infrastructure & NetEye remote-monitoring system
  - ◆ Increase subscription rate to CSP (Canon Service Pack)
  - ◆ Transfer 15% of office MFP CEs (customer engineers) to system maintenance, etc. (by 2013)
- Create new stock-type businesses
  - ◆ Expand Home (IT services for small/medium offices) and MDS (managed document services)

3. Priority Strategies by Segment

3-1. Business solutions

(2) Expand the production printing business, including Océ products



Target sales for production segment: ¥50b (2013)

3. Priority Strategies by Segment

3-2. IT solutions

(1) Improve earning performance in existing segments

- SI Service : More prime contracts
Thorough revenue management
- Embedded software : For Canon products
For automobiles
- Solutions : Increase sales in areas of strength
Security, CAD, ERP (Enterprise Resource Planning system), workflow

(2) Create new businesses

- Start Mixed Reality (MR) segment
  - ◆ Develop businesses linked to sales of CAD software targeting design and development divisions

3. Priority Strategies by Segment

3-2. IT solutions

(3) Expand stock-type service businesses

- Develop new outsourcing businesses
  - Data center service : Housing, etc.
  - System-operation services : Maintenance, admin, operations, IT infrastructure operations, facility management & admin, etc.
  - Cloud services : Solution-based SaaS services, document services SaaS/ASP infrastructure services, etc.
  - BPO services (business process outsourcing services)
- Launch specialized cloud computing organization with about 100 staff (January 2011)
- Establish our own data center (to be completed in the fall of 2012)

Target sales for cloud-related segments: ¥45b (2013)

3. Priority Strategies by Segment

3-2. IT solutions

(4) Pursue global expansion

- Provide IT services to production and sales sites of Canon Group outside Japan

- Develop solution business in collaboration with Canon Group

- Offer IT services as Japanese corporations expand in Asia

3. Priority Strategies by Segment

3-3. Consumer imaging

(1) Pursue total No.1 strategy

➢ Become No.1 in terms of market shares, customer satisfaction, and brand status

Target Market Shares

Product	2010	2013
Digital SLR cameras	1st	**1st**
Digital compact cameras	1st	**1st**
Digital video cameras	3rd	**3rd**
Ink-jet printers	1st	**1st**

2010 market shares: According to Canon MJ survey

(2) Launch new products and businesses

➢ Quickly launch new businesses, such as imaging portal site business

3. Priority Strategies by Segment

3-4. Industrial equipment

(1) Expand industrial equipment business

➢Prioritize reinforcement of inspection and measurement business for the semiconductor and non-semiconductor fields

* MEMS (micro machines), PV (photovoltaics), LED devices, organic EL displays

(2) Aggressively expand medical equipment business

- ➢ Strengthen marketing of Canon products and imported products
- ➢ Launch medical information solutions business

(3) Launch broadcasting and imaging solutions business

- ➢ Maintain No.1 market share for broadcast TV lenses
- ➢ Provide imaging solutions for disaster prevention and security markets

4. Investing for Growth

Aggressive investment to achieve Long-Term Management Objectives Phase II

¥billion

	2008-2010 cumulative (Actual)	2011-2013 cumulative (Plan)
Sales cash flow	94.4	82
Investment cash flow	67.8	100
Free cash flow	26.6	-18

Strategic Investments

- Data centers
- New businesses
- M&A
- Cloud computing IT infrastructure

Returning profits to shareholders

Dividends are main way to return profits to shareholders

- Stable dividends
- Rough guide is consolidated payout ratio of 30%

Canon Marketing Japan Group

Performance and future projections made in this document are based on information available at present time, and include potential risks and inaccuracies.
Owing to various factors, actual results may differ substantially from these projections.
All estimated/actual performance figures are for consolidated performance.