Canon Marketing Japan Group

Three-Year Management Plan 2014-2016

January 29, 2014
Masami Kawasaki
President

2013 Recap

（billion）

	2012		2013	
		Ratio		Ratio
Net sales (YoY)	659.2		△657.2 (0.3%)	
Op. profit (YoY)	16.8	2.5%	17.0 (+1.3%)	2.6%
Ord. profit (YoY)	18.1	2.7%	18.2 (+0.6%)	2.8%
Net profit (YoY)	10.6	1.6%	△10.2 (3.8%)	1.5%

The ideal situation in 2016

Corporate group which continues to provide original new added value

- We have developed into a value creation-oriented trading company, providing excellent solutions.
- Progress has been made with the strengthening and development of human resources to lead growth strategies and drive businesses.
- Profitability has been strengthened further through continued profit structure reform.

Five general strategies for realizing the ideal situation

Establish Canon as undisputed market leader in Japan in each of its businesses

Enhance productivity and added value in existing business domains by maximizing group synergies

Strengthen and expand growth areas in existing businesses

Concentrate all Group efforts on creating businesses and procuring new products with a sense of speed

Promote the “Beyond Japan” concept in all business domains

Consolidated Performance Objectives

(billion)

Performance indicator	2013 result	2014 objective	2015 objective	2016 objective
Net sales	657.2	673.2	738.0	800.0
Sales growth rate	99.7%	102.4%	109.6%	108.4%
	Average growth rate between 2013 and 2016: 106.8%			
Op. profit	17.0	18.8	25.5	36.0
Op. margin	2.6%	2.8%	3.5%	4.5%
Ord. profit	18.2	19.9	26.5	37.0
Net profit	10.2	12.0	16.2	23.0
Net profit per share	74.4 yen	87.9 yen	118.6 yen	168.4 yen

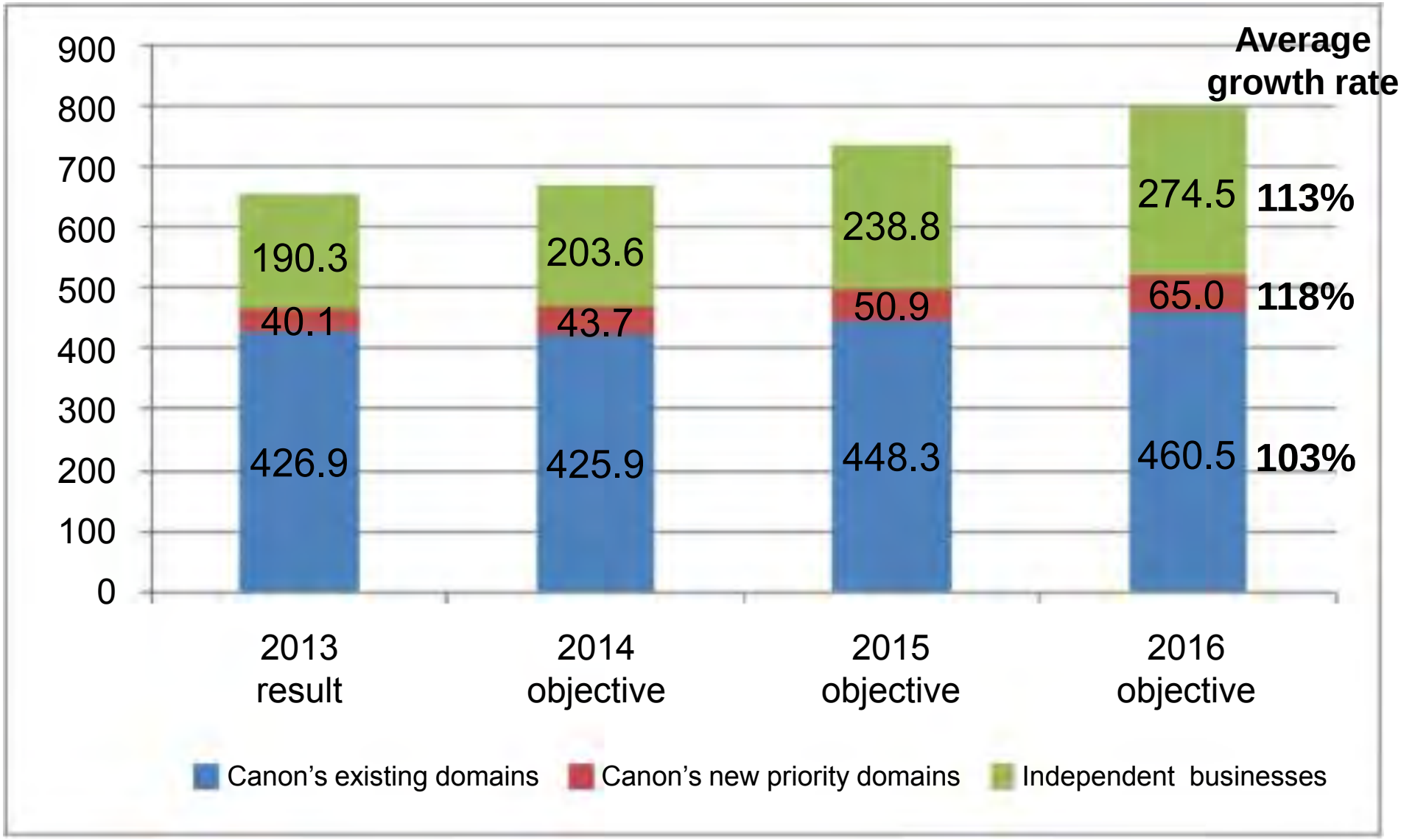
Performance Objectives by Segments

(billion)

	2013 result		2014 objective		2015 objective		2016 objective		Average growth rate between 2013 and 2016
	Sales	Op. Profit	Sales	Op. Profit	Sales	Op. Profit	Sales	Op. Profit	
Business Solutions	327.3	5.5	332.5	6.4	354.0	7.5	375.0	12.3	104.6%
	98.9%	1.7%	101.6%	1.9%	106.5%	2.1%	105.9%	3.3%	
IT Solutions	142.3	0.4	146.2	1.8	167.5	5.0	185.0	7.5	109.1%
	108.6%	0.3%	102.7%	1.2%	114.6%	3.0%	110.4%	4.1%	
Imaging Systems	191.7	12.5	192.3	11.1	204.0	11.0	215.0	12.3	103.9%
	99.9%	6.5%	100.3%	5.8%	106.1%	5.4%	105.4%	5.7%	
Industrial/ Medical	26.1	-1.8	30.3	-0.8	44.0	1.4	59.0	3.3	131.2%
	85.1%	-	116.1%	-	145.2%	3.2%	134.1%	5.6%	
Other/Sales eliminations	-30.2	0.4	-28.1	0.3	-31.5	0.6	-34.0	0.6	
Group consolidated	657.2	17.0	673.2	18.8	738.0	25.5	800.0	36.0	106.8%
	99.7%	2.6%	102.4%	2.8%	109.6%	3.5%	108.4%	4.5%	

* The percentage in the lower part of each segment shows the YOY growth rate for sales and the operating margin for operating profit.

Growth scenario (changes in net sales)



Business Solutions

Growth scenario

(billion)

Target: Total sales ¥375 /O.P¥12.3 (2016)

Category	Annual average growth rate (between 2013 and 2016)	Included businesses
Independent business	110%	IT Solutions
		Document Solutions
		Support Business
Canon's new priority domain	113%	Production Printing Business
		Network Cameras
Canon's existing domain	102%	MFP(including maintenance business)
		LBP(including cartridges and maintenance business)

Growth strategies

1	Improve productivity and profitability of document business
2	Expand specific printing (LBP) and sector-specific solutions
3	Fully launch solutions for SMEs
4	Establish base for turning production printing business into growth engine, headed by new company
5	Fully launch network camera business

Improve productivity and profitability of document business

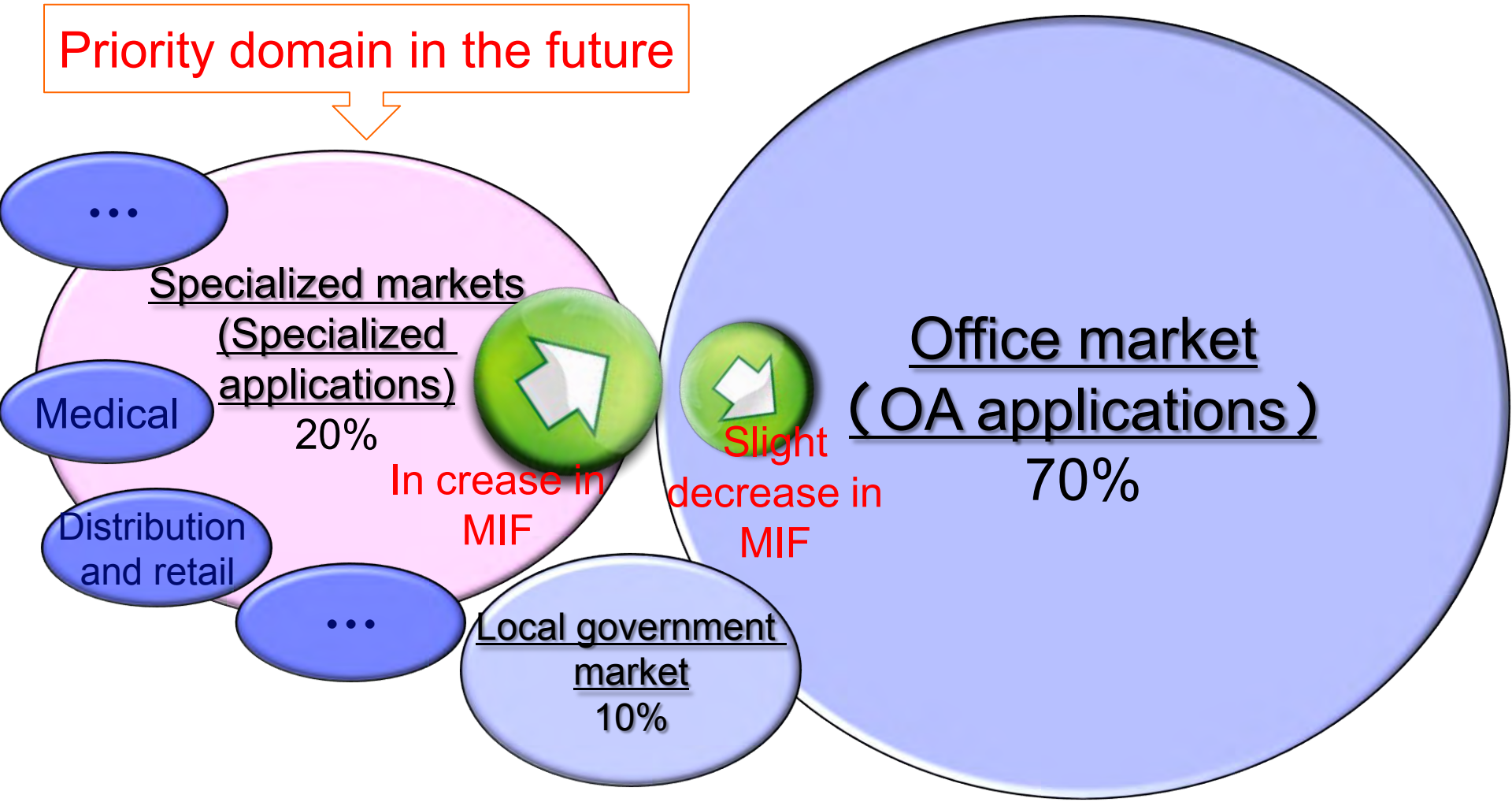
Expand MIF (machines in field) and DV (document volume)

◆Further strengthen product appeal of iR-ADV multifunctional office printer
◆Vigorously promote development of new customers
◆Strengthen customer contact through document solutions

Improve productivity through business process reforms

Vigorously expand MDS (managed document services)

Expand specific printing (LBP) and sector-specific solutions



Expand IT solutions for SMEs

Solutions for SMEs provided by Canon System & Support

Document solutions
Using paper documents and electronic data through linkage of multifunctional products and printers

Information-sharing solutions
Sharing information - an important corporate asset -safely and reliably, inside and outside of the company

Cloud solutions
Using necessary hardware and software over the Internet

Mobile solutions
Creating an efficient IT infrastructure using mobile terminals

Security solutions
Implementing reliable security measures for safe IT use

Back-up solutions
Preparing for data corruption, hardware failure and disaster

New: UTM * Independent maintenance service

Backbone solutions
Reviewing backbone system - central to corporate activity -to improve productivity

Optimum office solutions
Providing layouts suited to customer needs

IT consulting
Analyzing current issues from multiple perspectives and implementing effective measures

New:Comfortable space solutions

* UTM: Unified Threat Management

Market targets in production printing

Size of digital printing market: Expected to grow from ¥400 billion to ¥1 trillion

Bulk printing within corporate group

High-speed printing (CRD)

CRD/In-plant

Office/High-speed

Outsourcing

Commercial printing

Printing industry

Reprographic industry

From enterprises

Document printing

Private enterprises

Government and public offices

Data print services(DPS)

Retail Photo

Labo
Printing industry

Creative arts(CA)

Production companies
Design offices

Large-format printers

Sign & display industry
Design offices

Strengthen structure by establishing new company,and introduce new products

Product strength

High-end
Mid-range
Low-end

océ
Canon

Complete line-up

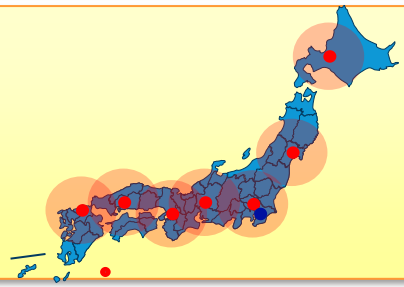
Sales strength

Commercial printing
DPS

Strengthen direct sales by Canon MJ and new company*

Support strength

7 services centers dedicated to production printing located throughout Japan



Name of new company	Canon Production Printing Systems Inc.		
Number of employees	Around 550	Planned date of incorporation	April 1, 2014

Objective: Consolidated net sales in production printing business of ¥46 billion in 2016

Fully launch network camera business

- Expand and improve product line-up
- Strengthen solutions business
- Tap into high-end market

Canon Network Camera Series

IT Solutions

Growth scenario

(billion)

Target: Total sales ¥185 /O.P¥7.5 (2016)

Category	Annual average growth rate (between 2013 and 2016)	Included businesses
Independent business	112%	System Integration Business
	113%	IT Infrastructure & Service Business
	116%	Embedded System Business
	98%	Products Business
Canon's new priority domain	163%	MR※

* MR: Mixed Reality

Growth strategies

1	Strengthen customer base and improve development productivity in SI services
2	Expand data center business
3	Start up new solutions business and promote commercialization of technologies held
4	Expand global business according to each region
5	Strengthen Group’s IT solutions capabilities in other segments besides the IT Solutions segment

Expansion strategy in data center business

Features of Tokyo West DC that were highly rated by customers

Features	Sectors of customers that use data center			
	Financial sector	Information services sector	Services sector	Public-service corporations
High-level security	○	○	○	○
Location away from coast	○	○		○
Sturdy foundations	○			
Tier4 level facilities	○			
Power facilities that can handle high loads			○	
Maximum load weight of server room			○	
Total support from construction to operation	○		○	○
Manned 24 hours a day, 365 days a year	○		○	
Supports multiple carriers		○		
High scalability	○			

Initiatives for business expansion in the future

- ✓ Expansion in size through diverse proposals including hosting and colocation
- ✓ Enhancement of scheme for operation of system under contract
- ✓ Expansion of BCP (business continuity plan)-related business

Expand IT solutions business in Asia

IT solutions business company that newly joined the group

Company name	Material Automation (Thailand) Co.,Ltd.
Established	January 1992
Location	Bangkok, Kingdom of Thailand
Capital	50 million baht (approximately 160 million yen)
Shareholder composition	Canon ITsolutions 49% CanonITS Thailand 51%
Representatives	President & CEO Hidesato Kodama Authorized Director Takashi Hirakawa Director Keizo Go
Number of employees	171 (as of December 2013)

Business	Solution business for Japanese companies (the manufacturing industry in particular) advancing into Thailand (IT infrastructure building, engineering-related software, and production management systems)
Branches	3branches in Thailand
Consolidated Companies	ASAHI-M.A.T.(Thailand) MAT Vietnam(Vietnam)
Annual sales	Approximately 2.0 billion yen (2013)

Establish business structure through cooperation between Japan and Thailand

Expand business in Southeast Asia, including the Philippines and Vietnam

Expansion of ITS business in Southeast Asia (Beyond JAPAN).

Strengthen the Group's IT Solutions capabilities

(billion)

	2013 result	2016 objective
Overall Group ITS sales	167.8	230.0
ITS sales in segments besides ITS segment	55.8	75.0
ITS segment sales	142.3	185.0
Inter-segment sales (eliminations)	-30.3	-30.0

Expand and improve cloud platform that can be used by all segments

Cooperate in the development of sector-specific solutions

Imaging Systems

Growth scenario

(billion)

Target: Total sales ¥215 /O.P¥12.3 (2016)

Category	Annual average growth rate (between 2013 and 2016)	Included businesses
Independent business	134%	Framed photo rental (Shuttle Photo)
		Photo-related online services (withPhoto)
		IT products
Canon's new priority domain	129%	Commercial imaging equipment
		Commercial photo printers (DreamLabo)
Canon's existing domain	103%	Interchangeable lens digital cameras
		Compact digital cameras
		Digital video cameras
		Inkjet printers
		Other consumer equipment

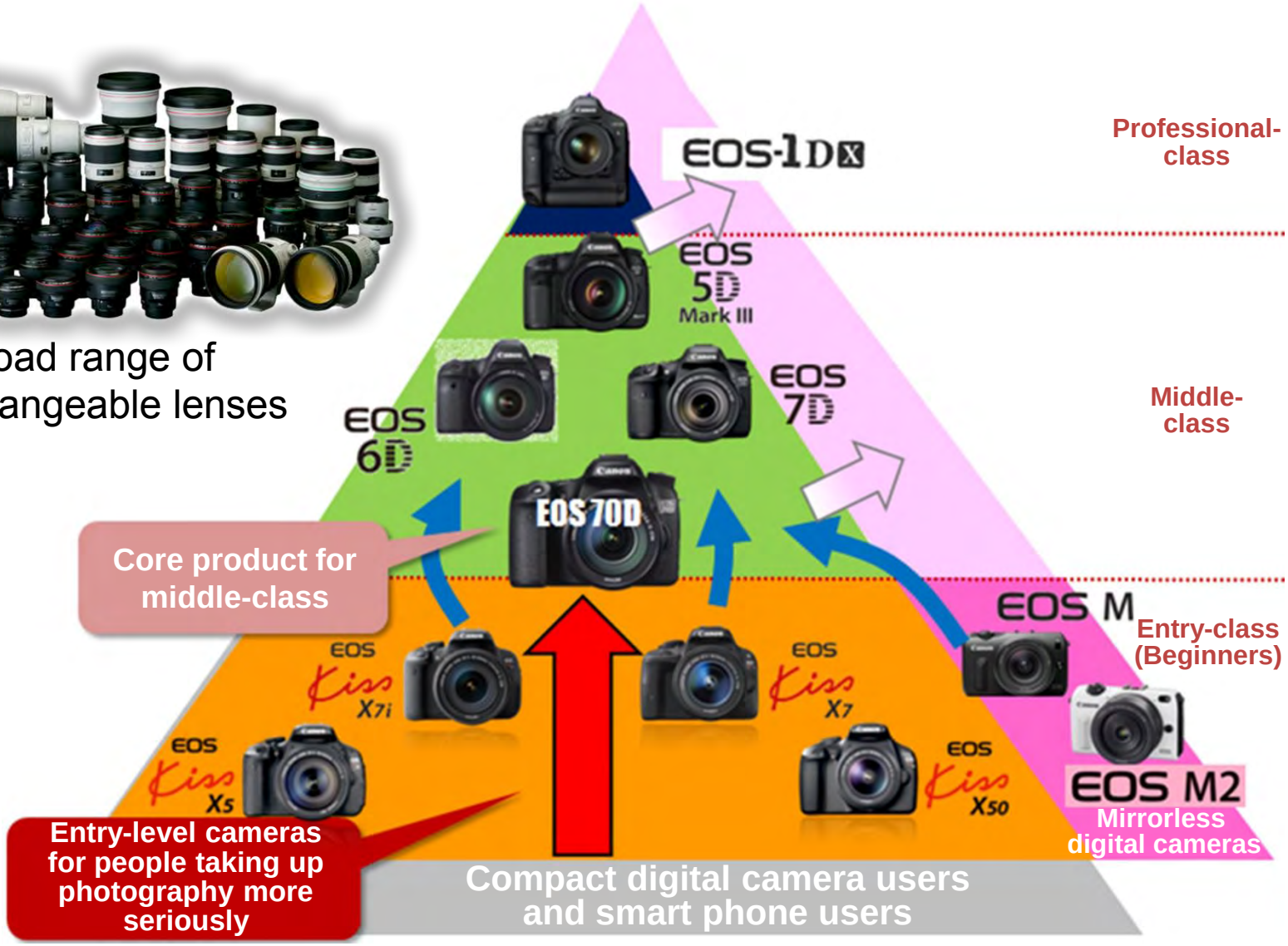
Growth strategies

1	Strengthen inkjet products and services for home, professional and business markets
2	Become No. 1 in all classes of interchangeable lens/mirrorless digital cameras through continued step-up strategy
3	Improve profitability of compact digital camera business by strengthening premium models
4	Expand and improve line-up of commercial imaging equipment and strengthen solutions
5	Expand and improve CRM* and promote digital marketing.
6	Expand new businesses for photo-related contents

* CRM: Customer Relationship Management

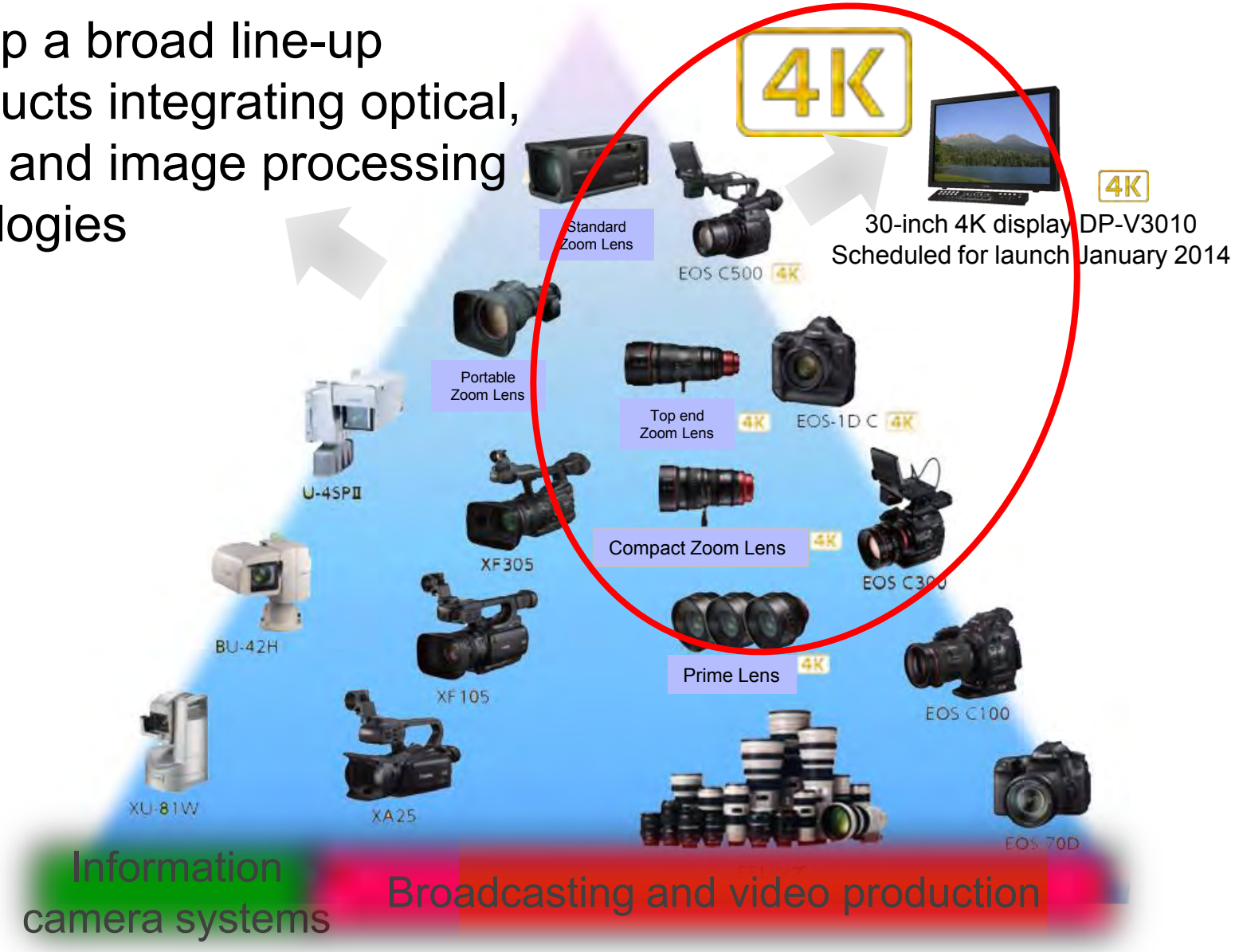
Interchangeable lens digital cameras: Continue to pursue step-up strategy

Broad range of interchangeable lenses



Expand solution capabilities in commercial imaging equipment

Develop a broad line-up
of products integrating optical,
sensor and image processing
technologies



Industrial/Medical

Growth scenario

Category	Annual average growth rate (between 2013 and 2016)	Included businesses
Independent business	164%	Testing and measurement
		Process equipment
		Field engineers
		ecoFab
		New products
Canon's new priority domain	-	New products
Canon's existing domain	103%	Component business

Growth strategies -Industrial Equipment

1	Expand and improve line-up of new products handled and build into pillar of growth
2	Strengthen technology trading company function
3	Develop Taiwan market through Canon Advanced Technologies Taiwan Inc.

Targets in expansion of handled products

Market		Domain	Application/product	Manufacturers currently handling application/product	Manufacturers planning to handle application/product
Existing business domains	Semiconductors	Wafers	Lamp annealing, Defect measurement	Mattson, Raytex	
		DRAM, NAND, Flash memory Logic IC, CMOS image sensors	Lamp annealing, Ashing, Etching, Defect measurement, Quality measurement, Film pressure measurement , etc.	Mattson、Raytex、Metryx、Camtek、RAVE、JVS、EUV tech.	
		Consumables (filters)	Chemical filter	KAEL	
	Non-semiconductors	MEMS	Ashing, Etching, Defect measurement, Shape measurement, etc.	MAS、Camtek、Zygo、memsstar	Plasma Therm
		LED, etc.			
		Precision machining	Precision sensors, precision measurement, etc.	Canon	
		Precision measurement	Surface shape, Surface roughness, etc.	Zygo	
Domains being newly entered	Semicond	Memory, logic, etc.	Probe cards*	-	ProbeAce
	Non-	Production innovation	3D printers, Robot-related,, Image input Multi-wire saws		3D Systems CMJ independently
		Preclinical (Pharmacy)	Small animal PET/SPECT/CT		Tri Foil Imaging

* Plan to launch in Taiwan market.

Medical: Growth scenario

Category	Annual average growth rate between 2013-2016	Included businesses
Original businesses	114%	Procurement modality/Ophthalmic products
		PACS/Medical imaging solutions
		Ophthalmic equipment
		Infection management
		Pharmaceutical dispensing
		Healthcare products
Canon's existing domains	125%	CXDI
		Digital non-mydriatic retinal cameras/OCT

Growth strategies –Medical

1	Expand sales of modalities by strengthening sales force
2	Strengthen and expand medical imaging IT solutions
3	Bolster product line-up by developing new products
4	Rigorously expand independent business areas of infection management and pharmaceutical dispensing in Japan and overseas
5	Establish total Group presence in the medical market

Expand infection management and pharmaceutical dispensing businesses overseas

Acquire overseas distributors through cooperation with the Canon Group
Develop products for overseas (Asia)

Hydrogen peroxide gas sterilizer

Tablet packing machine

Strengthen and expand medical solutions

Hospitals

Office device solutions

Projectors, scanners,
TV conferencing, Web conferencing

Document solutions

In-hospital printing
(MFP, LBP)

Administrative system solutions

Electronic medical records
Ordering systems
Receipt computers

Healthcare solutions

Fully automatic blood pressure monitors
Bone density measurement

Infection management solutions

Sterilizers
Washers

Medical imaging solutions

CXDI
3D
PRIMITUS(PACS)

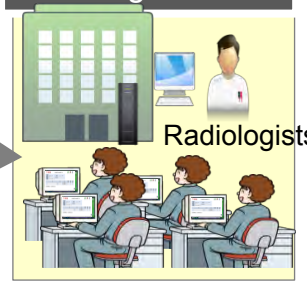
Digital camera-linked solutions — New

Image storage systems

Remote image interpretation — New

Image interpretation service providers

Diagnostic reading centers



Data center business

Data centers

(billion)

Target: Total sales of medical solutions ¥37 (2016)

Investing for Growth

		Breakdown of investment	3-year cumulative investment amount
General investment	Main investment items	MFP rental assets	Around ¥20 billion
		Additional investment in Tokyo West Data Center	Around ¥5 billion
		Internal IT system development	Around ¥7 billion
	Total		Around ¥50 billion
Strategic investment		M&A-related funds	Around ¥40 billion (Preparatory funds)

Returning profits to shareholders

Dividends are main way to return profits to shareholders

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

Canon

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.