

Canon Marketing Japan Group

Three-Year Management Plan 2014-2016

January 29, 2014
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President

Contents

- 2013 Recap
- The ideal situation in 2016
- Performance Objectives(consolidated/by segments)
- Overall Strategy and Growth Scenario for Realization of Ideal Situation
- Growth Strategy of each Segment
 - ◆ Business Solutions
 - ◆ IT Solutions
 - ◆ Imaging Systems
 - ◆ Industrial/Medical
- Investing for Growth
- Returning profits to shareholders

2013 Recap

(billion)

	2012		2013	
		Ratio		Ratio
Net sales (YoY)	659.2		657.2 ($\Delta 0.3\%$)	
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 ($\Delta 3.8\%$)	1.5%

3

- In 2012, we had a big setback in the first quarter.
- From the second quarter, we got back on the recovery path and, in the second half, we managed to achieve sales growth of 3.5%. Operating income in the second half rose by almost 4 billion yen.
- The structural reforms and initiatives to improve productivity continuously pursued to date have made our revenue base more robust.
- The seeds for growth from this year have been sown. I am confident that, under the three-year plan starting this year which I will explain later, we will be able to achieve steady growth.

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.

4

I will now move on to explain the three-year plan, starting this year.

- In 2016 - the final year of the plan - we aim to be a “service creation corporate group” that continues to provide independent new added value.
- To realize this, we will evolve into a trading company that creates value itself, instead of just buying and selling, and provides excellent solutions to customers.
- To speed up this trend, we will focus on strengthening and developing human resources to lead growth strategies and drive businesses.
- We will also continue with the profit structure reforms continuously pursued in the past, and further strengthen profitability especially in existing businesses.

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

6

- We plan to rigorously invest in business domains where sales growth can be expected.
- We will expand sales by demonstrating group synergies in each business area and further enhancing the value we provide to customers.
- We are aiming for net sales of 800 billion yen in 2016 and average growth over the period of 6.8%.
 - However, in 2014, we expect sales in consumer business to remain virtually flat, partly due to falling demand following the last minute surge in demand from the fourth quarter of 2013 due to the effect of consumption tax, and overall growth is expected to be just 2.4%
- Our profit objectives for 2016 are operating profit of 36 billion yen and net income of 23 billion yen, which represent substantial increases achieved through continued structural reforms and improvement of productivity. Net income will exceed the record high level of 20 billion yen set in 2007.

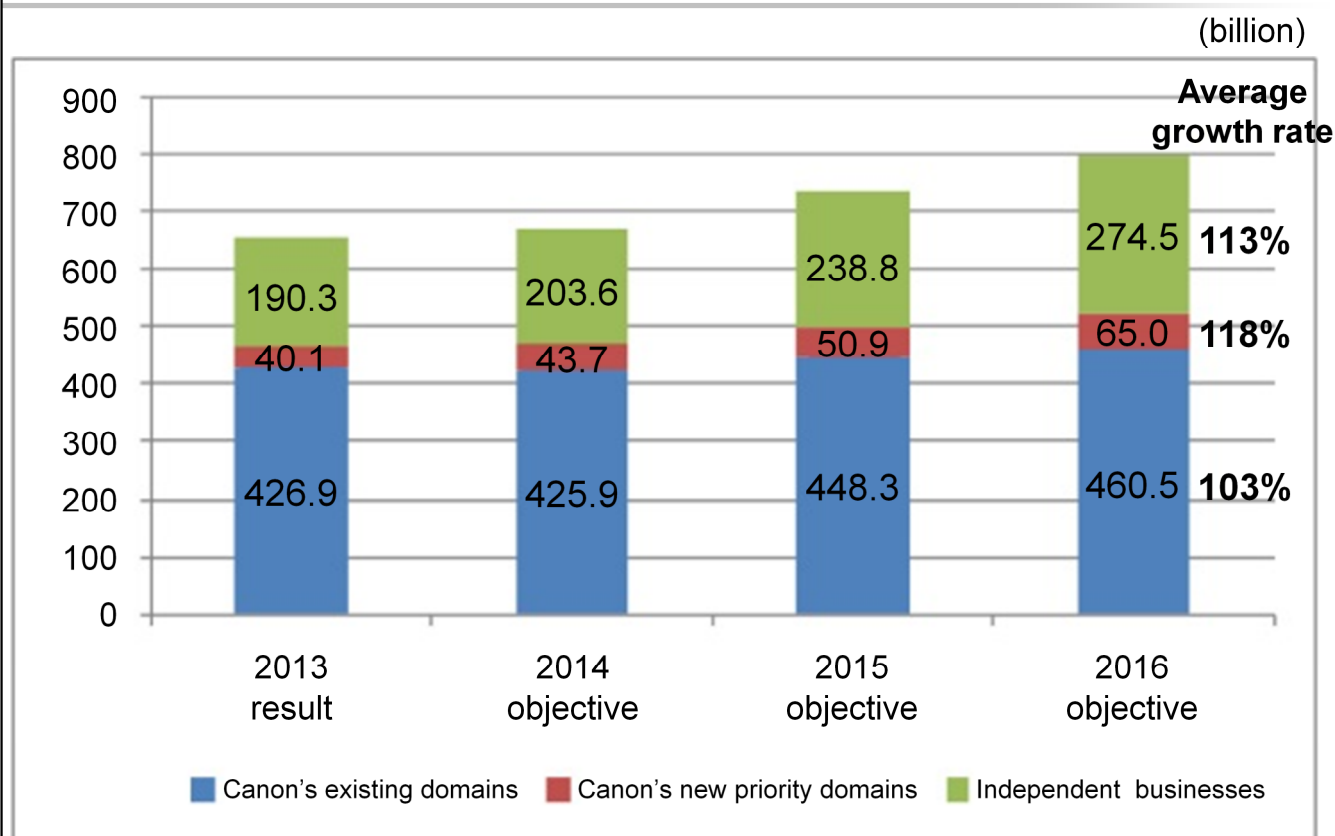
Performance Objectives by Segments

(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)



8

- Canon's existing domains are expected to show stable growth of 3% on average due to the large proportion of businesses that belong to mature markets.
- We will not increase the number of employees on a consolidated basis, but will instead increase sales per person, which is an indicator of productivity, by around 20% from 2013, on a consolidated basis.
- We plan to rigorously pursue IT investment to promote marketing reforms and service reforms, and will work to improve the efficiency of business processes. We will also shift funds and human resources generated in existing domains to new growth domains.

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)

10

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

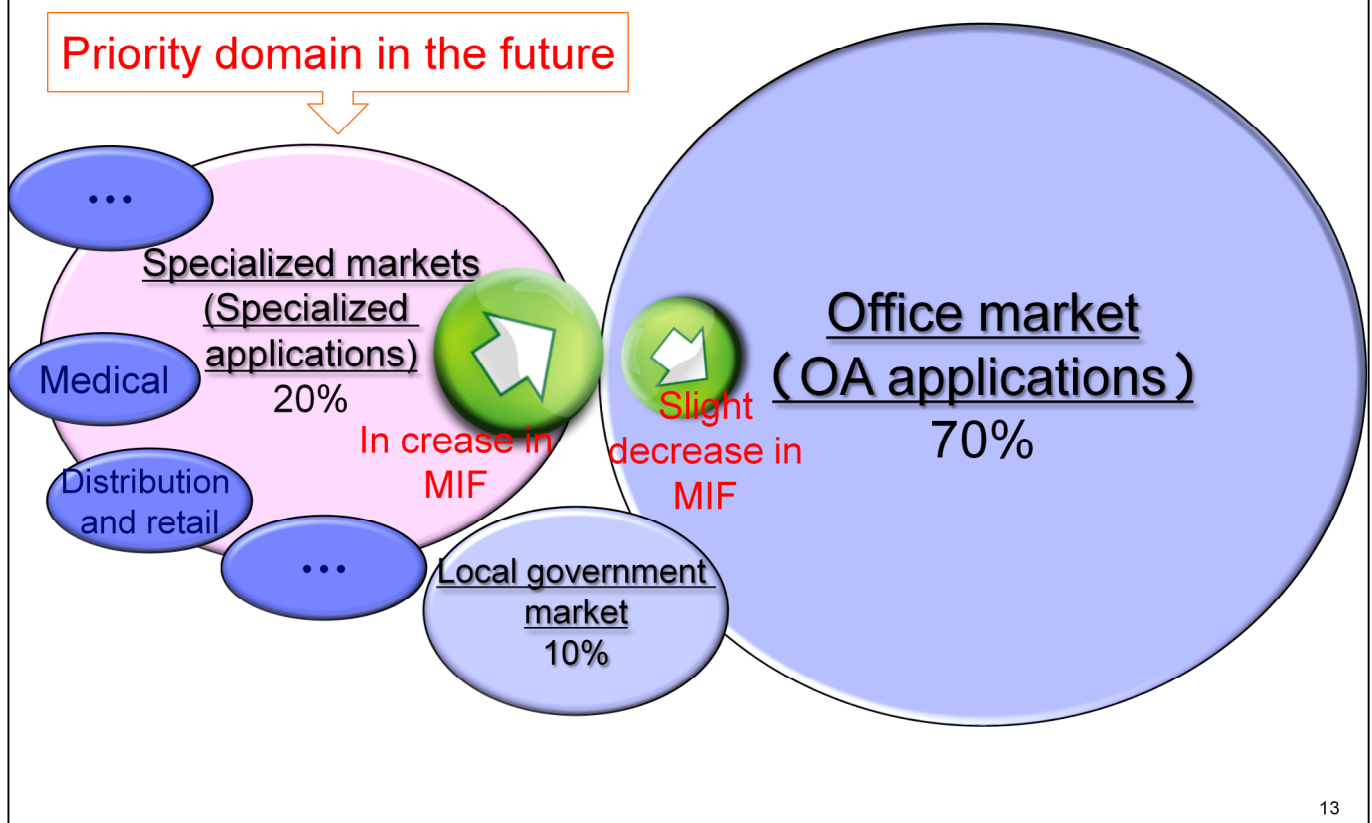
Improve productivity through business process reforms

Vigorously expand MDS (managed document services)

12

- Unit shipments of office MFPs are expected to remain flat or decline slightly in the industry as a whole.
- We will rigorously promote the development of new customers by strengthening product appeal and strengthening customer contact through document solutions, and we aim to achieve double digit growth in annual unit sales and expansion in MIF and DV.
- We will also strive for service efficiency and work to reduce costs to maintain the profitability of counter maintenance services.
- Furthermore, in all business processes, including sales and backend processes, we will resolutely carry out business process reforms and work to improve productivity.
- We will also seek to rigorously expand managed document services.
- In relation to large enterprises, we will seek to acquire new customers by meeting diverse customer needs in relation to document management and we will also proceed to expand total management systems for printing outsourcing and office equipment.
- For SMEs, we will propose new document management added value using MFP optimum location assessment and cloud services.

Expand specific printing (LBP) and sector-specific solutions



13

- For LBP, there is no prospect of significant growth in MIF or DIV in the future partly because of their integration into MFP.
- We will shift the business emphasis to specialized production printing as a domain where growth in demand is expected.
- More specifically, we will provide printing systems combined with independent solutions in the medical area and distribution & retail area, for example.
- We also plan to strengthen and expand dedicated sales units specializing in sectors and will seek to expand solutions and printing business for sectors nationwide.

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

14

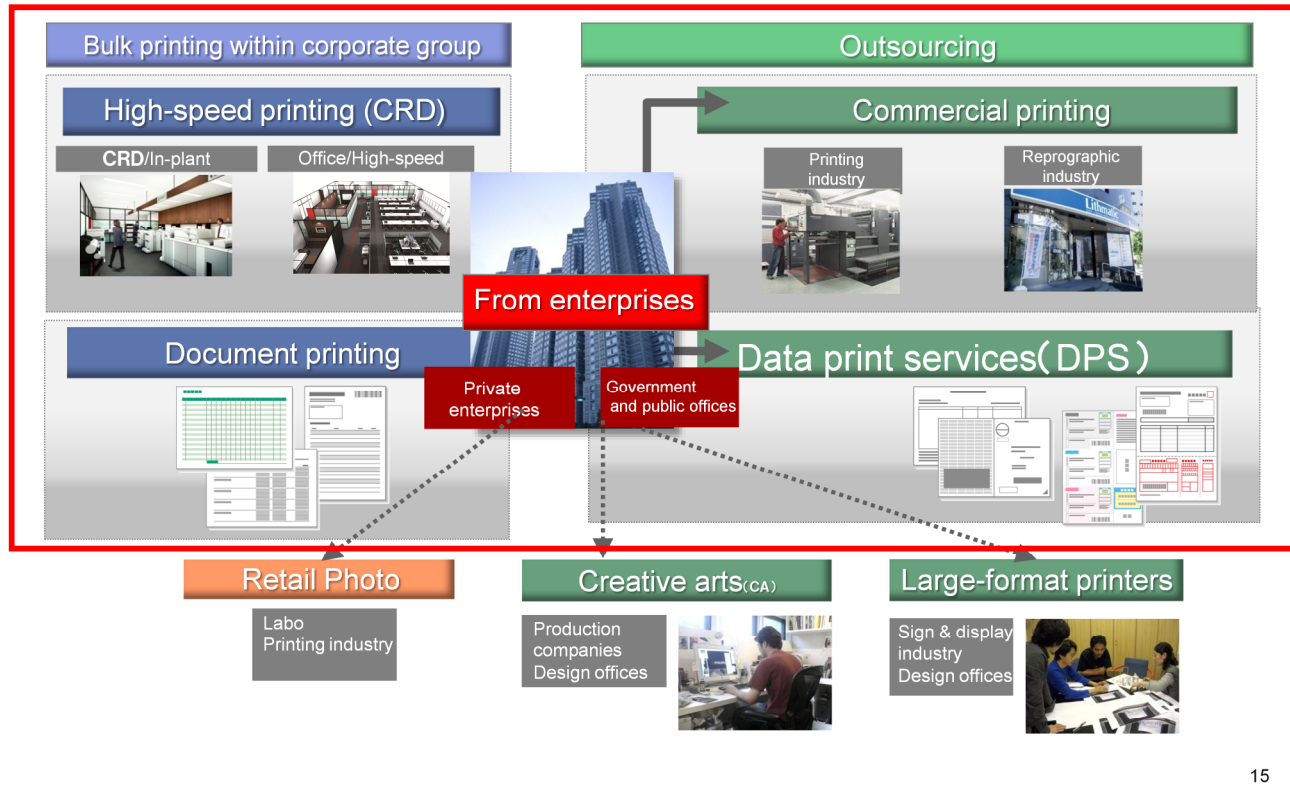
- In relation to SMEs, where we have a large customer base, Canon System & Support has previously developed many independent IT solutions based on its close relationship with customers. We will share the solutions and knowhow provided within the group and seek to rigorously expand solutions for SMEs in the future.

- The slide shows Canon System & Support's current solutions.

- We plan to develop field-driven solutions to meet day-to-day market and customer changes in rapid succession.

Market targets in production printing

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



15

- The business that will be our biggest focus in Business Solutions is production printing.
- The domestic digital printing market shown inside the red frame on the slide is estimated to be worth around 400 billion yen at the present time. The wave of digitization is spreading rapidly and it is estimated that, all being well, in around 5 years time, the digital printing market, including everything from the high-end to the low-end, will be worth more than 1 trillion yen.
- Our target market is made up of four sub-segments: “CRD (centralized reprographics departments) and document printing” for bulk printing within corporations on the left and “Commercial printing and DPS (data print services)” for outsourcing printing on the right.
- In our view, the market shares of the two sides are currently roughly 50:50, but we expect that, in the future, due to the BPO needs of corporations and streamlining and cost reductions by corporate groups, sales will shift to the outsourcing market on the right side.

We predict that the digital printing shift, including improvement of image quality, a trend toward the use of color printing, cooperation with print finishing, and value-added proposals, will accelerate, and the “commercial printing and DPS”/outsourcing segment of the market will grow substantially at an annualized rate of 2 to 10%.

Strengthen structure by establishing new company, and introduce new products

Product
strength

High-end
Mid-range
Low-end



Complete line-up



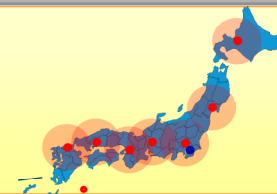
Sales
strength

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

16

- With the aim of strengthening the system in the commercial printing and digital print services area where such growth is expected, with effect April 1, 2014, we plan to integrate the three companies Showa Information Systems Co., Ltd., which handles products such as high-speed continuous feed production printers, Océ Japan Corporation, which handles large-format production printers, and Canon Print Square Inc., which handles printing services, including graphic and POD services.

- We also plan to transfer the production-related units of Canon MJ and the related sales units of Canon System & Support to a new company called Canon Production Printing Systems, Inc., which, with around 550 employees, will specialize in the production business.

- The establishment of a company specializing in the production market will enable us to conduct consulting and proposal-type sale activities as market experts and professionals in relation to highly specialist customers.

- This will make it possible to provide a broad product line-up and will also put in place an end-to-end system covering the entire process from system development to sales, maintenance support and printing services.

- At the same time, in April 2014, we plan to launch the Océ ColorStream 3000 Z series of high-speed continuous feed inkjet printers specifically developed for the Japanese market, as announced at the end of last year, and we aim to step up our presence in the continuous feed area.

- In 2016, we aim to achieve total sales of 46 billion yen in the production printing business, including the new company.

Fully launch network camera business

Expand and improve product line-up

Strengthen solutions business

Tap into high-end market



17

- Another business we will focus on in the Business Solutions segment is the network camera business.
- The network camera market is at a major turning point, shifting from analog to digital. Digitization has brought about a shift away from usage of network cameras simply as surveillance cameras, and, as a result of development of resolution enhancement and image recognition technologies, utilization of network cameras in applications such as face authentication and circulation management is increasing, and their use in marketing applications also appears to be spreading.
- We will leverage our strengths which lie in our high resolution cameras as a camera manufacturer and the solution development capability within the group, and seize the opportunity posed by this change in the market to expand and develop the network camera business into network visual solution business.
- We also plan to work with Canon Inc. to strengthen the line-up of network camera equipment based on customer needs.

IT Solutions

(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

20

- In SI services, we will increase synergies with the Business Solutions segment, and focus on winning prime contracts with core customers. We will work to develop upstream process personnel and skilled IT human resources for this.
- To reduce development costs, besides reducing man hours and reducing outsourcing and material costs, we will review policies with development partners and actively use offshore development.
- At the same time, we will endeavor to prevent unprofitable contracts by reducing costs and strengthening quality control.

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

21

- The Tokyo West Data Center has made good progress with sales activities since opening.
- Customers from each sector that decided to introduce systems rated the data center highly, especially for its high-level security, sturdy foundations and location away from the coast, and its Tier 4 level facilities.
- We plan to enhance services, including schemes for operation of system under contract, in the future.

Expand IT solutions business in Asia

IT solutions

IT solutions business company that newly joined the group

Company name	Material Automation (Thailand) Co.,Ltd.		Business	Solution business for Japanese companies (the manufacturing industry in particular) advancing into Thailand (IT infrastructure building, engineering-related software, and production management systems)
Established	January 1992			
Location	Bangkok, Kingdom of Thailand			
Capital	50 million baht (approximately 160 million yen)			
Shareholder composition	Canon ITsolutions	49%	Branches	3branches in Thailand
	CanonITS Thailand	51%	Consolidated Companies	ASAHI-M.A.T.(Thailand) MAT Vietnam(Vietnam)
Represent atives	President & CEO	Hidesato Kodama	Annual sales	Approximately 2.0 billion yen (2013)
	Authorized Director	Takashi Hirakawa		
	Director	Keizo Go		
Number of employees	171 (as of December 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).

- The fourth strategy for IT Solutions is global business expansion.
- Recently, we co-invested, alongside Canon ITS and Canon ITS Thailand, in a company called Material Automation (Thailand) Co., Ltd. (“MAT”), which has been involved in the IT business in Thailand for more than 20 years, and made it a group company.
- MAT’s strength lies in its overwhelming expertise in relation to Japanese corporations that expand into Thailand.
- MAT already has dealings with more than 500 Japanese manufacturers, and this corresponds to almost one third of Japanese manufacturers that have expanded into Thailand.
- We expect that, also in the Group’s global account business, MAT will have the role of monitoring system construction and support locally when Japanese corporations expand into Asia.
- MAT will also further expand business with Japanese corporations in Thailand by using the Canon MJ Group’s connections with their headquarters in Japan.
- In 2015, the ASEAN Economic Community (AEC) will come into effect, and the business environment in the Southeast Asia region is also expected to change significantly. Further business expansion can be expected.
- We plan to use MAT as a platform to continue broadening the scope of business expansion in the future and to significantly expand IT Solution business in the Southeast Asia zone.
- Currently, MAT’s sales are around 2 billion yen, and we aim to increase total IT Solution sales in the ASEAN region to 5 billion yen as early as possible.

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

23

- Within the Group, there are IT solution sales of some 56 billion yen in other segments besides the ITS segment, especially the Business Solutions Segment.
- Supporting the expansion of such sales is another role of the IT Solutions segment.
- We will seek to demonstrate group synergies, including the expansion and improvement of a cloud platform that can be used by all segments and the joint development of required segment-specific solutions.
- We are aiming for sales of 300 billion yen to become one of the main players in the industry in the future and, in 2016, we aim to expand IT solution sales of the group as a whole to 230 billion yen, which is the combined total of the sales target of the IT solutions segment of 185 billion yen and the sales target of other segments of 75 billion yen.

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

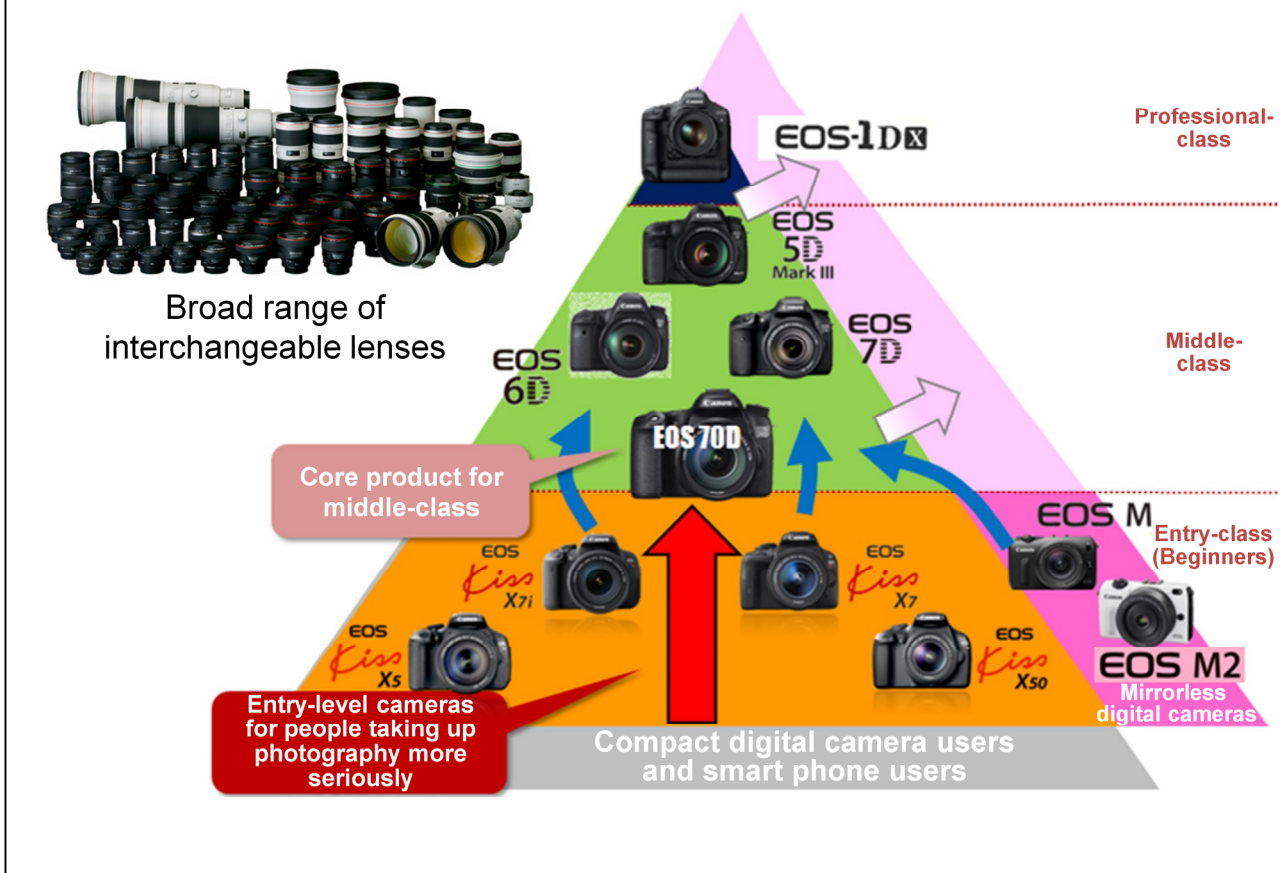
* CRM: Customer Relationship Management

26

In pursuing the fifth and sixth strategies of expanding and improving CRM systems and new businesses, we will fully utilize our IT solutions expertise.

Amid a dramatically evolving IT environment, with the spread of mobile devices and the development of cloud technologies, we will also promote digital marketing using these advanced technologies.

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

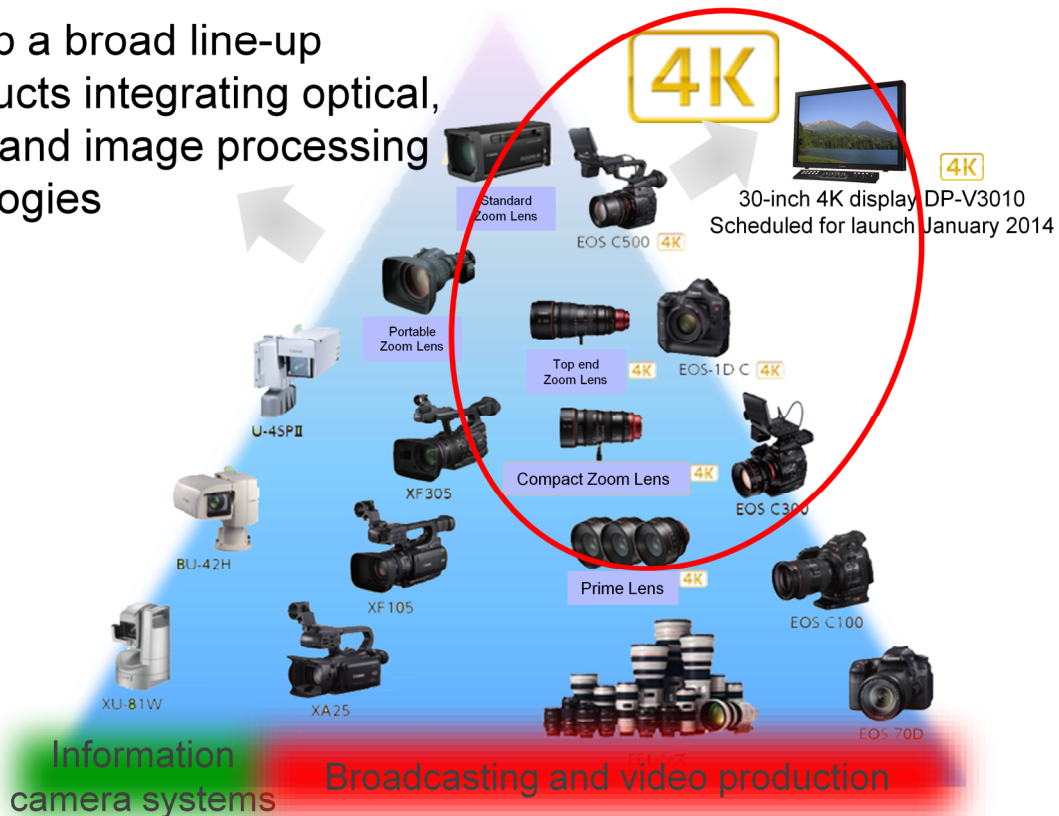


- In interchangeable lens digital cameras, we will promote marketing only we can do, fully utilizing our past experience of customers and photography, from professionals to entry users, and we will continue to pursue the strategy of having compact camera and smartphone users step up to the beginners camera EOS Kiss or the mirrorless camera EOS M and then step up again to a middle class camera.

- We aim to consolidate our No. 1 position in the market and use our vast range of interchangeable lenses as a lever to expand and improve our stable earnings base.

Expand solution capabilities in commercial imaging equipment

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



- In commercial applications, there are, broadly speaking, two business domains: information cameras and broadcasting/video production, and in each of these domains, we plan to sell a wide range of products, from top level products to low-end products.

- The trend of the times is also shifting toward even higher quality images with the move to 4K. We will continue to strengthen our product groups to accommodate this trend.

- This January, we launched a 4K video production display to strengthen the system configuration in the 4K workflow.

- In the high-end sector of video production, we will continue to provide 4K input and output hardware to support high quality image solutions befitting of Canon and to strengthen and expand business in this area.

- Also for the various international sporting events planned between now and 2020, we will expand business based on broadcasting and video production equipment to convey excitement to large numbers of customers.

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

30

• Canon product business is limited because steppers made by Canon are sold directly by Canon, Inc.

• We plan to achieve dramatic growth of 64% on average over the period in our independent businesses, which consist in the procurement of testing, measurement and process equipment from Japan and overseas and their sale and support, as well as the development and sale of new products using our technology trading company function.

• As for Canon's new areas, new genres of industrial equipment will also be introduced during this period and can be expected to contribute to business expansion to a certain extent.

Growth strategies -Industrial Equipment

Industrial/Medical

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.

31

• According to the plan, industrial equipment will account for 29 billion yen of the total sales of the industrial/medical segment in 2016. With CATT playing a leading role, we plan to expand the overseas sales ratio to around 25%.

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 LED, etc.	Ashing, Etching, Defect measurement, Shape measurement, etc.	MAS, Camtek, Zygo, memsstar	Plasma Therm
		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	
		Production innovation	3D printers, Robot-related,, Image input Multi-wire saws	3D Systems CMJ independently	
	Non-	Preclinical (Pharmacy)	Small animal PET/SPECT/CT	Tri Foil Imaging	

* Plan to launch in Taiwan market.

- This slide shows targets for expansion in the products handled.
 - We will shift the focus from semiconductor applications and increase our business portfolio of non-semiconductor applications. We will also also focus our efforts on new applications.
- More specifically, we will promote the procurement and development of products in domains such as power devices. In new areas of industry, we will promote the procurement of products in the domain of production innovation where growth is forecast such as 3D printers and robot eyes.
- In addition to the 18 companies currently handled, we plan to add on 6 more companies by 2016.
 - Our business portfolio of industrial equipment is such that even if the size of the business increases, fixed costs will not balloon dramatically. Therefore, if substantial sales growth is achieved, vast improvement in profit margins can be expected.

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-mydratic retinal cameras/OCT

33

- The new products added to Canon's CXDI-series of digital radiography systems were well received, In the future, we will further strengthen the sales structure and expand and improve applications to substantially expand the business.
- In the ophthalmic domain, we will endeavor to expand sales of Optical Coherence Tomography (OCT) equipment, which are high value-added products.
- As a result, in Canon's existing domains, we expect total growth of 25% on average over the period.
- In independent business domains, we will utilize our own brand PACS Primitus series launched last year to expand the radiation business and work to expand the medical imaging solutions business.

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



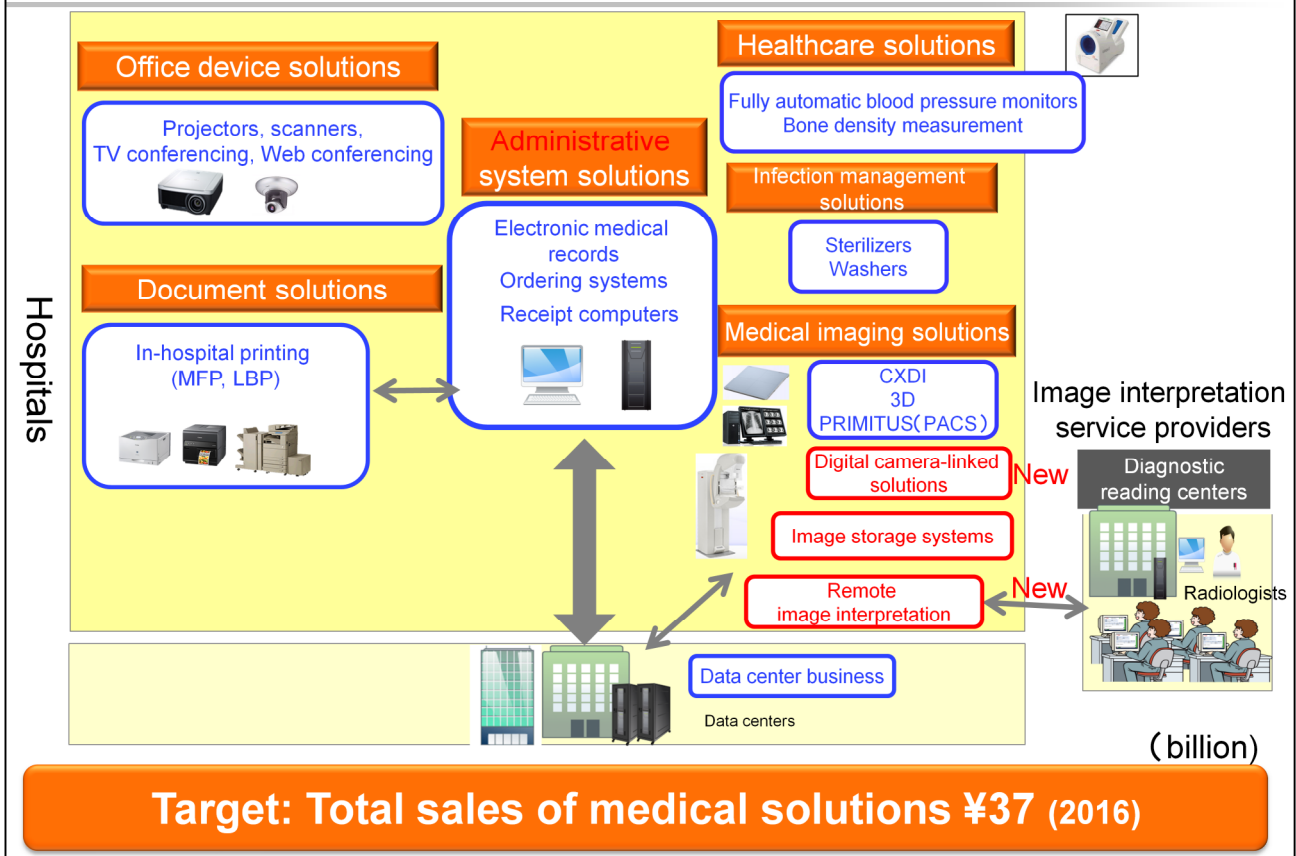
Tablet packing machine



35

- With respect to sterilizers in the infection management area and tablet packing machines in the pharmaceutical dispensing area, where we have independent differentiated technologies, we will continue efforts to expand and improve the product line-up, and we will also expand distributors through cooperation with overseas subsidiaries of the Canon Group to strengthen development overseas.
- We have already made progress executing contracts in Singapore and Russia.

Strengthen and expand medical solutions



• This slide shows an image of development in hospitals to strengthen and expand medical-related solutions with a view to establishing a total Group presence in the medical market, which is the fifth strategy.

• By 2016, we aim to expand total sales of the medical business to 37 billion yen, which is the combined total of 30 billion yen in medical business sales and 7 billion yen in sales related to solutions such as electronic medical records in the IT solutions segment.

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)

37

- In terms of general investment, we plan to invest a total of 20 billion yen in MFP business assets over three years, linking this with strategies to expand rental business, where growth is anticipated.
- We also plan to make an additional investment of around 5 billion yen over three years in the Tokyo West Data Center, which continues to steadily receive orders.
- Meanwhile, we plan to invest a total of around 7 billion yen over three years in internal system development to improve the productivity of business processes and carry out marketing reforms.
- Overall, including other investment, we plan to invest a total of 50 billion yen.
- In terms of strategic investment, we are also setting aside some 40 billion yen, as far as the free cash flow of the relevant fiscal years allows, as funds for investment in M&A, etc. to ensure flexibility.

Returning profits to shareholders

Dividends are main way to return profits to shareholders

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

38

- Firstly, as in the past, we aim to pay stable dividends, and our objective consolidated payout ratio is approximately 30%.
- Our net profit per share objective for 2016 is 168 yen, and if we apply a payout ratio of 30%, this means that dividends will exceed the previous all-time high of 40 yen per share.
- We would like to return profits to shareholders by raising the level of profits and increasing the absolute amount of dividends.



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.

- As I said at the beginning, last year we had a big setback and because the subsequent recovery of business solutions and industrial equipment was slower than anticipated, we failed to achieve the growth declared under last year's medium-term plan.
- This year, once again we are determined to get back on the growth path first and then to rapidly develop into a service creation corporation group.