

Anticipating social change,
we will transform,
boldly press forward
and become a truly
excellent global corporation

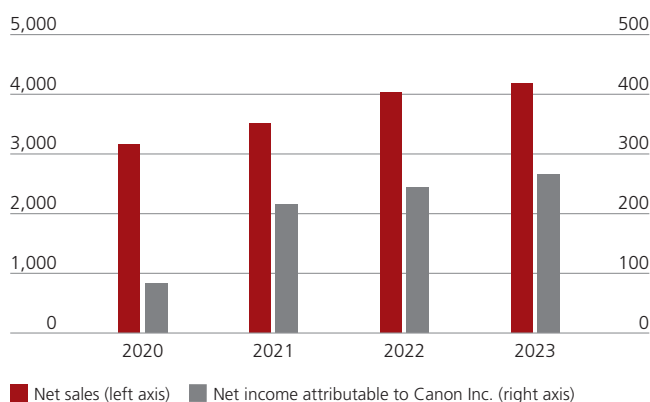
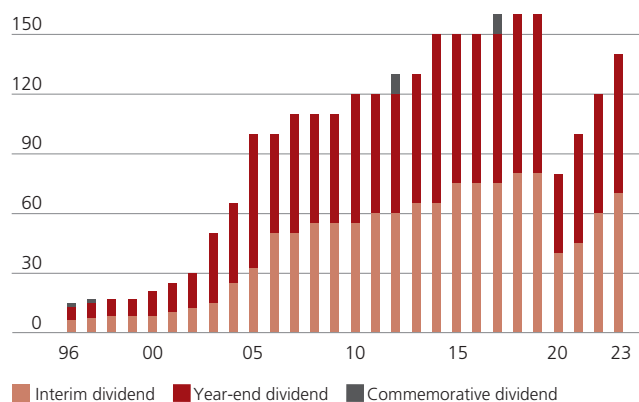


FUJIO MITARAI

Chairman & CEO
Canon Inc.

Net sales and net income attributable to Canon Inc.

(Billions of yen)

**Canon Inc. dividend per share (Yen)****Performance in 2023**

The global economy during the 123rd Business Term (from January 1, 2023 to December 31, 2023) moved toward normalization due to the COVID-19 pandemic being brought under control and progress in the resolution of component shortages and logistical disruptions. Demand, on the other hand, remained weak due to factors such as a slowdown in the Chinese economy owing to the slump in the real estate market, and a sluggish European economy resulting from interest rate hikes implemented to control inflation and, in addition to Russia and Ukraine, heightened geopolitical risks in the Middle East.

Even under this environment, we grew sales of new businesses, such as medical, network camera, and commercial printing as well as semiconductor lithography equipment on the back of high growth potential. And for office multifunction devices (MFDs) and cameras where demand remained

firm, we steadily generated profit. Prices of components and logistics which had been rising until then began to settle down from the beginning of spring, which led to progress in reducing costs from the second half.

As a result, consolidated net sales for this term was 4,181.0 billion yen (up 3.7% from the previous term). Consolidated operating profit was 375.4 billion yen (up 6.2% from the previous term). Consolidated net income attributable to Canon Inc. was 264.5 billion yen (up 8.4% from the previous term). This marked the third consecutive year of sales and profit growth.

As for our new businesses, which are the source of sales growth, we posted significant growth in this term as well, with consolidated net sales reaching nearly 1.2 trillion yen to account for 28% of the total. We are making steady progress in the transformation of our business portfolio as set out in Phase VI of the “Excellent Global Corporation Plan.”

Excellent Global Corporation Plan

Phase I to Phase V (1996–2020)

Canon launched the Excellent Global Corporation Plan in 1996, and has since strengthened its management base through each of the plan's five-year stages, from Phase I through Phase V.

During Phase I, we stressed thorough cash flow management and significantly boosted productivity through the introduction of our cell production system, along with other measures. In Phase II, we stepped up efforts to digitalize our office multifunction devices and camera offerings, endeavored to strengthen the competitiveness of our products, and established a strong earnings structure. In Phase III, we rode the globalization and digitization wave to drive sales and profit higher. In 2007, we achieved record-high sales of 4,481.3 billion yen and recorded net profit of 488.3 billion yen. During that period, we also turned our attention to OLED displays and welcomed Canon Tokki (formerly Tokki) and Netherlands-based printer manufacturer Canon Production Printing (formerly Océ) into the Canon Group.

During Phase IV, we promoted diversification by way of expanding our existing businesses into other new businesses, such as the Cinema EOS System, whilst also accelerating our M&A strategy in pursuit of new growth. In this manner, we set out a clear direction for shifting our focus for growth from B2C to B2B. At that time, we turned Milestone Systems ("Milestone") and Axis Communications ("Axis") into subsidiaries in order to reinforce and expand our rapidly growing network camera business. Additionally, Canon Nanotechnologies (formerly Molecular Imprints) became a subsidiary, and we furthered the development of next-generation semiconductor manufacturing equipment that uses nanoimprint lithography, a technology that enables miniaturization and cost reductions for semiconductor devices.

In Phase V, under the basic policy of "embracing the challenge of new growth through a grand strategic transformation," we welcomed Canon Medical Systems Corporation ("Canon Medical"; formerly Toshiba Medical Systems) into the Canon Group, and completed the assembly of the four new businesses: commercial printing, network cameras, medical,

and industrial equipment, while carrying out structural reforms on our existing businesses to re-establish their sustainable and highly profitable business structures. Thus we completed the first stage of our business portfolio transformation.

- Phase I**
1996–2000
Canon transformed its mindset to focus more on total (not partial) optimization and profitability (not sales) and also engaged in thorough cash flow management. We introduced various business innovations, including the selection and consolidation of business areas, and reform activities in such areas as production and development.
- Phase II**
2001–2005
Aiming to become No.1 in all major business areas, Canon focused on strengthening its competitiveness by stepping up efforts to digitalize its products in line with the changing times. We embarked on a fundamental reform of procurement activity under the newly organized Procurement Headquarters, and we took steps to reform inhouse systems, such as our personnel system, with the aim of balancing lifetime employment with merit-based principles.
- Phase III**
2006–2010
Canon moved ahead with new growth strategies, including the enhancement of existing businesses and expansion of new business areas, and also implemented reforms for supply chain management and IT systems in order to achieve real-time management that can readily adapt to changes.
- Phase IV**
2011–2015
Canon shifted away from a management policy targeting expansion of scale and reinforced its financial structure. While actively pursuing M&As, we pushed ahead with the rebuilding of our business foundation for future growth with a view to entering industries that will serve as new growth engines in step with the changing times.
- Phase V**
2016–2020
Canon endeavored to reconsolidate its longstanding core businesses (namely, cameras and office equipment) and completed the first stage of the grand strategic transformation of its business portfolio by working to expand and strengthen the following four new businesses that would underpin Canon's future: commercial printing, network cameras, medical, and industrial equipment.

Phase VI basic policy and key strategies

In Phase VI, which commenced in 2021, our basic policy is to accelerate our productivity improvement and corporate portfolio transformation through new business creation. For 2025, the final year of Phase VI, we are targeting record-high net sales of more than 4,500 billion yen, an operating profit ratio of at least 12%, a net profit ratio of 8% or higher, and in terms of financial soundness, a shareholder equity ratio of at least 65%.

Now that there are only two years left in Phase VI, 2024 will be a crucial year for the achievement of our ultimate goals. We are therefore focusing on the following four priority measures: (1) strengthen and expand industry-oriented business groups, (2) reorganize global supply chain, (3) strengthen technological research capability, and (4) address cybersecurity risks.

Priority Measure 1

Strengthen and expand industry-oriented business groups

In April 2021, we bundled together the existing and new businesses that are technologically compatible with each other and placed them into the following four groups: Printing, Medical, Imaging, and Industrial. We intend to

further streamline operations by eliminating organizational overlap and develop new products and solutions by combining technologies within the respective groups to trigger “chemical reactions.”

PRINTING GROUP



Sheet-fed Presses

The Printing Group primarily consists of office MFDs, laser printers, inkjet printers, and commercial and industrial printers.

In the field of commercial and industrial printers, we will further expand our business, with such measures as simultaneous launches of the varioPRINT iX1700, a digital commercial printer capable of delivering stable operation and high-quality printing on a par with offset printing, and the LabelStream LS2000, a printer that can handle a wide-range of label products, riding the wave of the industry’s transition from analog to digital printing.

As for office MFDs, we will aim to increase our market share, offering more added value by providing printing solutions attuned to this era of digital transformation (DX),

including cloud-based smart services for predictive maintenance as well as diagnosing and fixing failures, and also by boosting our cost competitiveness mainly through the standardization of product platforms.

With regard to inkjet printers and laser printers, in order to support hybrid working styles that have become commonplace in the last few years, we will look to offer a printing environment not limited to the constraints of physical working location by harnessing our two technological strengths in the printing field: electrophotography and inkjet.

MEDICAL GROUP



CT Systems

The Medical Group handles diagnostic imaging equipment, including CT, MRI, and diagnostic ultrasound systems, as well as X-ray tubes and other components for medical applications. In this group, we have our sights set on augmenting our global business operations, so our first task will be to transfer some of the marketing functions of our medical business to Canon Healthcare USA, Inc., a group company we established in 2023. Building a network with medical institutions engaged in cutting-edge medical care and deepening our understanding of the healthcare market will help us better develop products and propose solutions tailored to the trends and clinical needs of the market.

Also, from the perspective of enhancing our product capabilities, we will aim to commercialize as quickly as possible our next-generation photon counting CT, a system that delivers clear images but with less exposure to radiation. Our aim is to capture the No.1 share of the global CT market.

To further boost the earning capability of this group, we are reinforcing our production engineering to promote automation and in-house production capabilities, while also doubling down on efforts to streamline operations, starting with the upstream development and design stage.

IMAGING GROUP



Network Cameras

The Imaging Group comprises interchangeable-lens digital cameras, lenses, broadcast equipment, professional digital camcorders, network cameras, and a 3D imaging solution business. In this group we aim to maintain the No.1 global share of the interchangeable-lens digital camera market. To that end, we intend to further expand our lineup of cameras and lenses.

In the field of network cameras, we collaborate with surveillance camera manufacturer Axis, video management software company Milestone, video content analytics company BriefCam, and cloud services provider Arcules to provide a suite of total solutions across the Canon Group, thereby further enhancing our presence in the industry. We will also look to further expand our business in the promis-

ing field of advanced surveillance system by leveraging our SPAD sensor, which boasts the world's highest resolution.

In the field of video production, we will not only expand our products and services to help streamline production tasks and meet demand for less manpower, but also provide numerous video experiences as a leading company in the imaging industry. One such experience is our volumetric video system, which continues to be employed in the world of professional sports and entertainment to create 3D spatial data from multiple captured images. This technology will likely pioneer new possibilities for visual expression in the future.

INDUSTRIAL GROUP



Semiconductor Lithography Equipment

The Industrial Group handles semiconductor and flat panel display (FPD) lithography equipment, as well as OLED panel manufacturing equipment and the like. This group is establishing a system for expanding production capacity to meet strong demand for semiconductor manufacturing systems and is reinforcing its global sales capabilities in an effort to further expand sales. For our semiconductor lithography equipment, we are constructing a new plant at our Utsunomiya Office (which is slated to come online in 2025), which will enable us to significantly scale up our production capacity. At the same time, we will make thoroughgoing efforts to keep costs down. In addition, we will build the business foundation for our groundbreaking nanoimprint lithography technology that

can fabricate even finer chips but with less energy and at lower cost, working with semiconductor manufacturers to evaluate and verify the technology.

In the display panel market, our focus will be on the development of equipment for mid-sized panels, an area in which we expect to see increased investment. Going forward, we will aim to generate stronger earnings by providing FPD lithography equipment and OLED display manufacturing equipment capable of contributing to greater productivity at display panel makers.

FRONTIER BUSINESS

The Frontier Business is engaged in the exploration of new businesses by drawing on Canon's core competency technologies in the three fields of solutions (such as devices and components), life sciences, and materials. For example, in the field of materials, we are developing coating materials such as anti-reflective coatings and hydrophilic coatings that are expected to be used in fields such as mobility and energy. We intend to clearly establish evaluation criteria, including market size, technological superiority, and cost competitiveness, in a bid to create business seeds with future market growth potential.



Images of Canon's high-performance materials that can be used in areas such as mobility and energy to improve performance

Priority Measure 2

Reorganize global supply chain

In an uncertain and unstable global environment, the supply chain is the lifeline of a manufacturer, and from not only an economical, but also from a stability and sustainability perspective, we need to reorganize. In addition to consolidating production sites in countries and regions where we see

Priority Measure 3

Strengthen technological research capability

Under four groups largely reorganized by industry, Canon is carrying out the development of new products and solutions based on proprietary technology through the integration of core technologies it has cultivated with the technologies of companies that it has acquired. On top of that, now that technological innovations that could dramatically change the world are consistently being created, there is a need to actively incorporate the latest technologies constantly to further enhance the

Priority Measure 4

Address cybersecurity risks

As for information security risks that are an increasing global threat, we consider this to be an important management issue and have established a management system for the entire group, including production facilities. While working on countermeasures against information leakage from within the group and malware and other cyberattacks from outside, we are also taking other steps such as raising the awareness of employees.

In the unlikely event that an information security incident occurs, we have established a dedicated team, CSIRT*, to deal

political and social stability, in order to promote the return of production of high-value-added products to Japan, we will reinforce our automation technology and technology for in-house production through cooperation among design, production technology and production sites.

added value of products. To this end, we will establish a system for conducting research on a global scale and acquire necessary technologies promptly through investments in companies engaged in advanced technology as well as through M&A.

Moreover, we will strengthen and develop a system to certify talented engineers as "top scientists" and "top engineers" to respond to the rapid advancement of technology from a human resource perspective as well.

with it promptly, which also endeavors to collect information in ordinary times.

Furthermore, since we are working to boost the convenience of our products and services by connecting them to the cloud and smartphones via networks, as a key initiative, we are also working on countermeasures against cybersecurity risks, such as the leakage of personal and confidential information, from the development stage.

* Computer Security Incident Response Team (general term for organizations to deal with incidents and accidents related to computer security)

In conclusion

In 2023, we held Canon EXPO for the first time in eight years. It provided us the opportunity to showcase a Canon reborn following the significant transformation of our business portfolio, as well as the future society we envision. To achieve that vision, it is imperative that we achieve sustained growth by possessing the ability to swiftly adapt to the rapidly changing socio-economic system. To put it more simply, "change is progress, transformation is advancement." We will continue to grow by demonstrating our comprehensive capabilities

in development, procurement, production, and sales, all the while pursuing further productivity improvements and strengthening our business competitiveness with a view to attaining our 2025 targets. We look forward to your continued support and understanding.



Fujio Mitarai
Chairman & CEO
Canon Inc.

BUSINESS STRATEGY

10 PRINTING GROUP

12 MEDICAL GROUP

14 IMAGING GROUP

16 INDUSTRIAL GROUP



The imageRUNNER ADVANCE DX series enhances office productivity with high-speed, yet quiet, printing

Establishing a dominant position in commercial and industrial printing and increasing our share of the office and prosumer markets

In the commercial and industrial printing fields, we will ride the wave of the industry's transition from analog to digital printing and further expand our business. And given the acceleration of digital transformation (DX) and the entrenchment of new lifestyles and working styles, we aim to boost our market share in both the office and prosumer fields.

Performance in 2023

As for commercial and industrial printing, amid an accelerating shift to digital, which addresses quick turnaround and wide-variety short-run printing as well as offers advantages in terms of operability, unit sales of continuous feed presses, high-speed cut-sheet machines, and large format printers grew,

leading to a significant increase in net sales compared to the previous term. Particularly the “imagePRESS V1350” and other V series models were recognized for their enhanced automation features which contributed to operator labor-savings, and the “Colorado M-series” satisfied needs of customers who undertook posters in graphic arts by broadening the range of printable media through the addition of white ink, resulting in strong sales of these products.

With the solid need for highly-productive core printing equipment, unit sales of office MFDs, particularly color models, grew thanks to a rise in demand linked to recovery in the number of people returning to the office since the end of the COVID-19 pandemic, and the resolution of product supply shortages.

Laser printer and inkjet printer sales declined, reflecting the peak out in work-from-home demand and market contraction due to the impact of the economic downturn in China and Europe.

As a result, on a consolidated basis, sales for this business unit increased by 3.2% to 2,346.1 billion yen in comparison to the previous term.

Toward further growth

The Company will meet diversified printing needs by taking advantage of the strength of offering a wide variety of printing equipment from printers for home use and for office use to commercial printers.

As for digital commercial printing, the Company’s sales are growing. This reflects the enhanced imaging quality and productivity that have spread throughout the industry as we incorporate the opinions of our customers who are printing companies. To further accelerate growth in the future, we need to expand our business domain by making a full-scale entry into the industrial printing field, specifically targeting labels and packages. And in line with this, we will push ahead with the launch of new products including Canon’s first water-based inkjet label printer, which was announced last year.

As for office and home printing, a reimagining of a print environment not restricted by working places is required to better suit the hybrid work styles combining office- and telework that were triggered by the spread of COVID-19.



The ColorStream 8000 series of continuous-feed printers combines efficiency with high-quality printing



Canon’s inkjet printers meet broad-ranging demand for working or studying at home

The Company will provide optimal printing equipment for the place by leveraging its strength of having two digital printing technologies, namely electrophotography and inkjet, and offer new printing solutions in the DX era by connecting these devices utilizing the cloud.



CT systems that deliver high-resolution images, but also alleviate the strain on patients with less radiation exposure

Aiming to capture the biggest share of the global CT market and increase our share in MRI and diagnostic ultrasound systems by enhancing our product competitiveness and overseas sales structure

We intend to bolster our sales structure with an emphasis on the U.S. market, step up the development of Photon Counting computed tomography (CT) systems, and gain the largest share of the global CT market. We will also boost the product competitiveness of our magnetic resonance imaging (MRI) systems and diagnostic ultrasound systems and make every effort to increase our share of these markets.

Performance in 2023

As for diagnostic imaging systems, investments in large systems, such as CT and MRI, which had been postponed during the COVID-19 pandemic, also recovered. Additionally, growing demand for consumables resulting from a rise in the rate of

equipment operation in medical institutions led to an increase in service revenue. MRI, in particular, grew at a high rate, with the Vantage Fortian and the Vantage Galan 3T, new products equipped with technology that uses deep learning to enhance image quality. As a result, we gained the top share in Japan. By region, sales in Europe grew largely due to effects of each country's policies to support the purchase of medical equipment, following on from the previous year's strong performance.

Furthermore, the acquisition of Minaris Medical Co., Ltd. which manufactures in-vitro diagnostics, was completed in July of last year. While advancing into the reagent business at full scale, we will work to develop the in-vitro diagnostic field into one of our major growth pillars.

As a result, on a consolidated basis, sales for this business unit increased by 7.9% to 553.8 billion yen in comparison to the previous term, renewing record-high performance for the third year in a row.

Toward further growth

The Company aims to establish a solid presence in the field of diagnostic imaging systems, which serves as the core of the medical business, particularly in CT where it aims to achieve the No.1 global market share position. While it already has a lineup that can hold its own against global competitions, it is working to further expand it, strengthening sales power and presence overseas is an urgent issue.

In the United States which is a medically advanced country that has great influence in the global market, in addition to increasing the number of staff and other measures, we set up a new marketing company last year. In November, we entered a partnership with Cleveland Clinic, an advanced medical institution. Through such measures, we will promote joint research with medical institutions and strengthen relationships with medical practitioners who serve as key opinion leaders. In addition, Photon Counting CT, the next generation CT, is receiving increasing attention as many papers based on Canon's equipment have been presented at academic conferences in the United States. With increasing attention, we will work to improve Canon's presence by accelerating the development of Photon Counting CT.

In emerging countries, we established a local corporation in



Canon's MRI systems use new workflow to deliver both quality and efficiency in examinations



Canon's diagnostic ultrasound systems deliver high-definition images with less noise

India and Saudi Arabia last year, and we will strive to expand sales in these regions and elsewhere.



Canon's mirrorless cameras support shooting users with outstanding corrective functions and high-resolution

**Aiming for
the No.1 position
in the global
mirrorless camera market
and accelerating
business growth in
network cameras**

By further expanding our product lineup, we aim to secure the overwhelming No.1 position in the global mirrorless camera market. We will also look to expand our network camera business by capturing the growing demand.

Performance in 2023

As for interchangeable-lens digital cameras, the market remained stable as camera manufacturers introduced products that capture user needs. Our unit sales of interchangeable-lens digital cameras also exceeded those of the previous year, thanks to a growth in the sales of mirrorless cameras, in particular the "EOS R6 Mark II," a model equipped with a full-frame sensor, which was released at the end of the year

before last, and also an entry-class model the “EOS R50,” which was launched in March of last year. In addition, as for interchangeable lenses, the number of RF-series lenses for mirrorless cameras was expanded to 41 in total after launching nine new models last year. The enhanced lineups of camera bodies and lenses generated synergy, contributing to an overall rise in camera sales.

The market of network cameras continues to grow particularly in the security field. The Company, which has powerful sales channels in Europe and the United States, posted an increase in both camera unit sales and software sales by firmly securing growing demand, which led to a double-digit sales growth rate also in this term.

As a result, on a consolidated basis, sales for this business unit increased by 7.2% to 861.6 billion yen in comparison to the previous term.

Toward further growth

As for interchangeable-lens digital cameras, to maintain the market size and further improve our position as a leading company of cameras, we need to continue to provide attractive products to users who seek high-quality images. In response to the shifting need for mirrorless cameras, Canon will continue introducing new mirrorless cameras to its lineup that ranges from entry-class to professional models.

Demand for network cameras for surveillance applications continues to increase to ensure safety and security against disasters and crimes. At the same time, the need for in-store marketing and for production control at manufacturing sites are growing. Therefore, it is important to respond to diversified needs. Last year, Canon released a camera equipped with a SPAD sensor offering the world’s highest 3.2 million pixels* developed by the Company, for advanced surveillance of international borders, critical infrastructure etc., and going forward as well, it will continue to enhance its lineup of both hardware and software.

* Among SPAD sensors used for video shooting. As of July 31, 2023 (Based on Canon research). Approx. 2.1 million effective pixels.



Canon’s high-precision network camera systems provide peace of mind and safety to communities



Canon’s compact and lightweight vlogging camera meets the various needs of users



Nanoimprint lithography can significantly reduce manufacturing costs and power usage

Responding to lively demand for semiconductor lithography equipment and targeting sales expansion of nanoimprint lithography

Taking steps to ramp up production capacity to fully capture lively demand for semiconductor lithography equipment, and targeting sales expansion of nanoimprint lithography that can significantly lower manufacturing costs and power usage.

Performance in 2023

As for semiconductor lithography equipment, despite concerns about the shrinking memory market impacting investments, we posted steady sales growth thanks to the accelerating trend toward domestic production from an economic security perspective, and the increasing demand for power devices etc. In addition, the new product for back-end processing, which was launched early last year, is expected to see a large increase in

sales in the future due to a large number of inquiries for advanced packaging of GPUs used in generative AI.

Conversely, for FPD (Flat Panel Display) lithography equipment, investments of customers entered an adjustment phase, affected by stagnating conditions of the panel market. With a shift of IT panels mounted on notebook PCs and tablets from liquid crystal to OLED, investments are anticipated to recover from the second half of 2024. The unit sales in 2023 decreased compared with the previous year.

As a result, on a consolidated basis, sales for this business unit decreased by 4.4% to 314.7 billion yen in comparison to the previous term.

Toward further growth

We anticipate continuing market growth for semiconductors driven by essential devices used in AI, IoT, electric vehicles (EVs), and other technological innovations. And due to this, demand for semiconductor lithography equipment is anticipated to also increase. Recognizing the need to significantly bolster production capacity to respond to strong demand, we began construction of a new plant at our production site in Utsunomiya at the end of last year that will become operational from 2025.

Furthermore, the Company aims for the early sale of “nano-imprint lithography,” a new system released last year to expand sales. Unlike conventional lithography technology that uses light to expose circuit patterns, this device, which forms circuit patterns by pressing a patterned mold like a stamp, has attracted inquiries from many manufacturers because it can significantly reduce production costs and power consumption. We will proceed with assessment and confirmation jointly with customers to realize practical applications starting with memory and expanding to other areas such as logic and even non-semiconductor devices, including meta-lens.



Demand for semiconductor lithography equipment is expected to grow stronger in the future



OLED display manufacturing equipment continues to be utilized in various ways