

Canon Inc.
2023 Corporate Strategy Conference

Medical Group

March 6, 2023

Toshio Takiguchi

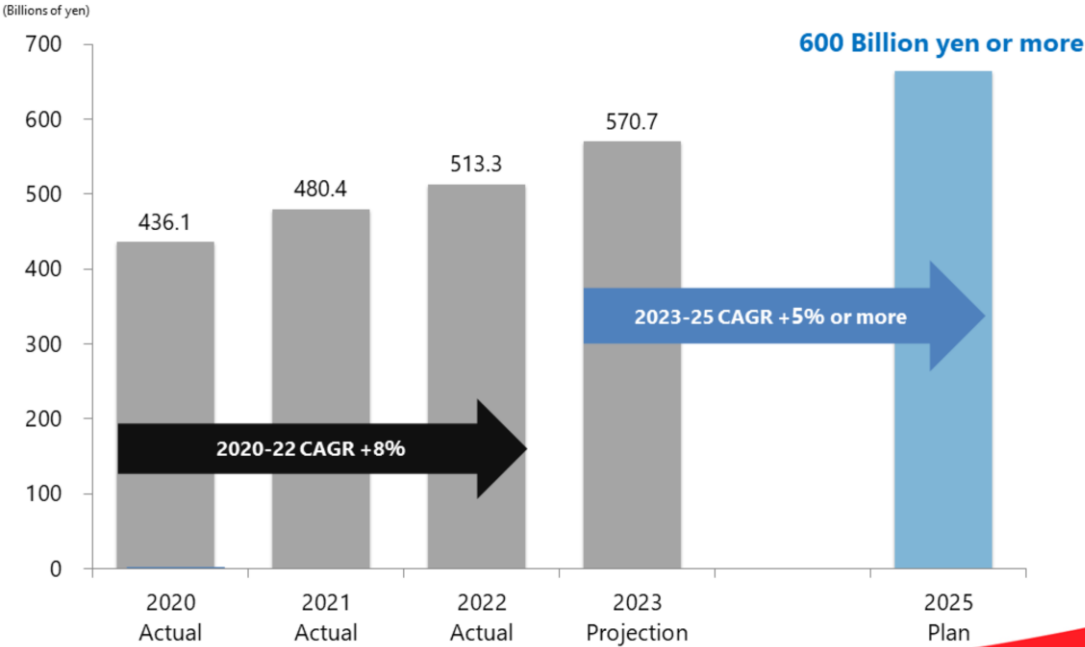
Senior Managing Executive Officer

Head of Medical Group



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5-year Plan Group Net Sales

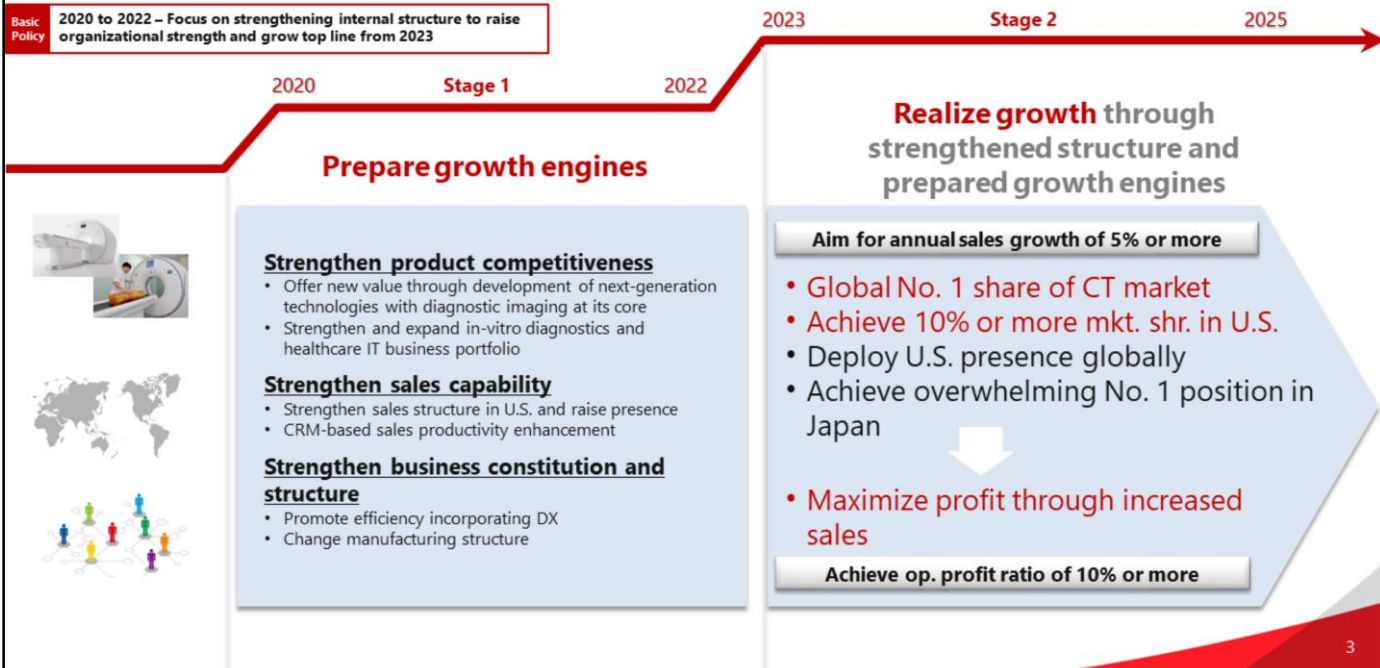


First, net sales of the Medical Group and our plan for 2025.

Since 2020, the environment surrounding healthcare delivery has been in disarray mainly due to the spread of COVID, and shortages in construction material and labor. Against this backdrop, we strengthened our product lineup to meet customer demand, and were able to grow sales at an annual rate of 8%, capturing increased demand mainly coming from supplementary budgets and subsidies by governments around the world, and partly due to the effect of foreign exchange rates.

Going forward, we will continue to grow at an annual rate of more than 5%, outpacing the market, and aim to achieve sales of more than 600 billion yen by 2025.

Growth Strategy



As a basic policy under our current 5-year plan, between the years 2020 and 2022, our focus was on strengthening our internal structure to increase our organizational strength, and grow faster than the market from 2023.

In Stage 1, in order to respond to the new normal brought about by COVID as well as to resolve issues in the medical field, we have focused on strengthening our product capabilities, sales capabilities, and business constitution and structure, which we see as preparation of our growth engines.

In Stage 2 which starts from this year, with the growth engines we have prepared, we aim to achieve No.1 share of the global CT market, and 10% of the U.S. market to realize sales growth. At the same time, we aim to maximize profit and achieve an operating profit ratio of 10% by also promoting cost reduction.

Major Activities – 2022 (Prepare growth engines)

Strengthen product competitiveness

Business contribution

- Realized MRI system manufactured solely by Canon

Canon

Olea Medical

skope

QED

Function/
performance

Cost

- Early commercialization of X-ray CT System with Photon-counting Detector

- Acquired Redlen Technologies
- Started joint research with Japan National Cancer Research Center



New value

- Improved workflow through Canon camera technology and AI

New value

Function/
performance

- Strengthened X-ray product lineup through acquisition of NRT

Function/
performance

Cost



Strengthen sales capability

Strengthen sales capability in U.S.

- Strategy to strengthen U.S. territories
- Change U.S. sales commission system
- Acquired/integrate NXC



CMCU/CMCE establish

- Commercially integrate Canon Inc. & CETD products
- Capture global account bus., eliminating territory resale

Restructure health care IT business

- Strengthen structure as a Canon Group



*CMI: Canon Medical Informatics, Inc.
*RSS: Reading Support Solution

*TOS: Electronic medical records and medical accounting systems for clinics
*SI of HIS: System integration of hospital information systems

Strengthen business constitution and structure

Return to production system centered in Japan

- Closed Canon Medical Malaysia plant



Constructed new electron tube factory building

- Strengthen cost competitiveness through automation
- Setup labor saving production line



Newly established testing center

- Anechoic chamber and large/medium thermostatic chamber enabling public testing



Next, major activities we have promoted up to and including 2022.

In terms of strengthening product competitiveness,

In order to grow the MRI business into a pillar of the medical business, we have been strengthening our product competitiveness and technological capabilities through M&A, strengthening and expanding partnerships, and creating synergies within the Canon Group. The culmination of these efforts was the realization of MRI, which offers both functional performance and cost competitiveness.

Canon Medical Systems developed Japan's first photon-counting CT, combining its proprietary technology in areas such as AI image reconstruction and analysis, with X-ray CT equipped with a photon-counting X-ray detector, which is based on the technology of Redlen Technologies, a company we acquired in 2021. Currently, clinical trials are underway at the National Cancer Center Exploratory Oncology Research & Clinical Trial Center. As the next generation of photon-counting CT, we aim to create new value in various clinical fields and accelerate our efforts for early commercialization.

Both new CT and MRI products are equipped with Canon cameras that automatically detect the patient's position, thereby greatly reducing imaging time and enabling automation, providing a new examination workflow to meet the challenges of medical practice.

As for our X-ray business, we strengthened this globally, especially in Europe, by enhancing our product lineup through the acquisition of Danish medical device manufacturer NORDISK RØNTGEN TEKNIK A/S.

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Strengthening sales capability

In the United States, the most influential market in the medical device market, we have implemented a variety of sales enhancement measures, including strengthening our territory and changing our sales commission system. In addition, last year we significantly increased our approach to healthcare with the acquisition of Northern X-Ray Company.

In the component business, we have established local subsidiaries in the United States and Europe, integrating commercial distribution of Canon products with Canon Electron Tubes & Devices (CETD) products, and capturing global accounts by eliminating territory resale restrictions.

We have also implemented various structural reforms in the healthcare IT business and completed the building of a more effective sales structure for the entire Canon Group.

Strengthen business constitution and structure

With the aim of building a resilient supply chain that can respond quickly to changes in the external environment, we closed our Malaysia plant and transferred part of the production of the ultrasound hardware to Canon Precision in order to return to a production system centered in Japan.

In addition, we are making capital investments necessary to increase sales, such as the construction of a new electron tube factory and a new testing center for our systems business.

Major Achievements in 2022

■ Record-high sales and profit for the Medical Group

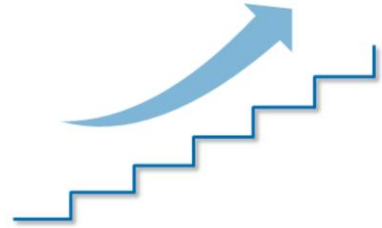
- Net sales: 513.3 billion yen
Operating profit: 31.0 billion yen

■ 8 consecutive periods of Y/Y sales growth in U.S. market

- Recorded 8 consecutive quarters of sales growth up to and including 2Q 2022

■ Captured No. 1 share of MRI market in Japan

- Realized improved workflow through adoption of Canon camera technology
- Acquired 30% or more share of 1.5 T market in Japan



The Medical Group achieved record-high sales and profits in 2022.

In the United States, which is key to achieving our Phase VI targets, and where we have been focused on strengthening our sales capability since last year, we posted 8 consecutive quarters of net sales growth up to the second quarter of 2022.

With the launch of new MRI products that realize improved workflow through their incorporation of Canon camera technology we were able to capture a high share of over 30% of the domestic 1.5 T market.

Major Measures of 2023

Phase VI Basic Policy

2020 to 2022 – Focus on strengthening internal structure to raise organizational strength and grow top line from 2023
→ **Realize growth through strengthened structure and prepared growth engines**

■ Strengthen product competitiveness

Early commercialization of PCCT

- Propose new clinical value
- Capture No. 1 share of global CT market



Offer clinical value through AI technology

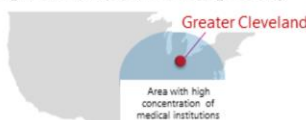
- Low-dose radiation high-resolution technology (AiCE)
- Super-resolution deep-learning reconstruction technology (PIQE)



■ Strengthen sales capability

Strengthen sales capability in U.S.

- Canon Healthcare USA, INC. est.
- Raise presence in U.S.
- Strengthen competitiveness globally



Strengthen sales structure in India and Middle East

- New company established in India as of January 2023
- Also have plans to expand business sites in Saudi Arabia and UAE



■ Strengthen business constitution and structure

Raise gross profit

Lower costs

- Transform manufacturing structure
- Establish the Product Value Engineering Promotion Division



Improve productivity

- Standardized Sales operation based on CRM
- Increase in sales per person



In 2023, we will move to a phase where we will reap the benefits from the growth engines we have been strengthening.

To strengthen our product capabilities, we will incorporate AI-assisted high-resolution technology (AiCE) and AI-assisted super-resolution Deep learning reconstruction (PIQE) into CT/MRI systems to provide clinical value through high-definition imaging, which is unique to Canon, and thereby increase sales.

To strengthen sales capabilities in the U.S., we will strengthen marketing activities in cooperation with medical institutions by establishing a new company "Canon Healthcare USA, INC.". In addition, we established the local company in India in January to promote sales in the growing markets of India and the Middle East, and plan to expand our business bases in Saudi Arabia and the UAE.

With regard to strengthening our business constitution and structure, we will strive to increase sales per person and strengthen our profit structure by promoting initiatives aimed at reducing all costs with an increase in gross profit as one of our top priorities, and further developing a model of sales based on CRM globally to raise the level of salespeople.

Early Realization of Signature Canon PCCT

- Acquired Canada-based Redlen Technologies in 2021, developing and manufacturing semiconductor-based detector modules
- Utilizing Redlen's technology, developed Japan's first X-ray CT equipped with photon counting detector
- Japan's National Cancer Center completed installation at Advanced Medical Development Center and began Clinical evaluation

Future moves to commercialize

Start joint research with medical institutions in the U.S.

Combine KOL strategy with measures aimed at raising PCCT clinical value

Early realization of PCCT that has new clinical value

Capture No. 1 Share of Global CT market



Next, the early commercialization of photon-counting X-ray system.

In 2021, we acquired Redlen Technologies, a Canadian company with world-class technology in the development and manufacture of semiconductor detector modules. And leveraging their technology, development of the first X-ray CT equipped with a photon counting detector in Japan has been completed. It is now installed at the National Cancer Center Exploratory Oncology Research & Clinical Trial Center in Japan and clinical evaluation is being conducted.

In addition, we will advance joint research with medical institutions in the United States and other regions to achieve No. 1 share of the global CT market by early realization of photon-counting CT, which has new clinical value unique to Canon.

Establishment of New Company in U.S.

1.	Co. Name	Canon Healthcare USA, INC.
2.	Location	Ohio, USA
3.	Directors	Chairman: Hiroyuki Fujita President: Hisashi Tachizaki
4.	Business profile	Marketing activities through cooperation with medical institutions
5.	Foundation	February 1 2023
6.	Investment ratio	Canon Inc. (100%)
7.	No. of employees	20 (Plan)



We will transfer some of the marketing functions that were previously concentrated at the headquarters of Canon Medical Systems Corporation (CMSC) to our new U.S. company "Canon Healthcare USA, INC," and mainly through the Global Marketing Center, set up in February 2023, strengthen upstream marketing.

By building a network with medical institutions responsible for cutting-edge medical care and gaining a deeper understanding of the market, we will develop products and propose solutions that capture trends and clinical needs in the medical market. In addition, by transferring some of the functions related to product sales and services provided by Canon Medical Systems USA (CMSU) to the new company and linking it with downstream marketing, we aim to increase our share of the diagnostic imaging market in the U.S. to more than 10%.

Activities to Accelerate Cost Reduction

With the aim of transforming manufacturing structure, establish Product Value Engineering and Planning Group. Promote concurrent engineering and control of internal and external production of units.

Reduce all costs: Further raise production efficiency in manufacturing process, improve yield rates, eliminate need for rework

Create unified development design and manufacturing site
Realize manufacturing through best production processes from a quality perspective

Accelerate cost reduction of key components used in Canon's medical equipment



Laterally deploy successes of Canon Toride Plant



As for cost reduction, in November 2022, the Product Value Engineering Promotion Office was established to promote the horizontal deployment of quality improvement initiatives of our Canon Toride Plant as well as promote concurrent engineering to transform the manufacturing structure. Using production technologies developed at Canon, we will increase gross profit by in-house manufacturing of key components and automating production.

Expand Business Area by Contribution to Precision Medicine

Current business areas

Test & Diagnosis

Business area expansion

Solutions that support personalized therapy

In-Vitro & Bio

Specimen testing



Diagnostic imaging & Health care IT

Collect & integrate Process & distribute RSS

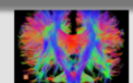
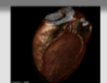
Integrate

Easier, quicker, and cleaner for everyone

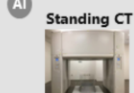
Morphological diagnosis

Dynamic diagnosis

Functional diagnosis



Development axis



Realize Clinical Decision Support

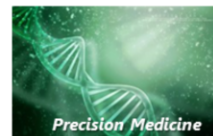
Big data analysis

Cloud platform

Remote diagnostic support

my iPS cell production

Regenerative medicine platform



Individualized treatment

- Medical treatment
- Surgical treatment
- Cell therapy
- Regenerative medicine

In Phase VI of the Excellent Global Corporation Plan, the Medical Group will develop three businesses, namely the Diagnostic Imaging Systems Business and Components Business for Diagnostic Imaging Systems, including CT, MRI, Ultrasound and X-ray Systems, the Healthcare IT Business and the In-Vitro Diagnostics Business, to achieve growth with the goal of becoming No. 1 in the global CT market by 2025 and establish a solid position for Canon's brand in the medical business domain.

Over the longer term, we will further evolve our three businesses and expand our portfolio to include regenerative medicine and other biotechnology areas, and contribute to the development of precision medicine by proposing "Solutions to support better care for individual patients" that fuse medical information from imaging and analysis and in-vitro diagnostics and biotechnology as well as information related to patients' treatment and other diagnostic information.