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# Canon Inc.

## FY 2022 Results

January 30, 2023

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# Agenda

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# Key Message

## (FY 2022 Results)

- Increased Y/Y unit sales by bringing about recovery in product supply
- Posted second consecutive year of significant sales and profit growth with additional tailwind of yen depreciation
- Net sales surpasses 4 trillion yen for first time in 5 years. Sales of new businesses over 1 trillion yen

(Billions of yen)	FY 2022 Actual	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
<b>Net Sales</b>	<b>4,031.4</b>	<b>3,513.4</b>	+14.7%	<b>4,090.0</b>	-58.6
<b>Gross Profit</b> (% of Net Sales)	<b>1,827.8</b> 45.3%	<b>1,627.8</b> 46.3%	+12.3%	<b>1,866.0</b> 45.6%	-38.2
<b>Op. Expenses</b> (% of Net Sales)	<b>1,474.4</b> 36.5%	<b>1,345.9</b> 38.3%		<b>1,481.0</b> 36.2%	+6.6
<b>Op. Profit</b> (% of Net Sales)	<b>353.4</b> 8.8%	<b>281.9</b> 8.0%	+25.4%	<b>385.0</b> 9.4%	-31.6
<b>IBT</b>	<b>352.4</b>	<b>302.7</b>	+16.4%	<b>367.0</b>	-14.6
<b>Net Income</b> (% of Net Sales)	<b>244.0</b> 6.1%	<b>214.7</b> 6.1%	+13.6%	<b>250.0</b> 6.1%	-6.0
USD	131.66	109.93		133.29	
EUR	138.42	129.94		138.22	

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In 2022, the business environment remained challenging as it was hit by various headwinds, such as the spread of Omicron early in the year, Russia's invasion of Ukraine, Shanghai's lockdown, and accelerated global inflation.

However, even in this unstable environment, demand for our products generally remained solid. As for the product supply issue, in response to the shortage of semiconductors and other components, we made steady progress in numerous areas such as redesigning products and procuring alternative parts. Additionally, in a concerted group-wide effort, we took quick steps to secure transportation space and utilize alternative transportation routes in response to logistical constraints. As a result, we were able to increase our product supply each quarter, and many of our businesses saw an increase in sales volume from the previous year.

Inflation, and responding to supply shortages and logistical constraints, led to a significant increase in parts and logistical costs. However, we were able to absorb some of this impact by appropriately adjusting selling prices.

In addition to this, due to our high ratio of overseas sales, which is roughly 80%, and the return of production to Japan, which we were promoting even before the pandemic, supported by the weaker yen, we were able to achieve significant growth in sales and profit for the second consecutive year, with sales up 14.7% to 4 trillion 31.4 billion yen, operating profit up 25.4% to 353.4 billion yen, and net income up 13.6% to 244 billion yen.

This is the first time in 5 years since 2017 that our sales have exceeded 4 trillion yen. Although the sales of existing businesses, such as office equipment and cameras, declined compared to 2017, the sales of new businesses, which include medical and network cameras, exceeded 1 trillion yen, showing the steady progress we have made in transforming our business portfolio.

# FY 2022 Financial Results by Business Unit (Full Year)



- Achieved significant improvement in Imaging and Industrial profitability
- Posted record high sales and profit in Medical

(Billions of yen)		FY 2022 Actual	FY 2021 Actual	% Change	FY 2022 Previous Projection	Amount Change
Printing	Net Sales	<b>2,261.9</b>	<b>1,938.8</b>	+16.7%	<b>2,294.7</b>	-32.8
	Op. Profit (%)	<b>212.0</b> (9.4%)	<b>225.7</b> (11.6%)	-6.1%	<b>233.7</b> (10.2%)	-21.7
Imaging	Net Sales	<b>803.5</b>	<b>653.5</b>	+22.9%	<b>809.5</b>	-6.0
	Op. Profit (%)	<b>126.6</b> (15.8%)	<b>78.7</b> (12.0%)	+60.9%	<b>121.6</b> (15.0%)	+5.0
Medical	Net Sales	<b>513.3</b>	<b>480.4</b>	+6.9%	<b>521.9</b>	-8.6
	Op. Profit (%)	<b>31.0</b> (6.0%)	<b>29.4</b> (6.1%)	+5.4%	<b>38.2</b> (7.3%)	-7.2
Industrial	Net Sales	<b>329.2</b>	<b>337.7</b>	-2.5%	<b>335.0</b>	-5.8
	Op. Profit (%)	<b>58.0</b> (17.6%)	<b>44.9</b> (13.3%)	+29.3%	<b>58.6</b> (17.5%)	-0.6
Others & Corporate	Net Sales	<b>223.0</b>	<b>186.6</b>	+19.5%	<b>226.4</b>	-3.4
	Op. Profit	<b>-73.4</b>	<b>-96.1</b>	-	<b>-67.1</b>	-6.3
Eliminations	Net Sales	<b>-99.5</b>	<b>-83.6</b>	-	<b>-97.5</b>	-2.0
	Op. Profit	<b>-0.8</b>	<b>-0.7</b>	-	<b>0.0</b>	-0.8
Total	Net Sales	<b>4,031.4</b>	<b>3,513.4</b>	+14.7%	<b>4,090.0</b>	-58.6
	Op. Profit (%)	<b>353.4</b> (8.8%)	<b>281.9</b> (8.0%)	+25.4%	<b>385.0</b> (9.4%)	-31.6

Note: Lithography equipment and industrial equipment, businesses that were included in Industry & Others, are now classified as Industrial. The other businesses were added to corporate expenses and the results of 2021 and previous projection for 2022 were reclassified to conform to the current year presentation.

Next, our results by Business Unit.

As for Printing, although revenue was up significantly, due to growth in the unit sales of each product, profit was down, reflecting a significant increase in parts and logistical costs, and a decline in consumables sales, as home demand for inkjet printers peaked out.

As for Imaging, although we were not able to supply interchangeable-lens cameras in the quantity that was needed, we were able to increase unit sales through new products, and significantly expand sales of interchangeable lenses. As a result, profitability significantly improved.

As for Medical, recovery in the capital spending of medical institutions led to strong orders and record high sales and profit.

As for Industrial, although sales of FPD lithography equipment and OLED vacuum deposition equipment declined, growth in the unit sales of semiconductor lithography equipment led to an increase in profit and further improvement in profitability.

# FY 2023 Financial Projection

## (Full Year)

- Despite outlook for slowdown in economic growth, sustained momentum in our related markets
- Third consecutive year of sales and profit growth, and sales that are second only to our record high of 2007

(Billions of yen)	FY 2023 Projection	FY 2022 Actual	% Change	
<b>Net Sales</b>	<b>4,287.0</b>	<b>4,031.4</b>	+6.3%	
<b>Gross Profit</b> (% of Net Sales)	<b>1,970.0</b> 46.0%	<b>1,827.8</b> 45.3%	+7.8%	
<b>Op. Expenses</b> (% of Net Sales)	<b>1,610.0</b> 37.6%	<b>1,474.4</b> 36.5%		
<b>Op. Profit</b> (% of Net Sales)	<b>360.0</b> 8.4%	<b>353.4</b> 8.8%	+1.9%	
<b>IBT</b>	<b>390.0</b>	<b>352.4</b>	+10.7%	
<b>Net Income</b> (% of Net Sales)	<b>270.0</b> 6.3%	<b>244.0</b> 6.1%	+10.7%	
USD	130.00	131.66		
EUR	140.00	138.42		

Impact of exchange rate movement (Annual impact given a one yen change)		
	Net Sales	Op. Profit
USD	12.7 billion yen	3.3 billion yen
EUR	6.6 billion yen	3.1 billion yen

As for our exchange rate assumptions, wild fluctuations in the market, which is being swayed by interest rate policy, makes it difficult to project the future. However, taking into consideration the views of external institutions, we assumed 130 yen to the U.S. dollar and 140 yen to the euro, which are roughly the same level of last year's average exchange rates.

As for the global economy this year, in addition to geopolitical risk concerns, growth is projected to slow, due to, among others, the rapid tightening of policies of national financial authorities around the world. However, as Europe and the United States are currently showing signs of slowing inflation, we feel the policies are gradually having an effect. Based on this, we expect a shift towards policy easing from the second half of the year, which is expected to provide a strong boost to economic recovery.

Amid economic slowdown, although we are seeing softening demand for laser printers, current demand for office MFDs and cameras is strong and is expected to continue. As for semiconductor lithography equipment and other industrial equipment, medical diagnostic imaging equipment, commercial printing, and network cameras, we expect demand to remain strong thanks to forward-looking investments. Even though some parts remain in short supply, overall the situation is improving. Under this situation, we will continue to make all-out group-wide efforts to supply enough products to meet demand. On top of this, each business will strive to achieve above-market growth, expanding their market share through product line and sales network enhancement.

As for net sales, we aim to grow 6.3% to 4 trillion 287 billion yen, which is second only to our record high performance of 2007.

As for profit, to raise our future performance, we will accelerate our R&D investment. This year, however, through an increase in sales volume of each product, and the effects of lower parts and logistical costs, we aim to achieve our third consecutive year of sales and profit growth, raising operating profit by 1.9% to 360 billion yen and net income by 10.7% to 270 billion yen.

# FY 2023 Financial Projection by Business Unit

## (Full Year)

- Printing – Raise profitability through service revenue expansion and cost savings
- Medical – Renew record high performance for third consecutive year
- Imaging and Industrial – Maintain high profitability

(Billions of yen)		FY 2023 Projection	FY 2022 Actual	% Change
Office	Net Sales	<b>2,368.8</b>	<b>2,261.9</b>	+4.7%
	Op. Profit	<b>231.8</b>	<b>212.0</b>	+9.4%
	(%)	<b>(9.8%)</b>	<b>(9.4%)</b>	
Imaging	Net Sales	<b>875.1</b>	<b>803.5</b>	+8.9%
	Op. Profit	<b>128.7</b>	<b>126.6</b>	+1.6%
	(%)	<b>(14.7%)</b>	<b>(15.8%)</b>	
Medical	Net Sales	<b>570.7</b>	<b>513.3</b>	+11.2%
	Op. Profit	<b>43.4</b>	<b>31.0</b>	+40.0%
	(%)	<b>(7.6%)</b>	<b>(6.0%)</b>	
Industrial	Net Sales	<b>352.0</b>	<b>329.2</b>	+6.9%
	Op. Profit	<b>61.8</b>	<b>58.0</b>	+6.5%
	(%)	<b>(17.6%)</b>	<b>(17.6%)</b>	
Others & Corporate	Net Sales	<b>224.4</b>	<b>223.0</b>	+0.6%
	Op. Profit	<b>-105.0</b>	<b>-73.4</b>	-
Eliminations	Net Sales	<b>-104.0</b>	<b>-99.5</b>	-
	Op. Profit	<b>-0.7</b>	<b>-0.8</b>	-
Total	Net Sales	<b>4,287.0</b>	<b>4,031.4</b>	+6.3%
	Op. Profit	<b>360.0</b>	<b>353.4</b>	+1.9%
	(%)	<b>(8.4%)</b>	<b>(8.8%)</b>	

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In all four industry-oriented business groups, we aim to achieve sales and profit growth.

In Printing, in addition to an increase in office MFD unit sales and service revenue, by working to lower parts and logistical costs, we will raise profitability.

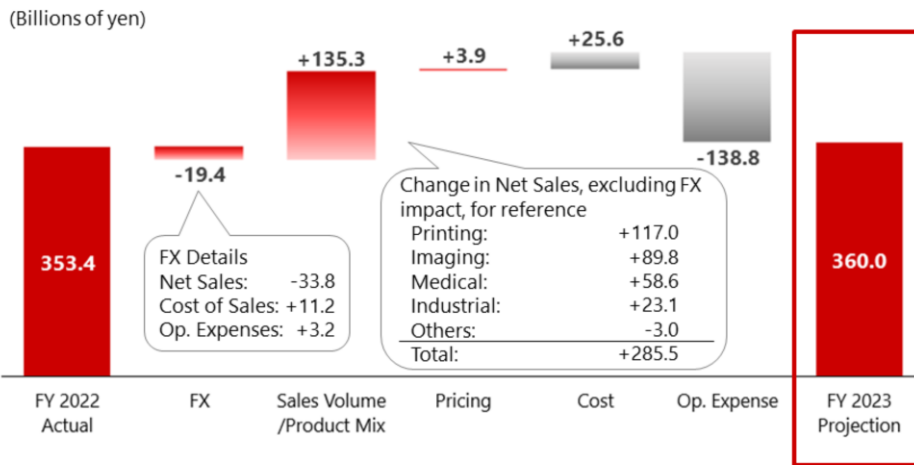
As for Medical, in addition to expanding sales through the enhancement of our sales network, we aim to raise profitability by accelerating cost reduction activities, which have been stagnant due to the pandemic, and to achieve our second consecutive year of record results.

As for Imaging and Industrial, we will work to maintain our already high level of profitability.

# FY 2023 Operating Profit Analysis

(FY 2023 Projection versus FY 2022 Actual)

- Sales volume – Increase in profit thanks to higher sales volume in all Business Units
- Op. Expense – Sales related expenses and increase in R&D to expand future performance



Next, factors impacting operating profit.

As for changes in exchange rates, at assumed rates, the impact would be a negative 19.4 billion yen on operating profit.

As for changes in sales volume, we expect this to have a positive effect as all Business Units are projected to post sales growth. For selling prices, we will work to maintain them.

For costs, compared with last year when prices were high, we expect a positive impact of 25.6 billion yen as the market is calming down.

As for expenses, we expect this to be a negative factor as promotional expenses to expand sales, and personnel costs to strengthen our sales capabilities, are projected to increase. This also reflects a projected increase in R&D investment with a focus on new businesses.

# Printing – Office

- 2022 – Increased revenue through expanded sales of medium- to high-speed equipment and increased service revenue
- 2023 – Increase service revenue through expansion of install driven by unit sales growth facilitated by supply recovery

(Billions of yen)

	Full Year					Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
Office	892.5	757.1	+17.9%	914.9	-22.4	961.1	+7.7%
Prosumer	1,007.0	892.5	+12.8%	1,023.4	-16.4	1,029.8	+2.3%
Production	362.4	289.2	+25.3%	356.4	+6.0	377.9	+4.3%
<b>Net Sales</b>	<b>2,261.9</b>	<b>1,938.8</b>	<b>+16.7%</b>	<b>2,294.7</b>	<b>-32.8</b>	<b>2,368.8</b>	<b>+4.7%</b>
<b>Op. Profit</b>	<b>212.0</b>	<b>225.7</b>	<b>-6.1%</b>	<b>233.7</b>	<b>-21.7</b>	<b>231.8</b>	<b>+9.4%</b>
(% of Net Sales)	9.4%	11.6%		10.2%		9.8%	

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
Office	+8.8%	+8.0%
Prosumer	+2.5%	+3.9%
Production	+11.9%	+4.8%
Total	+6.4%	+5.7%

### Unit Growth Rate Y/Y

	FY 2022 Actual	FY 2023 Projection
Office MFDs	+6%	+7%



**imageRUNNER ADVANCE DX series C5800**

As for the office MFD market, amid a post-COVID society where workplaces are dispersed, people are required to operate more efficiently in the office. As a result, the need for highly productive printing equipment is strong and we expect demand to remain solid going forward.

As for our MFD hardware in 2022, in response to demand for the replacement of equipment that was postponed due to the supply shortage caused by COVID, we increased our production volume, giving priority to medium- and high-speed color models, which is linked to service revenue growth. And by linking this to sales, we grew overall revenue at a double-digit rate.

Although demand for A4-size models is increasing due to the decentralization of workplaces linked to work-style reforms, we have been unable to supply a sufficient quantity of products as some parts remain in short supply. In 2023, by driving a recovery in production volume, including the production of A4 size models, we plan to further expand our unit sales.

As for print volume, with the number of people going back to the office increasing in 2022, it followed a trend of gradual recovery, returning to a pre-COVID 2019 level of approximately 80% in the fourth quarter. In 2023, we expect the level to remain the same throughout the year. Under this situation, we aim to increase service revenue by expanding our install base through expanded sales of color MFDs which generate higher revenue per print.



# Printing – Prosumer

- 2022 – Achieved revenue growth through increased sales supported by recovery in hardware supply
- 2023 – Maintain/raise profitability through expanded sales of high-end products

(Billions of yen)

	Full Year					Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
Office	892.5	757.1	+17.9%	914.9	-22.4	961.1	+7.7%
Prosumer	1,007.0	892.5	+12.8%	1,023.4	-16.4	1,029.8	+2.3%
Production	362.4	289.2	+25.3%	356.4	+6.0	377.9	+4.3%
<b>Net Sales</b>	<b>2,261.9</b>	<b>1,938.8</b>	+16.7%	<b>2,294.7</b>	-32.8	<b>2,368.8</b>	+4.7%
<b>Op. Profit</b> (% of Net Sales)	<b>212.0</b> 9.4%	<b>225.7</b> 11.6%	-6.1%	<b>233.7</b> 10.2%	-21.7	<b>231.8</b> 9.8%	+9.4%

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
Office	+8.8%	+8.0%
Prosumer	+2.5%	+3.9%
Production	+11.9%	+4.8%
Total	+6.4%	+5.7%

### Unit Growth Rate Y/Y

	FY 2022 Actual	FY 2023 Projection
LPs	+9%	-5%
IJPs	+17%	+10%



Refillable ink tank model

**G3370**

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In 2022, we focused on ramping up production volume in order to recover from a decline in unit sales, which was related to last year's factory shutdowns due to COVID. As a result, we increased our unit sales of laser printers and inkjet printers by around 10% and 20%, respectively. As for consumables, despite a third quarter in which concerns about the economic outlook led to a tightening of inventories among dealers and users, sales picked up in the fourth quarter, leading to an increase in prosumer sales overall.

As for laser printers in 2023, due to the fact that this category of product is easily susceptible to economic influences, we expect revenue to decline on the back of lower unit sales. Under this challenging market situation, with the aim of expanding our share of medium- to high-speed equipment that generate considerable print volume and is linked to future sales of consumables, we will support the business model promoted by our OEM partner for blanket contracts that cover hardware and consumables sales. Additionally, by improving production efficiency, standardizing parts, and making products easier to assemble from the design stage, we will thoroughly lower costs and set up a business structure that will enable us to maintain profitability.

As for inkjet printers, despite work from home demand coming down from its peak, we expect a certain level to remain due to work-style reforms, and are working to expand our lineup of refillable ink tank models to accommodate users that print a large amount. At the end of last year, we had a lineup of 25 printers, as we added 6 new models, including low-end printers with increased printing speed and improved serviceability and high-end models with enhanced security features and ability to print even more pages. And in 2023, by increasing sales of these products, we will work to expand revenue.

# Printing – Production

- Accelerated shift toward digital commercial printing offering cost and labor saving advantages
- 2023 – Increase install base and link to service revenue expansion

(Billions of yen)

	Full Year					Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
Office	892.5	757.1	+17.9%	914.9	-22.4	961.1	+7.7%
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<b>Op. Profit</b>	<b>212.0</b>	<b>225.7</b>	-6.1%	<b>233.7</b>	-21.7	<b>231.8</b>	+9.4%
(% of Net Sales)	9.4%	11.6%		10.2%		9.8%	

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
Office	+8.8%	+8.0%
Prosumer	+2.5%	+3.9%
Production	+11.9%	+4.8%
Total	+6.4%	+5.7%



High-speed cut-sheet inkjet printer

**varioPRINT iX series**

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Amid concern that the commercial printing market will also be impacted by economic slowdown, we are seeing acceleration in the shift from analog to digital printing, which is more cost effective and less labor intensive.

In 2022, fourth quarter sales exceeded 100 billion yen for the first time on a quarterly basis. And for the full year, sales were above 360 billion yen, further highlighting this business as a driver of Printing growth.

Working with print service providers, our customers, we have raised the image quality and productivity of our products. This has led to orders for large equipment from major printing companies as well as an increase in the number of dealers that handle our large format printers, and subsequent growth in sales.

In 2023, we will continue to improve the performance of our existing products, introduce new products, and expand our dealer network to increase unit sales and our install base, which in turn will lead to service revenue growth.

# Imaging – Cameras

- 2022 – Increased unit sales by adding new EOS R series cameras that use APS-C sensors for first time
- Market size – 5.85 million units in 2023, same as last year
- 2023 – Expand mirrorless camera market share by strengthening EOS R series competitiveness

(Billions of yen)

	Full Year					Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
Cameras	509.7	433.1	+17.7%	520.1	-10.4	544.6	+6.8%
Network Cameras & Others	293.8	220.4	+33.3%	289.4	+4.4	330.5	+12.5%
<b>Net Sales</b>	<b>803.5</b>	<b>653.5</b>	+22.9%	<b>809.5</b>	-6.0	<b>875.1</b>	+8.9%
<b>Op. Profit</b>	<b>126.6</b>	<b>78.7</b>	+60.9%	<b>121.6</b>	+5.0	<b>128.7</b>	+1.6%
(% of Net Sales)	15.8%	12.0%		15.0%		14.7%	

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
	Cameras	+4.8%
NWCs & Others	+16.7%	+12.8%
Total	+8.8%	+10.3%

### Interchangeable Lens Digital Camera (DILC) Units (Millions) & Unit Growth Rate Y/Y

	FY 2022 Actual		FY 2023 Projection	
	Units	% Change	Units	% Change
DILCs	2.86	+4%	2.90	+1%



EOS R6 Mark II

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As for the camera market, despite concerns that consumer spending will decline, the demand of users, which mainly consists of professionals and enthusiasts – people that enjoy taking still images and videos – remained rock solid. Thanks to this, and the launch of new mirrorless cameras by manufacturers, the market grew to 5.85 million units in 2022, which is also the market size we expect in 2023.

In 2022, our sales were up by 120 thousand units to 2.86 million units, as we added to our lineup the EOS R7 and EOS R10, the first EOS R series cameras that use APS-C sensors.

In December of 2022, we launched the EOS R6 Mark II, a full-frame mirrorless camera. This model offers high performance in both still-image and video capture, featuring, among others, enhanced autofocus functions, including subject detection, high-speed continuous shooting of up to approximately 40 frames per second, and high-quality 4K video recording. In 2023, the new products that we launched last year will contribute to sales throughout the year. In addition to this, to facilitate our aim of 2.9 million unit sales this year, we plan to further strengthen our EOS R series lineup by, for example, introducing models that will broaden our base of interchangeable-lens camera users

As for RF lenses, last year we added 7 new models to our lineup which now consists of 33 lenses. Going forward as well, we will continue to expand our RF lens lineup in order to meet the diverse shooting needs of our users.

# Imaging – Network Cameras & Others

- 2022 – Significantly increased revenue by expanding sales volume from second quarter
- 2023 – Raise competitive advantage by continuing R&D investment and strengthening cooperation with sales partners

(Billions of yen)

	Full Year					Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
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(% of Net Sales)	15.8%	12.0%		15.0%		14.7%	

**Net Sales Growth Rate Y/Y  
(Local Currency)**

	FY 2022 Actual	FY 2023 Projection
Cameras	+4.8%	+8.8%
NWCs & Others	+16.7%	+12.8%
Total	+8.8%	+10.3%

In 2022, the network camera market returned to its original growth track as restrictions on economic activity were eased. Under this situation, by working to secure components that continued to be in short supply, we increased unit sales from the second quarter, which led to significant revenue growth.

As for 2023, even though the global economy is expected to slowdown, we expect the network camera market to continue to grow as the need for safety and security remains the same.

Under this market situation, we will expand sales by further enhancing our competitive advantage through such measures as reinforcing our product lineup through continued R&D investment and strengthening our cooperation with sales partners around the world.

- 2022 - Achieved record high sales and profit, on the back of overseas market recovery
- 2023 – Grow faster than the market's 2% by increasing dealing with medical institutions, particularly in the United States where sales capability is being strengthened

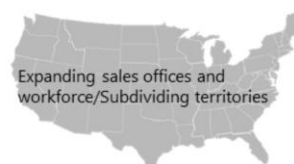
	Full Year					(Billions of yen) Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
<b>Net Sales</b>	<b>513.3</b>	<b>480.4</b>	+6.9%	<b>521.9</b>	-8.6	<b>570.7</b>	+11.2%
<b>Op. Profit</b> (% of Net Sales)	<b>31.0</b> 6.0%	<b>29.4</b> 6.1%	+5.4%	<b>38.2</b> 7.3%	-7.2	<b>43.4</b> 7.6%	+40.0%

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
Total	0.0%	+11.4%



80 row detector CT  
**Aquilion Serve**



Expanding sales offices and  
workforce/Subdividing territories

### Strengthening sales capability in U.S.

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In 2022, the diagnostic imaging equipment market started to recover as overseas investment, which was held back by COVID, resumed. As for 2023, we expect the market to return to a normal growth track of around 2%.

In 2022, we did not achieve our sales projection, due to product supply shortage caused by component constraints, and protracted installation work at medical institutions. However, overseas orders for large equipment, such as CT and MRI systems, increased significantly, and in the fourth quarter we achieved record quarterly sales of more than 150 billion yen, and were also able to break through the 500 billion yen mark for the year.

In 2023, we aim to grow at a double-digit rate. In addition to orders at the beginning of the year continuing to be at a high level, and expecting to make progress in installing equipment at medical institutions as the situation surrounding supply and installation gradually improves, we will also work to secure further orders. In order to address the issue of strengthening our overseas sales capabilities, we are reorganizing and subdividing our territories based on our expanded salesforce, which includes the acquisition of a dealer in the United States last year. And this year, we will significantly increase our dealings with medical institutions. In January of this year, we established a new marketing company in Greater Cleveland to increase our presence in the United States through joint research with hospitals and strengthening our relationships with medical practitioners.

From a product perspective as well, we will raise our market share in the United States, enhancing our lineup by introducing the CT "Aquilion Serve," a system that fully integrates Canon's imaging and medical technologies.

To improve profitability, in addition to the effects of expanded sales, we will accelerate cost reduction activities, which were delayed due to the pandemic, giving priority to avoiding plant shutdowns and making product design changes to address parts shortages. Using the production technology we have cultivated at Canon, we will promote in-house production of key components, common platforms, and the automation of production. Through these measures, we will raise our operating profit margin in 2023 to 7.6%, moving closer to our targeted operating margin of 10% or more in 2025, the final year of Phase VI.

# Industrial – Optical & Industrial Equip.

- Semiconductor litho. equip. - Significantly expand sales to 195 units in 2023
- Panel manufacturing equip. – Prepare for growing demand from and after 2024

	Full Year					(Billions of yen) Full Year	
	2022 Actual	2021 Actual	% Change	2022 Previous Projection	Amount Change	2023 Projection	% Change
Optical Equipment	240.4	215.9	+11.4%	242.9	-2.5	229.2	-4.7%
Industrial Equipment	88.8	121.8	-27.1%	92.1	-3.3	122.8	+38.3%
<b>Net Sales</b>	<b>329.2</b>	<b>337.7</b>	-2.5%	<b>335.0</b>	-5.8	<b>352.0</b>	+6.9%
<b>Op. Profit</b> (% of Net Sales)	<b>58.0</b> 17.6%	<b>44.9</b> 13.3%	+29.3%	<b>58.6</b> 17.5%	-0.6	<b>61.8</b> 17.6%	+6.5%

Note: Lithography equipment and industrial equipment, businesses that were included in Industry & Others, are now classified as Industrial. The other businesses were added to corporate expenses and the results of 2021 and previous projection for 2022 were reclassified to conform to the current year presentation.

### Net Sales Growth Rate Y/Y (Local Currency)

	FY 2022 Actual	FY 2023 Projection
Opt. Equip.	+8.4%	-4.6%
Industrial Equip.	-28.3%	+38.5%
Total	-4.8%	+7.0%

### Lithography Equipment (Units)

	FY 2022 Actual	FY 2023 Projection
Semiconductor	176	195
FPD	51	33



Semiconductor lithography equipment  
**FPA-6300ES6a**

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As for the semiconductor device market in 2023, although we expect demand for power devices, analog devices, and sensors to remain solid, we also expect the overall market to shrink, due to a continued decline in memory, which is being impacted by declining demand for PCs, smartphones, and other devices. However, even under such conditions, we expect the semiconductor lithography equipment market to grow also in 2023, as device manufacturers stick to their capital investment plans in anticipation of medium- to long-term market growth, and also due to new plants being built around the world from the perspective of economic security.

Demand for our lithography equipment remains strong thanks to our broad customer base, which is not heavily reliant on a particular region or industry, and also thanks to the high marks our equipment have received for productivity and our meticulous customer service. To meet strong demand, we have been continuously increasing our production capacity, adding clean rooms and securing personnel. And in 2023, we plan to sell 195 units, 19 more than last year.

The display market continued to shrink as home demand peaked out and the economy slowed. Despite this, the level of market inventory of televisions and other displays improved and we expect market demand to gradually recover in 2023. Going forward, we expect the use of OLED-based IT panels in such equipment as laptops and tablets to drive growth in display manufacturing equipment.

As for FPD lithography equipment, we sold 51 units in 2022, as sales were largely in line with our plan.

Currently, panel manufacturers are in the process of deciding how to produce IT panels. Although this will have a temporary negative impact on sales in 2023, we expect demand to recover from and after 2024. In 2022, we launched a new product which offered improved resolution and productivity. In addition to our competitive product lineup, we will work to secure orders, enhancing our system that contributes to the swift start-up of production at customer sites, such as training technicians that install our equipment and reducing the time needed for installation.

Regarding OLED vacuum deposition equipment, we project revenue to increase in 2023 as we expect to partially book sales of equipment for IT panels that we will begin producing this year. And to prepare for further expansion in the future, we will continue to develop equipment and raise the efficiency of production and installation.

# Inventory

- At end of 2022, work-in-process inventory increased due to efforts to secure parts at an early stage. Inventory of finished goods held by sales companies also increased amid supply improvement
- 2023 – Expect inventory level to come down as procurement environment improves

(Billions of yen)

		FY 2021				FY 2022			
		Mar.-end	Jun.-end	Sep.-end	Dec.-end	Mar.-end	Jun.-end	Sep.-end	Dec.-end
Printing	Amt.	237.3	232.0	269.2	285.5	324.7	353.6	408.1	366.8
	Days	45	44	52	53	58	60	67	56
Imaging	Amt.	98.7	94.0	98.4	101.4	117.1	126.6	143.6	137.6
	Days	54	54	55	55	63	64	65	56
Medical	Amt.	99.8	101.8	108.5	109.1	120.5	129.4	137.7	128.3
	Days	75	79	87	82	89	100	103	85
Industrial	Amt.	123.8	125.1	118.2	109.9	117.8	133.8	137.4	124.0
	Days	125	143	128	113	131	166	152	124
Others & Corporate	Amt.	36.2	36.2	42.0	44.6	53.1	54.7	57.1	51.6
<b>Total</b>	<b>Amt.</b>	<b>595.9</b>	<b>589.1</b>	<b>636.3</b>	<b>650.6</b>	<b>733.2</b>	<b>798.1</b>	<b>883.9</b>	<b>808.3</b>
	<b>Days</b>	<b>61</b>	<b>62</b>	<b>68</b>	<b>66</b>	<b>73</b>	<b>78</b>	<b>81</b>	<b>69</b>

Note: Lithography equipment and industrial equipment, businesses that were included in Industry & Others, are now classified as Industrial and the results of 2021 were reclassified to conform to the current year presentation.

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Inventory at the end of December was 808.3 billion yen, 75.6 billion yen lower than the end of September, as we posted sales growth in all segments over the fourth quarter.

Compared with the end of December 2021, inventory turnover increased by three days or around 160 billion yen. Approximately 50 billion yen of this increase was related to depreciation of the yen, which increased the valuation of assets denominated in foreign currencies.

Excluding the impact of changes in foreign exchange rates, finished goods inventory increased by approximately 50 billion yen. This reflects recovery in the supply of office MFDs, network cameras, and medical equipment, products for which demand is solid. The remaining increase of about 60 billion yen, which is work-in-process and raw materials, reflects moves to secure materials at an early stage in response to the shortage of components. As the procurement environment slowly improves, we will work to gradually bring this down in 2023.

# Cash Flow

## (Full Year)

- 2022 – Raise dividend by 20 yen, 100 billion yen in share buyback
- 2023 – Aiming for over 600 billion yen in operating cash flow
- Looking to increase capital spending by 50 billion yen and fully repaying debt

(Billions of yen)	FY 2023 Projection	FY 2022 Actual	FY 2021 Actual
Net cash provided by operating activities	611.0	262.6	451.0
Net cash used in investing activities	-235.0	-180.8	-207.2
<b>Free cash flow</b>	<b>376.0</b>	<b>81.8</b>	<b>243.8</b>
Net cash provided by (used in) financing activities	-379.1	-146.8	-267.4
Effect of exchange rate changes on cash and cash equivalents	-1.0	25.7	17.3
Net change in cash and cash equivalents	-4.1	-39.3	-6.3
<b>Cash and cash equivalents at end of period</b>	<b>358.0</b>	<b>362.1</b>	<b>401.4</b>
<b>Cash-on-hand (In months of Net sales)</b> (See note below)	<b>1.0</b>	<b>1.0</b>	<b>1.3</b>
Capital expenditure	240.0	183.3	179.0
Depreciation and amortization	240.0	226.5	221.2

Note: Figures for 2021 and 2022 calculated using second half net sales. 2023 figure based on net sales for full year.

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In 2022, net income was 244 billion yen as the volume of product supply increased and led to sales. However, in order to increase the volume of product supply, inventory rose as we took early actions to secure parts. As sales were more concentrated in the fourth quarter than in past years, accounts receivable also increased. As a result, operating cash flow was 262.6 billion yen. Though there were no large M&As, capital expenditures were at a normal level of about 180 billion yen. And as for shareholder returns, we increased our dividend by 20 yen to 120 yen and carried out 2 share buybacks totaling 100 billion yen.

In 2023, in addition to profit growth, we aim to generate over 600 billion yen in operating cash flow by reducing working capital through reductions in inventory and accounts receivable. Although we plan to invest about 50 billion yen more than last year, including the construction of a CMOS sensor plant in Hiratsuka and a semiconductor plant in Utsunomiya for future growth, we also expect to be able to secure cash-on-hand of more than 350 billion yen after repaying debt by the end of the year.



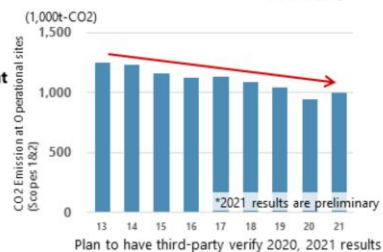
## ■ Strengthening environmental and social measures to realize sustainable society

### ✓ Climate change:

1. Target lifecycle CO2 emissions per product:  
**Continued achievement of average 3% improvement per year**



2. Total CO2 emission:  
**Reduction of 23% from 2013**  
 (Global)



### ✓ Human rights:

Strengthen measures based on Canon Group Human Rights Policy

- Multiple sites obtain Platinum certification, the RBA's highest status, after audit



To realize a sustainable society, we have been strengthening environmental and social measures.

In our efforts to address climate change, we declared our aim to achieve net-zero CO2 emissions for the whole product lifecycle by 2050. And in 2022, we worked to improve efficiency, especially at production sites that consume large amounts of electricity. In addition to reducing the amount of energy used, we also increased the number of sites that use renewable energy.

As an indicator of goal achievement, we have set an average yearly improvement ratio target of 3% in CO2 emissions for the whole product lifecycle and we have been improving faster than our target as our cumulative improvement since 2008 is 43%.

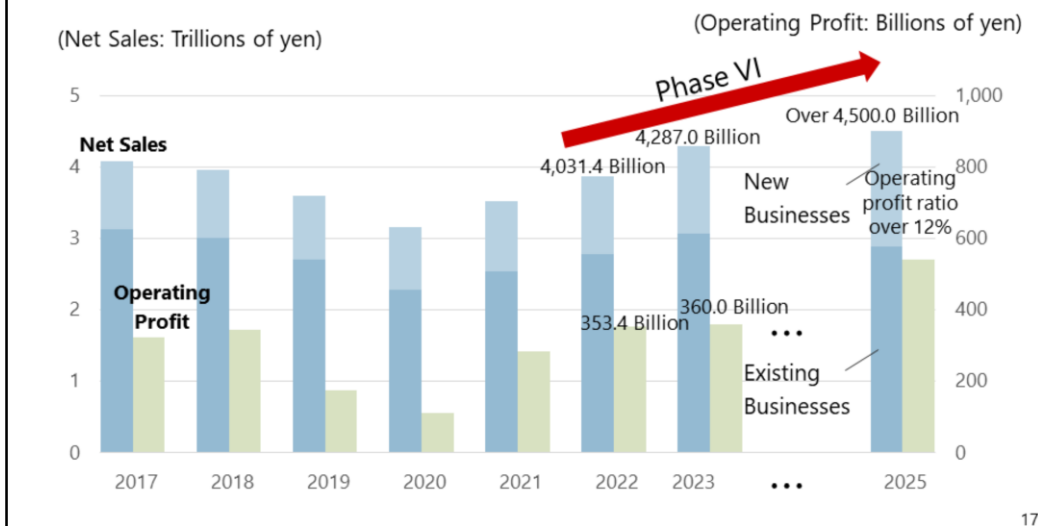
Based on total CO2 emissions, this represents a 23% reduction from 2013, the target base year set by Japan. In the future, we will also consider setting targets on the basis of total emissions in order to accelerate our reduction activities.

In the area of human rights as well, under the Canon Group Human Rights Policy formulated in 2021, we have been strengthening our activities. Last year, in order to review our efforts to date, we received an audit from a third-party organization certified by the Responsible Business Alliance (the "RBA"), an international CSR alliance for work environment and human rights. As multiple sites in Japan and overseas obtained Platinum certification, the RBA's highest status, we were able to confirm that our operations were properly managed.

Furthermore, we will conduct audits based on RBA standards not only on the Canon Group, but also on our trading partners etc. as we work with various stakeholders to develop and expand our measures.

# Excellent Global Corporation Plan Phase VI

- Work to expand the strength of each business group and achieve third consecutive year of sales and profit growth



In 2022, the 85th year of our founding, we surpassed 4 trillion yen in sales for the first time in 5 years since 2017, and achieved our second consecutive year of significant sales and profit growth. This growth in sales and profit was driven by new businesses, showing that we have made steady progress in transforming our business portfolio.

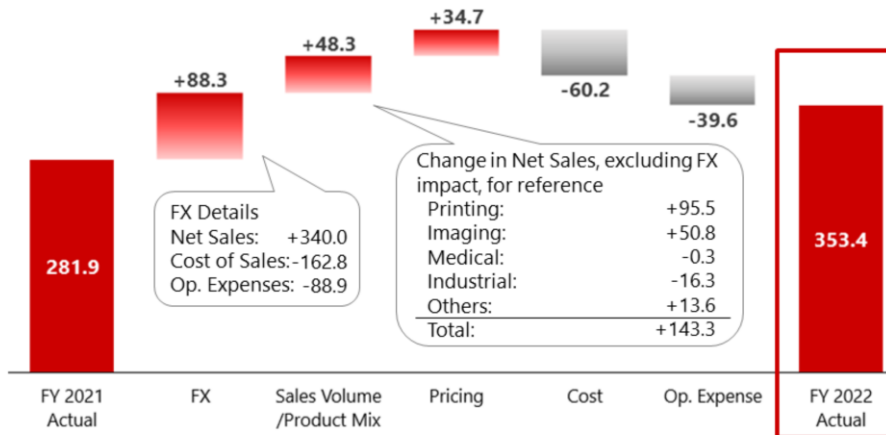
In 2023, which marks the halfway point of Phase VI of the Global Excellent Corporation Plan, we will maintain our momentum by strengthening and expanding our industry-oriented business groups. We will also work to achieve our second-highest sales record of 4 trillion 287 billion yen, next only to 2007, and our third consecutive year of sales and profits growth.

## Supplementary Information

# FY 2022 Operating Profit Analysis

(FY 2022 Actual versus FY 2021 Actual)

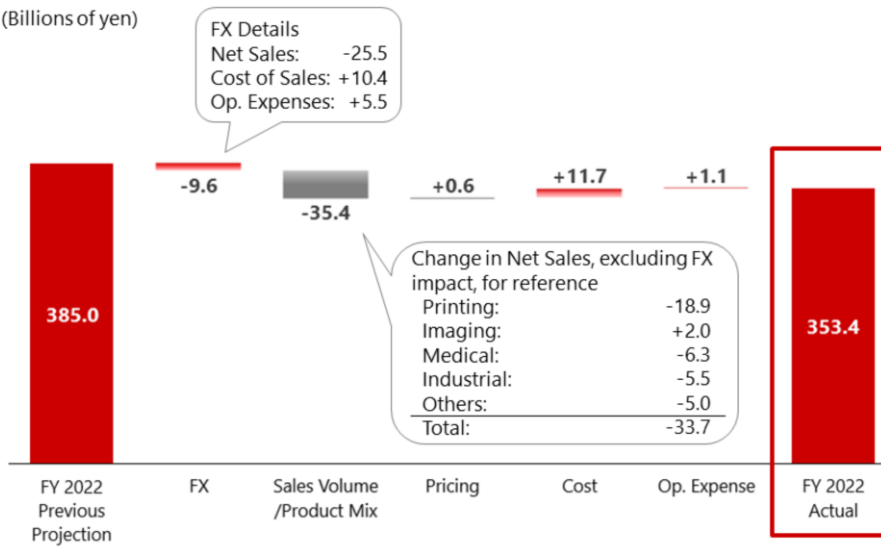
(Billions of yen)



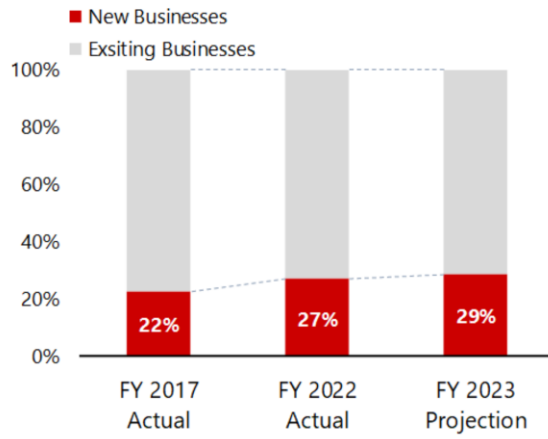
# FY 2022 Operating Profit Analysis

(FY 2022 Actual versus FY 2022 Previous Projection)

(Billions of yen)



# Change in New Businesses Sales Composition Ratio



### Net Sales Growth Rate of Printing Hardware & Non-hardware

			FY 2023	FY 2022		FY 2021	
			Full Year Projection	4Q Actual	Full Year Actual	4Q Actual	Full Year Actual
<b>Office MFDs</b>	JPY	Hardware	+10%	+50%	+30%	-7%	+7%
		Non-hardware	+5%	+13%	+10%	+6%	+3%
	LC	Hardware	+11%	+31%	+17%	-12%	+3%
		Non-hardware	+5%	+2%	+2%	+2%	0%
<b>LPs</b>	JPY	Hardware	+2%	+33%	+34%	+22%	+2%
		Non-hardware	-5%	+8%	+6%	-5%	+17%
	LC	Hardware	+5%	+16%	+19%	+15%	-1%
		Non-hardware	-3%	-1%	-2%	-10%	+14%
<b>IJPs</b>	JPY	Hardware	+19%	+43%	+34%	-2%	+6%
		Non-hardware	+3%	+11%	-7%	-14%	-2%
	LC	Hardware	+20%	+27%	+21%	-7%	+2%
		Non-hardware	+3%	0%	-15%	-18%	-6%
<b>Production</b>	JPY	Hardware	+11%	+29%	+30%	+14%	+18%
		Non-hardware	0%	+26%	+23%	+17%	+14%
	LC	Hardware	+12%	+12%	+15%	+7%	+13%
		Non-hardware	+1%	+9%	+10%	+10%	+9%

**Office/Prosumer - Net Sales by Product Category**

(Billions of yen)

		FY 2023	FY 2022		FY 2021	
		Full Year Projection	4Q Actual	Full Year Actual	4Q Actual	Full Year Actual
Office	Office MFDs	614.4	165.4	571.4	127.8	478.4
	Others	346.7	87.2	321.1	76.1	278.7
		961.1	252.6	892.5	203.9	757.1
Prosumer	LPs	638.4	173.3	651.2	147.7	563.1
	IJPs	391.4	104.2	355.8	84.0	329.4
		1,029.8	277.5	1,007.0	231.7	892.5

**DILC Ratio / Digital Compact Camera (DCC) Units**

		FY 2022		FY 2021	
		4Q Actual	Full Year Actual	4Q Actual	Full Year Actual
DILC Ratio					
	Net Sales *	92%	92%	91%	90%
	Units	87%	85%	75%	70%
DCC Units (Millions)		0.12	0.49	0.24	1.15

\* Net Sales Includes Interchangeable Lenses

**Semiconductor Lithography Equipment Unit Breakdown by Light Source**

(Units)

	FY 2023	FY 2022		FY 2021	
	Full Year Projection	4Q Actual	Full Year Actual	4Q Actual	Full Year Actual
KrF	59	19	51	15	38
i-Line	136	38	125	36	102
Total	195	57	176	51	140



4Q 2022

# FY 2022 Financial Results (4Q 2022)

(Billions of yen)	4Q 2022 Actual	4Q 2021 Actual	% Change
<b>Net Sales</b>	<b>1,157.2</b>	<b>955.4</b>	+21.1%
<b>Gross Profit</b> (% of Net Sales)	<b>518.3</b> 44.8%	<b>437.9</b> 45.8%	+18.4%
<b>Op. Expenses</b> (% of Net Sales)	<b>421.0</b> 36.4%	<b>362.5</b> 37.9%	
<b>Op. Profit</b> (% of Net Sales)	<b>97.3</b> 8.4%	<b>75.4</b> 7.9%	+29.2%
<b>IBT</b>	<b>120.5</b>	<b>71.6</b>	+68.4%
<b>Net Income</b> (% of Net Sales)	<b>84.8</b> 7.3%	<b>59.8</b> 6.3%	+41.9%
USD	141.46	113.72	
EUR	144.34	130.07	

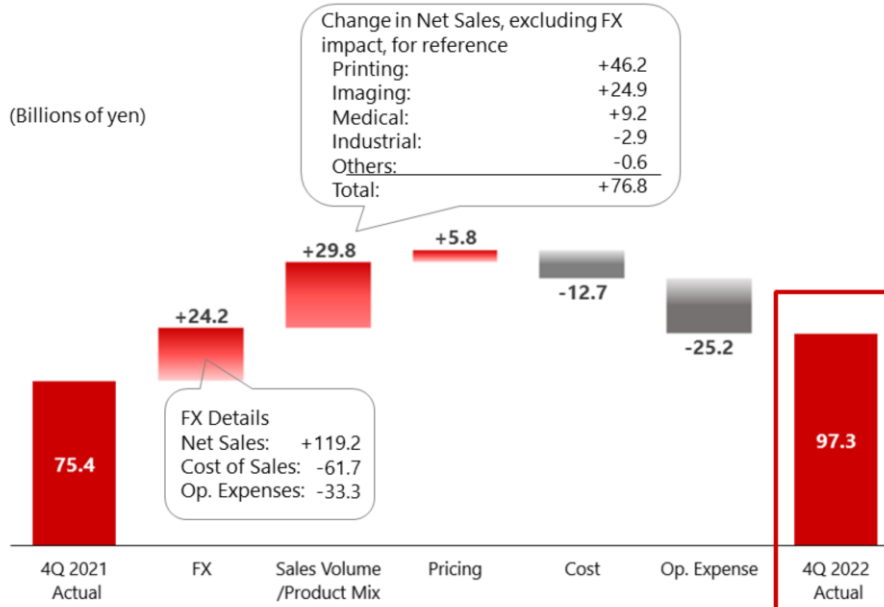
# FY 2022 Financial Results by Business Unit (4Q 2022)



(Billions of yen)		4Q 2022 Actual	4Q 2021 Actual	% Change
Printing	Net Sales	<b>638.1</b>	<b>520.7</b>	+22.6%
	Op. Profit	<b>52.6</b>	<b>48.4</b>	+8.6%
	(%)	<b>(8.2%)</b>	<b>(9.3%)</b>	
Imaging	Net Sales	<b>242.4</b>	<b>181.3</b>	+33.7%
	Op. Profit	<b>44.3</b>	<b>21.9</b>	+101.9%
	(%)	<b>(18.3%)</b>	<b>(12.1%)</b>	
Medical	Net Sales	<b>150.8</b>	<b>128.5</b>	+17.4%
	Op. Profit	<b>10.0</b>	<b>8.2</b>	+20.9%
	(%)	<b>(6.6%)</b>	<b>(6.4%)</b>	
Industrial	Net Sales	<b>95.5</b>	<b>95.9</b>	-0.5%
	Op. Profit	<b>13.4</b>	<b>18.8</b>	-28.8%
	(%)	<b>(14.0%)</b>	<b>(19.6%)</b>	
Others & Corporate	Net Sales	<b>57.3</b>	<b>51.7</b>	+10.7%
	Op. Profit	<b>-21.6</b>	<b>-21.9</b>	-
Eliminations	Net Sales	<b>-26.9</b>	<b>-22.7</b>	-
	Op. Profit	<b>-1.4</b>	<b>0.0</b>	-
Total	Net Sales	<b>1,157.2</b>	<b>955.4</b>	+21.1%
	Op. Profit	<b>97.3</b>	<b>75.4</b>	+29.2%
	(%)	<b>(8.4%)</b>	<b>(7.9%)</b>	

# FY 2022 Operating Profit Analysis

(4Q 2022 Actual versus 4Q 2021 Actual)



## Printing

(Billions of yen)

	4Q		
	2022 Actual	2021 Actual	% Change
Office	252.6	203.9	+23.9%
Prosumer	277.5	231.7	+19.8%
Production	108.0	85.1	+27.0%
<b>Net Sales</b>	<b>638.1</b>	<b>520.7</b>	<b>+22.6%</b>
<b>Op. Profit</b>	<b>52.6</b>	<b>48.4</b>	<b>+8.6%</b>
(% of Net Sales)	8.2%	9.3%	

### Net Sales Growth Rate Y/Y (Local Currency)

	4Q 2022 Actual
Office	+11.8%
Prosumer	+7.5%
Production	+9.9%
Total	+9.6%

### Unit Growth Rate Y/Y

	4Q 2022 Actual
Office MFDs	+27%
LPs	-10%
IJPs	+17%

## Imaging

(Billions of yen)

	4Q		
	2022 Actual	2021 Actual	% Change
Cameras	149.2	124.9	+19.5%
Network Cameras & Others	93.2	56.4	+65.3%
<b>Net Sales</b>	<b>242.4</b>	<b>181.3</b>	<b>+33.7%</b>
<b>Op. Profit</b>	<b>44.3</b>	<b>21.9</b>	<b>+101.9%</b>
(% of Net Sales)	18.3%	12.1%	

### Net Sales Growth Rate Y/Y (Local Currency)

	4Q 2022 Actual
Cameras	+3.8%
NWCs & Others	+39.7%
Total	+15.0%

### Units (Millions) & Unit Growth Rate Y/Y

	4Q 2022 Actual	
	Units	% Change
DILCs	0.85	+20%

## Medical

	(Billions of yen)			Net Sales Growth Rate Y/Y (Local Currency)	
	4Q			4Q 2022 Actual	
	2022 Actual	2021 Actual	% Change		
<b>Net Sales</b>	<b>150.8</b>	<b>128.5</b>	+17.4%	Total	
<b>Op. Profit</b>	<b>10.0</b>	<b>8.2</b>	+20.9%	+7.3%	
(% of Net Sales)	6.6%	6.4%			

## Industrial

	(Billions of yen)			Net Sales Growth Rate Y/Y (Local Currency)		Lithography Equipment (Units)	
	4Q			4Q 2022 Actual		4Q 2022 Actual	
	2022 Actual	2021 Actual	% Change				
Optical Equipment	<b>75.6</b>	<b>66.5</b>	+13.7%	Opt. Equip.	+10.5%	Semiconductor	57
Industrial Equipment	<b>19.9</b>	<b>29.4</b>	-32.4%	Industrial Equip.	-33.7%	FPD	15
<b>Net Sales</b>	<b>95.5</b>	<b>95.9</b>	-0.5%	Total	-3.1%		
<b>Op. Profit</b>	<b>13.4</b>	<b>18.8</b>	-28.8%				
(% of Net Sales)	14.0%	19.6%					