

Canon Inc.
2023 Corporate Strategy Conference

Canon Overall Strategy

March 6, 2023

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Chairman & CEO



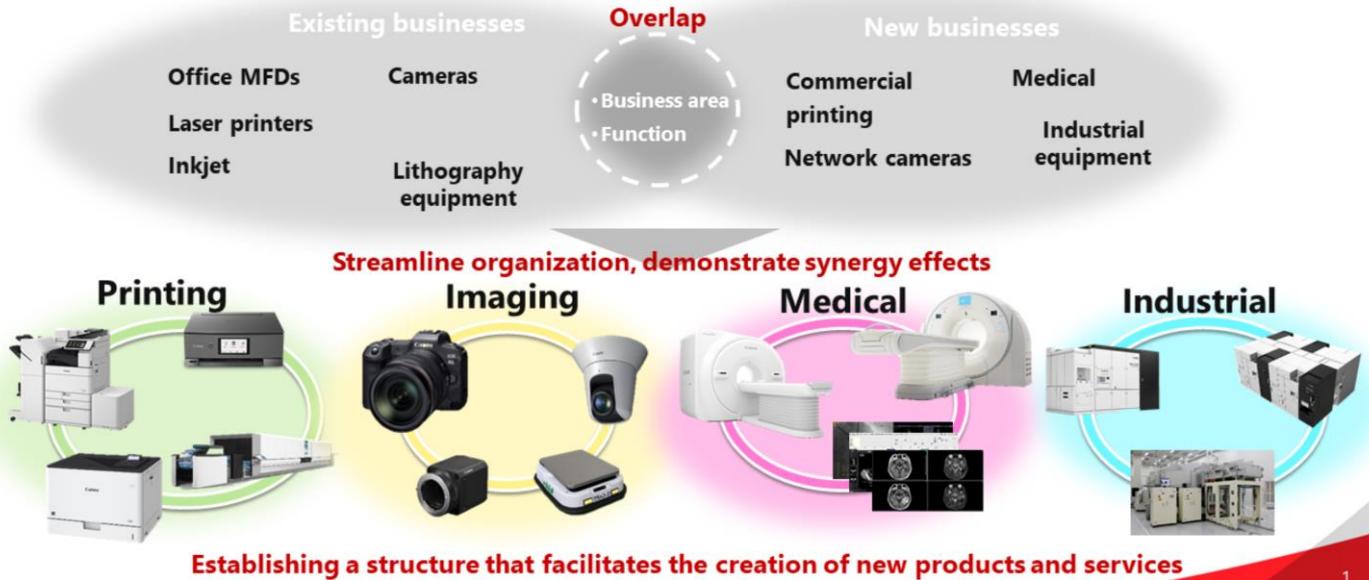
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Excellent Global Corporation Plan Phase VI

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Review of Results Over Past Two Years

Reorganize into 4 industry-oriented groups



In 2021, we embarked on our current 5-year plan, amid unabated social and market turmoil caused by the spread of COVID. Under this environment, to accelerate transformation of our business portfolio, we took our existing product-based organizational structure and reorganized it into industry-oriented business groups.

To date, we have welcomed numerous companies that have technology which complement that of the Canon Group. And through this, we have assembled four new businesses, namely commercial printing, network cameras, medical, and industrial equipment. At the same time, however, we have seen areas of overlap in terms of business scope and functions. Therefore, we established a structure that makes it easier to create new products and services by streamlining the organization and maximizing synergies, grouping businesses with affinity into industry-oriented business groups and assign people to head each group.

As the ground for strengthening business competitiveness was prepared, even with lingering strong impact from COVID, including the temporary shutdown of manufacturing sites, each of our businesses, supported by solid demand, were able to recover sales, and our strong profit structure, which we have been honing since before Phase V, has enabled us to make a significant turnaround in our performance.

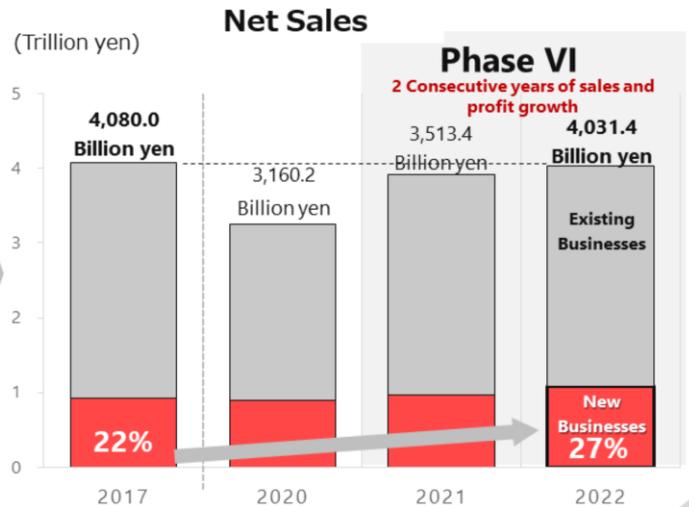
Review of Results Over Past Two Years

Effective in transforming business portfolio amid challenging external environment

- **Parts shortage:**
Chg. design, Develop new suppliers
- **Logistical constraints:**
Secure alternative transportation routes

Strong product competitiveness

- Reflect cost increase in selling price
- Expand sales volume



In the following year, 2022, it seemed as if the global economy's recovery would be strong as the spread of COVID was coming under control. However, accelerated inflation due to soaring energy prices caused by Russia's invasion of Ukraine, and the tightening of monetary policies around the world, the recovery remained modest. While steering our business through this difficult environment remained challenging, we gave top priority to product supply, and made all-out efforts to respond to component shortages and logistical constraints. And against the backdrop of strong product competitiveness, we were able to partially reflect the increase in costs in our selling prices and significantly increased sales volumes. On top of this, the tailwind of yen depreciation help us post a second consecutive year of significant sales and profit growth.

Although net sales exceeded the 4 trillion yen mark for the first time in 5 years, compared with 2017, when we last achieved more than 4 trillion yen, net sales of new businesses exceeded 1 trillion yen, and the proportion of total business rose from 22% to 27%, making steady progress in converting our business portfolio.

Market returns to normal in 2023

Accelerate strategy execution to achieve 2025 targets

Basic policy

Portfolio transformation through productivity improvement and new business creation

Strategy

- 1. Strengthen and expand industry-oriented groups**
- 2. Create new products and services based on own technology**
- 3. Re-structure global production system**

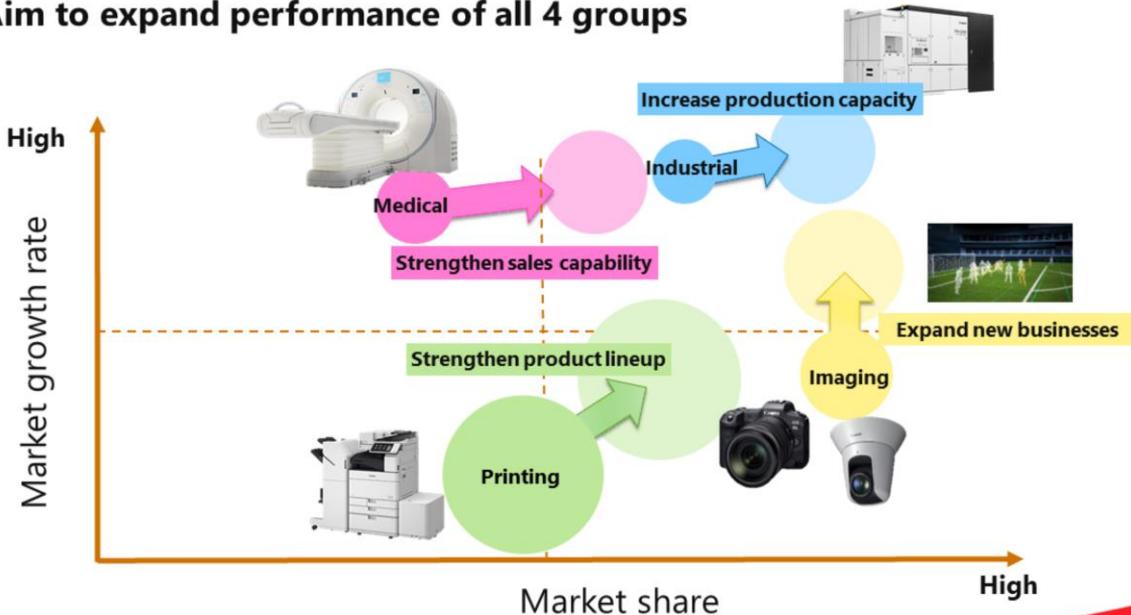
And this year, 2023, although the global economic outlook remains uncertain, with the spread of COVID finally starting to settle down after being swayed for the last three years, we believe the market will approach a new normal in the post-COVID era.

Under this new business environment, in order to achieve our 2025 financial targets, we will accelerate the implementation of our strategy to accelerate transformation of our business portfolio, which is the basic policy of our five-year plan.

Future Strategy

(1. Strengthen and expand industrial-oriented groups)

Aim to expand performance of all 4 groups



First, strengthening and expanding industry-oriented business groups.

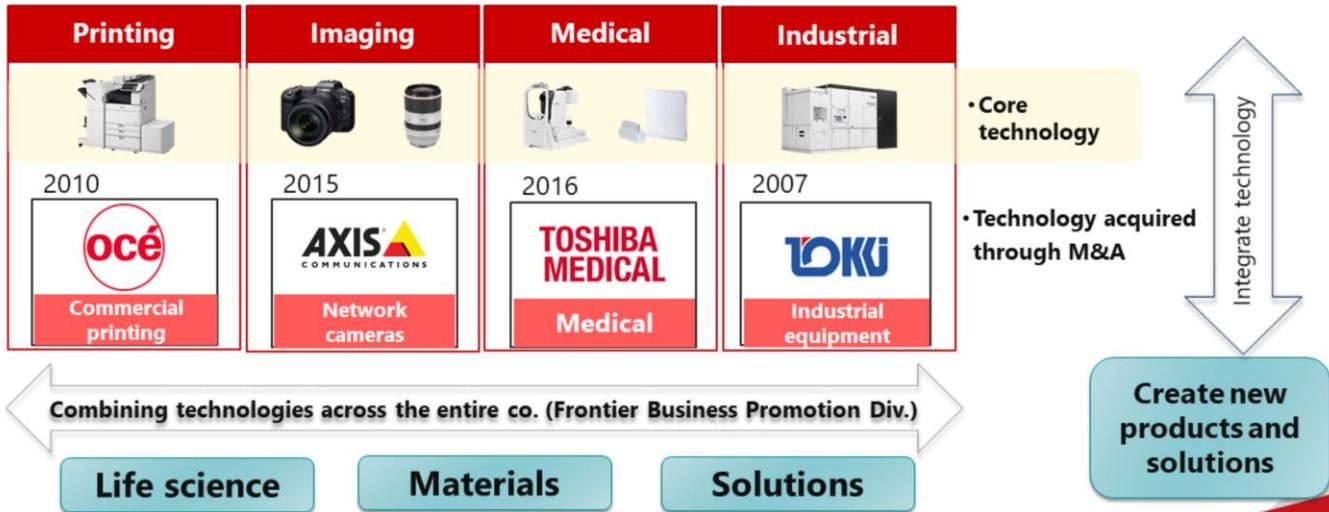
As for the individual strategies of each business group, I will have the head of each group talk to this. Each Group, however, will work to enhance their product lineup by actively promoting technical exchanges within their own Group. In our existing businesses such as cameras and printers, to continue generating cash as the market matures, and in our new businesses of medical and network cameras, to accelerate the pace of growth, we will introduce competitive new products.

Additionally, we will increase our production capacity for semiconductor manufacturing equipment and aggressively invest in medical equipment to further strengthen our sales capabilities, and together with strengthening our products, we will seek to increase our market share.

Future Strategy

(2. Create new products and services based on own technology)

Create new businesses through development of proprietary technology



Second, creating new products and new services based on our own technology.

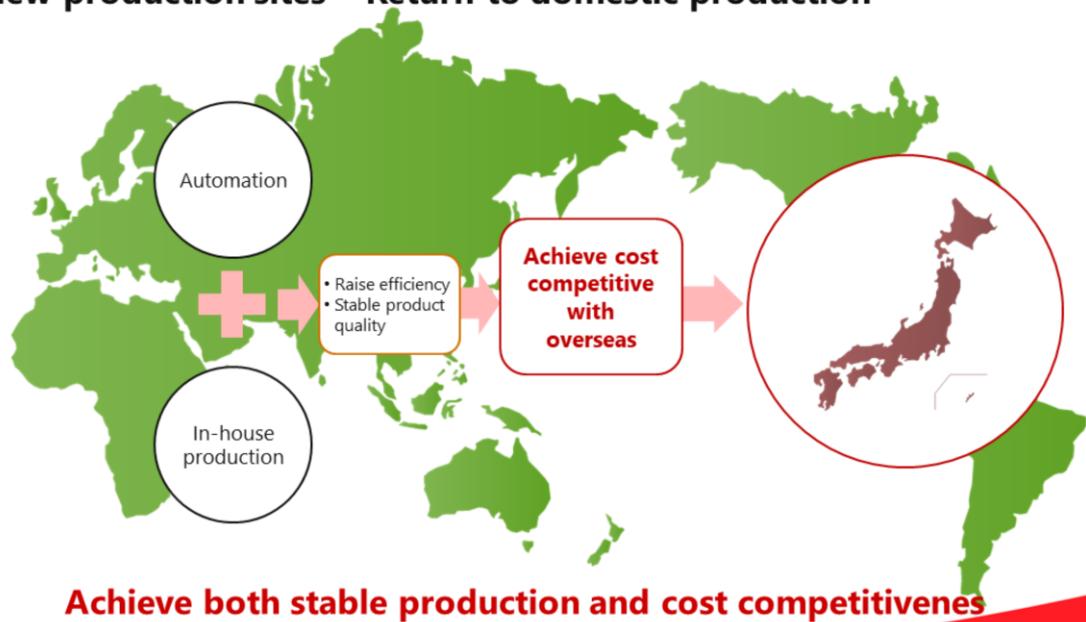
In recent years, we have been acquiring new businesses, such as medical and network cameras, through M&A. However, as a manufacturer, creating new businesses through the development of proprietary technologies must be mainstream.

Last year, we celebrated our 85th anniversary. One factor that has allowed us to continue to grow for so long is the competitive products and services that we have created through our relentless pursuit of technology. To carry on this tradition, we will develop technical human resources, establishing a new personnel system to select young engineers as "top scientists" who have the ability and desire to lead the development of advanced technologies. And, we will combine the core technologies that we have cultivated so far with those acquired through M&A under each industry-oriented business groups to create new products and solutions that will give us new growth potential.

Furthermore, outside the four industry-oriented business groups, and under the Frontier Business Promotion Headquarters, we aim to create new businesses in the fields of life science, materials, and solutions, by combining technologies that exist across the Canon Group.

Future strategy (3. Re-structure global production system)

Review production sites Return to domestic production



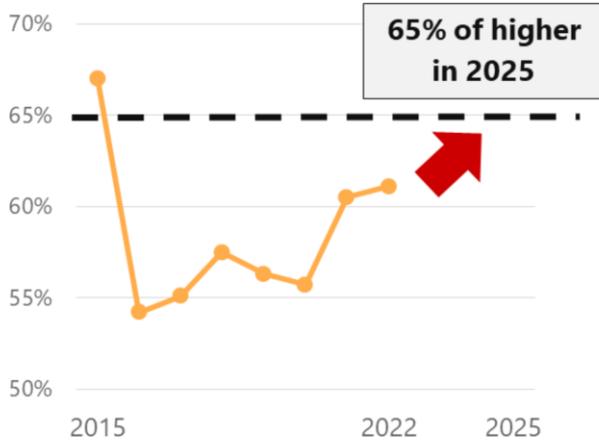
Third, restructuring our global production system.

Japan is the center of product development and production engineering for Canon, therefore producing in Japan is by nature the most desirable situation. However, against the backdrop of yen appreciation, we have been expanding our production bases across the Asia region since the 1970s. However, due to the recent disruption of the supply chain caused by COVID and heightened geopolitical risks, we are reviewing our production bases.

In order to further promote the return of production to the domestic market that we have been pursuing, it is a prerequisite that we achieve costs that are competitive with those of other countries, even at home. Production automation continues to evolve, with improved production efficiency and stable quality. In addition to in-house production, we will simultaneously achieve stable production and cost competitiveness by reorganizing our operations while reducing costs in an integrated manner, from design to production engineering as well as manufacturing sites.

Maintain/strengthen healthy financial constitution

Raise shareholders equity ratio



- 2025 Policy

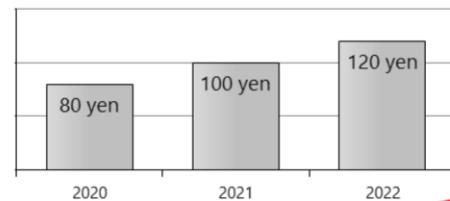
① *Aggressive growth investment while maintaining discipline*

- CapEx: Approx. 240.0 billion yen per year (Plan)
- M&A: Complement/strengthen assortment of businesses

② *Stable and active return to shareholders*

Dividend payout ratio of up to 50%

Dividend per share

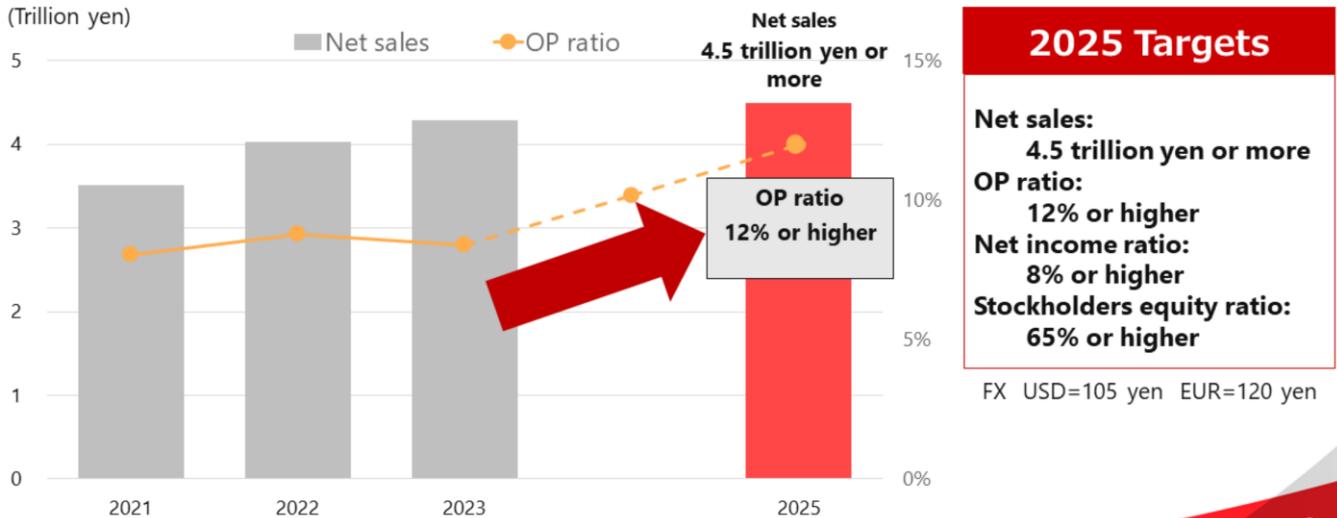


We have a basic policy of maintaining a healthy financial foundation through comprehensive cash-flow management. Accordingly, we believe it is important to be prepared for unforeseen circumstances, maintain a certain degree of freedom, and also exercise a dynamic financial strategy. This is why, our shareholders' equity ratio is considered a key indicator. In 2022, thanks to a recovery in our performance, our shareholders' equity ratio was 61.1%. As we already achieved the 60% we targeted in our current five-year plan, we raised our target for 2025 to 65% or more.

This year, amid rising profit, we plan to increase free cash flow to repay debt, return to debt-free management, and actively invest for growth while maintaining disciplined. Accordingly, over the next 3 years, we plan to invest about 240 billion yen every year. We will not only make capital investments in growth areas such as semiconductor production equipment and Medical, and the new businesses of Imaging, but also in other areas like IT services. And together with R&D, we plan to strengthen and expand each business group. Additionally, we will engage in M&A activity when there is a good candidate that complements and strengthens our business portfolio.

We will continue to return profits to shareholders in a stable and proactive manner as our business results expand, focusing on dividends and maintaining financial soundness with a payout ratio of up to 50%. In 2022, we achieved an increase in both sales and profit, resulting in an annual dividend of 120 yen per share an increase of 20 yen.

Canon reborn through business portfolio transformation Responding to rapid changes in society and achieving growth



This year is an important year as it marks the mid-point of Phase VI of the Global Excellent Corporation Plan.

The strategic transformation of our business portfolio allowed each of our businesses to compensate for the ups and downs of the pandemic, historic inflation, and more, and also allowed us to maintain growth overall. However, this is not the end.

In a highly uncertain business environment that is expected to continue into the future, it is our ability to respond to rapid changes in society that will determine whether we win or lose. Based on the overall strategy we have discussed, we will make concerted efforts to achieve our 2025 targets, the last year under our current five-year plan, of over 4.5 trillion yen in net sales, an operating margin of over 12%, a net margin of over 8%, and a shareholders' equity ratio of over 65% by mobilizing all the strategies we have discussed.