



Canon Inc.

1Q 2020 Analyst Meeting

Q&A Session Summary

Q1. You cannot predict when the COVID-19 pandemic will fade. Under this condition, what will you do to improve business performance from and after the second quarter? Is it not necessary for you to carry out a new round of structural reform?

A1. We will work to comprehensively narrow down things that we can control ourselves, such as expenses, inventory, and capital expenditures. We completed a round of structural reform last year. Since the environment is changing dramatically, however, it is necessary for us to conduct a further review of our organization and optimization of our workforce, which has already started.

Q2. What impact did COVID-19 have on each of your business segments in the first quarter?

A2. As for Office MFDs, we were unable to supply products due to supply chain problems, but the situation has settled down now. As for cameras, which are a part of Imaging System, in addition to problems in supplying products, sales were affected by a downturn in consumer sentiment. For industrial equipment, we were unable to go to customer sites due to travel restrictions, which delayed installation work.

Q3. As you enter an unprecedented difficult phase, is there any change in the way you think about the usage of cash?

A3. The business environment is getting tougher due to COVID-19. Under this situation, cash flow is very important, and naturally expense reduction and a review of our investment plan must be made. However, even under such circumstances, we must carefully identify and carry out that which is needed for the medium- to long-term growth.

As for the dividend, there is no change in our policy of making decisions based on medium- to long-term performance and cash flow. Our decision will also take into consideration the situation we are currently in and the social impact it may have.

Q4. What impact does the spread of COVID-19 have on demand for medical diagnostic imaging equipment?

A4. Over the last few years, we have been enhancing our lineup of products, including CT and X-ray systems, which range from basic to advanced feature models, and have put in place a system that meets the demand for pneumonia testing at medical institutions. These diagnostic imaging devices contribute to the rapid fading of COVID-19, which we expect will lead to an increase in market share.

Q5. At the end of March, Imaging System inventory was higher than it was at the end of last year. Why did the inventory of cameras, which were in short supply, increase?

A5. As for cameras, parts were in short supply due to China supply chain problems. The main reason was an increase in work-in-process as finished products could not be completed. The inventory level of finished goods held by sales company at the end of March was appropriate. Chinese production is heading towards normalization, but it is still difficult to control inventory as other Asian countries are being locked down. We will carry out inventory management, giving due consideration to the demand of each product.

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