



Canon Inc.

2024 Corporate Strategy Conference

Q&A Session Summary

Q1. When did reviewing your business structure to optimize your expense ratio become a focus? Additionally, what is your expense ratio target and your timeline for achieving it?

A1. We started to discuss this and conducted a review in order to get our 5-year plan rapidly back on track after being knocked off course due to COVID-19. We took the four companies we acquired through M&A, merged them with existing businesses, separated those into four groups, and as a streamlining measure, eliminated overlapping areas in development and production. Going forward, we aim to achieve an expense ratio of 35% by 2025. In addition to reducing the number of overseas sales and service personnel, transforming our sales organization so that it aligns with our current situation of expanding B-to-B sales due to business restructuring, consolidating our approximately 60 production sites, and streamlining development to speed it up and reduce costs, we will accomplish this through sales expansion.

Q2. Please talk about the progress and future plans of the Medical Business Innovation Committee that was established this year.

A2. Established in February, the Committee will draw up and begin implementing a roadmap by the end of April. Measures will focus on three main areas, namely *monozukuri*, which combines design and manufacturing to reduce costs; organizational restructuring, including a review of how we position our U.S. headquarters to ensure efficient global expansion, and strengthening the governance and improving the business process of this group leveraging Canon's know-how.



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Q3. Regarding the use of AI in medical areas, compared to competitors, where do you excel and where do you think you can grow in in the future?

A3. Leading the way are image reconstruction technologies for CT and MRI using deep-learning-based AI technologies, which are highly evaluated for not only improving image quality, but also reducing exposure to radiation for CT and imaging time for MRI, thereby decreasing the burden on patients. The area we want to focus on in the future is improving the efficiency of diagnosis. Here, we want to strengthen our efforts in order to alleviate stress in medical settings and provide high-quality medical care.

Q4. In terms of cash flow, you did not include plans for future M&A. Does this mean you will not pursue this? Are you giving priority to debt repayment?

A4. Basically, we do aim for debt-free management. However, with a focus on reinforcing new businesses, we would be proactive in M&A activity, if a good candidate were found that would strengthen our sales network or allow us to secure new technology etc.

Q5. Why did you replace your 2025 target of 65% shareholders equity ratio with 10% ROE ratio?

A5. Though we did not publicly disclose it, we have been working to improve ROE internally. Our decision to show this as an indicator of management effectiveness is linked to global trends and requests made by the Tokyo Stock Exchange.

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Q6. Regarding your review of production sites, 60% of your production is already in Japan, do you plan to expand this further?

A6. Under the current environment, where globalization is disappearing and countries have become more nationalistic, having many overseas bases is considered a risk. We are considering reducing production sites overseas and returning production to Japan, promoting automation and in-house production of high value-added products. The production of products that have low added value should remain overseas or may be carried out by outside companies.

Q7. Should we assume that you will incur some one-off costs related to the restructuring of your production system?

A7. There will be a certain amount of cost involved, but considering past cases of site closures, we do not expect it to be significant.

Q8. Regarding your printing business, what do you have to do to achieve the profit you are targeting in 2025?

A8. Although the strength of our offering is very high, we will continue to introduce even stronger products going forward. We will also take major steps to reduce expenses and improve costs and will vigorously promote structural reforms. In addition to product improvements that raise profitability, we will lower costs by reducing assets such as equipment and reduce costs by building DX in close cooperation with sales companies.



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Q9. Why did you decide to increase the number of internal directors on your Board from three to six as well as increase the total number of Board members to 10?

A9. We basically aim to set up a system that makes it easier to make business decisions. The 10-person structure is just one step. We are only halfway there. The goal is to add the heads of four industrial groups and representatives from administrative divisions such as accounting, environment and human resources.

Q10. What is your thinking regarding next-generation managers in Phase VII and beyond?

A10. Internally, we have a large number of people that could become candidates for management, thanks to the management institute we established for the training of executives by external instructors and consultants, which has been going on since 2000.

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