



Canon Inc.

2Q 2021 Analyst Meeting

Q&A Session Summary

Q1. COVID-19 is spreading again in Southeast Asia. What is the utilization status of your factories in countries such as Vietnam, Thailand, and the Philippines?

A1. In the second quarter, our factories in Vietnam, which produce laser and inkjet printers, was impacted the most, followed by our factory in Malaysia. Our plants in Thailand and the Philippines saw little impact. At this time, although there are issues with the supply of parts from some companies, all of our factories are operating normally.

Q2. Do you expect price competition to rekindle after production recovers?

A2. Once vaccinations become widespread and economic activity returns to normal, price competition will probably occur to some extent, similar to what we saw in the past.

Q3. Although your camera business continues to perform well, how do you see the market and its future direction? What is your medium-term outlook from next year on?

A3. While the EOS R5 and EOS R6 are doing very well, we do not expect the camera market to recover significantly. We do not expect to return to the past situation where unit sales steadily increased. Instead, we aim to maintain the current level of sales by focusing on high-quality cameras for advanced amateurs, whose hobby is imaging, and professionals.

Q4. In the second half of the year, camera sales do not seem to be increasing much compared to the first half. Is this due to semiconductor component shortages?

A4. If it weren't for the semiconductor shortage, we could sell even more. Still, we do not expect camera unit sales to steadily grow, going forward. Our focus is to maintain our current market share and size of the market.

Q5. Although you significantly raised your performance projection, you left your dividend projection unchanged. What are your thoughts regarding dividends?

A5. As for the usage of funds, our first priority is to invest in growth through R&D, M&A, etc. Next, we consider dividends and other returns to shareholders. This year, however, we give more priority to the repayment of debt. Although we do not hesitate to borrow funds for the growth of the company, we believe being debt-free gives us more flexibility to develop strategies. This year's dividend payout ratio is around 47%, which is not a low level. However, we would like to raise our dividend in accordance with our performance, going forward.

Q6. What is your thinking around M&A, for example, target areas etc.?

A6. The three main conditions of M&As are sustainability, in other words, sustainable business, a large enough market size, and compatibility with our technology and/or resources. If a candidate that meets these principles is found, we will actively consider it. In terms of establishing technology, one of our current strategies is to develop new businesses using M&As, from the perspective of buying time.

Q7. Regarding cameras, factory utilization rates have risen and profitability has improved. Is this due to a review of production methods and/or production systems?

A7. Around April of last year, COVID-19 started to spread in earnest, almost halting production in the second quarter. The improvement in factory utilization rates this year, reflects this and also increasing production volume.

Q8. Is the improvement in camera profit ratio due to sales of RF lenses and the EOS R5 and EOS R6? Or can it be explained simply by the improvement of the utilization rates?

A8. In addition to highly profitable products like the EOS R5 and EOS R6, higher factory utilization rates also contributed to improved profitability. On top of this, in the first half of the year, more and more people got vaccinated, mainly in developed countries, and as the economy gets set to restart, there is front-loaded demand, allowing us to sell without significant discounting and spending much on sales promotion.

Q9. As the EOS R5 and EOS R6 enter their third year on the market next year, do you think camera sales will decline from and after 2022? Or do you expect that the increase in lens sales will cover the decline in camera sales?

A9. We are constantly coming out with new cameras. However, we can see the EOS R5 and EOS R6 driving sales for a relatively long time. We will develop comprehensive sales strategies according to the situation.

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.