



## Canon Inc.

### 1Q 2024 Analyst Meeting

### Q&A Session Summary

**Q1. Your first quarter results seem to be lower than what you were expecting. Please talk about this.**

A1. The first quarter was a little tough, but we basically assumed this from the beginning of the year.

As for Imaging, with the aim of swiftly reducing camera and network camera market inventory, we restricted sell-in. The resulting decline in sales was a significant factor behind the decline in profit. And in Printing, sales of inkjet printers and laser printers did not grow due to economic weakness in China and Europe.

**Q2. In the first quarter, changes in foreign exchange rates had a positive impact of 19.3 billion yen on operating profit. How does this look by segment?**

A2. In descending order, Printing 12.5 billion yen, Imaging 4.7 billion yen, and Medical 1.9 billion yen. The remainder is linked to Others.

**Q3. Despite further depreciation of the yen, you did not change your exchange rate assumptions for the full year. What is behind this?**

A3. The change in foreign exchange rates is a positive factor. However, including geopolitical risks, the business environment that surrounds us remains uncertain. As the structural reforms that we are currently planning will also have an impact this year, we would like to update our budget for the second half of the year based on various factors.

**Q4. What explains the gap between CIPA's strong monthly shipment numbers and your comment about camera market inventory being heavy?**

A4. There is a lag in the monthly shipment numbers that CIPA reports. As such, they do not perfectly align. Canon checks the movement of dealer inventory and keeps track of the market inventory through direct contact with mass retailers.

**Q5. Please talk about first quarter camera sales by region.**

A5. Regionally, sales declined in Japan, Europe and North America, and grew in China and in other Asian countries.

**Q6. As for the decline in Imaging profit, what is the breakdown between Cameras and Network Cameras? Additionally, for the portion attributable to Cameras, does this reflect lower unit sales and increased promotional expenses?**

A6. A little over 50% of the decline in profit is linked to Cameras, 30% to Network Cameras, and the remainder to Others. The decline in Camera profit reflects not only lower unit sales, but also increased promotional expenses.

**Q7. Considering your first quarter Imaging results, would you say achieving your full-year projection is a high hurdle?**

A7. In the first quarter, the reason why Camera and Network Camera sales declined was not due to market contraction. Sell through actually grew. By restricting sell-in, we believe market inventory has settled down to a standard level. And from the second quarter, we expect network camera sales to return to double-digit growth. Additionally, for Cameras, we will accelerate the shift to high-value-added models by enhancing our lineup of mirrorless cameras.

**Q8. You talked about an increase in Imaging sales from the second quarter. What signs are you seeing of this?**

A8. We are already seeing some backorder in Network Cameras. As for Cameras, the situation is looking better from where it was up to March.

**Q9. On a local currency basis, Printing sales in the first quarter look weak. How should we view this and what should we expect going forward?**

A9. Weak Printing sales in the first quarter was due to inkjet and laser printers, which were affected by inventory adjustment, similar to Imaging, and by the economic downturn in China and Europe. Going forward, we will expand sales by strengthening our lineup of refillable ink tank models, a segment of the market we were late in addressing. As for laser printers, we expect a sharp increase in sales from the second quarter as shipment adjustments came to an end.

**Q10. As for sales of office MFDs in the first quarter, while non-hardware sales look solid, hardware sales look weak. Please talk about this.**

A10. As for office MFD hardware, compared to the first quarter of last year, when the availability of parts significantly improved and the amount of product supply, including competitors, increased sharply, unit sales were slightly below that of last year. However, this is not a level that raises concern.

**Q11. Looking at your full-year sales projection for Production, can we say growth in the first quarter was weak? Additionally, can we expect benefits from the exhibition from the second quarter on?**

A11. New products are often released before the exhibition in May, which is held every four years. Due to this, dealers often refrain from buying before the event. However, our install base of Production equipment has been growing month after month, and sales in March were particularly strong, so we think there's greater hope for later this year.

**Q12. You are not seeing an increase in unit sales of office MFDs. Despite this, your profit is increasing. What is the reason for this?**

A12. Through production innovation, which we have focused on for a long time, production costs are decreasing. Additionally, by consolidating our products from eight platforms, costs have been greatly reduced by sharing parts and production. In addition, our non-hardware sales in the first quarter were strong as we increased hardware sales on the back of the high competitiveness of our products and increased install base.

**Q13. What do you think about the reorganization of competitors in office equipment?**

A13. We feel we have sufficient capabilities to remain at the top of the industry in all aspects, including development, procurement, production and sales, and do not need to work with others. However, if the situation changes in the future, we will respond.

**Q14. Medical sales and profit in the first quarter look weak. To achieve your full-year projection, especially in terms of profit, what will you, including the Business Innovation Committee, do to improve profitability?**

A14. Sales in the first quarter did not go as expected. However, orders are building up, and by steadily linking them to sales, we believe we can achieve our full-year target. As for profitability, there are still some inefficiencies in medical business operations and by using full resources of the Canon group, we will make improvement. Just through this, we can expect considerable profitability enhancement.

**Q15. What is the reason for the 55 billion yen increase in cash flow from investment activities compared to your previous projection and how do you think about this going forward?**

A15. The increase from the previous projection was mainly due to Canon Marketing Japan's investment in Primagest. Going forward, we will invest in opportunities as they arise and add them to the figures as needed. If the investment is too large to finance internally, our policy is to borrow funds.

**Q16. At the end of the first quarter, inventory was high. However, you plan to reduce this to a level of less than 60 days in terms of inventory turnover. What is the production plan for major products?**

A16. The end of the year is a period of declining inventory due to increased sales during the selling season. It is normal for inventories to increase from the end of December to the end of March. As a special factor, we delayed the purchase of parts at the end of last year and will reduce inventories by purchasing fewer parts rather than reducing production. We stopped ordering overstocked parts last year, and as sales increase after the second quarter, inventory levels will fall.

**Q17. At the beginning of the year, you announced your plans for share buybacks, but did not do any in the first quarter. Please provide an update.**

A17. Since the beginning of the year, our stock price has risen about 30%, which is a change from our initial assumption. Our share buyback policy remains the same. We are now working to revise the basic conditions and change the purchasing criteria and method. Therefore, we expect to start buying in the near future.

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