



## **Canon Inc.**

### **2Q 2020 Analyst Meeting**

### **Q&A Session Summary**

**Q1. Until now, you had a policy of not reducing your dividend. Today, you announced a reduction in your interim dividend from 80 yen to 40 yen per share. Has your policy changed?**

A1. Our basic policy regarding dividends has been to provide a stable and active return. Decisions are not based on a single year's performance alone. We take a comprehensive approach, considering other factors too such as our medium- to long-term performance and cash flow. This has not changed.

However, the current situation is unclear as COVID-19 poses risks we have never experienced before. On top of this, we do not know when things will return to normality. To overcome this difficult situation, we decided to reduce our dividend and give priority to cash flow. As for our year-end dividend, at this point in time, it is undecided. We will make our decision as to the level of dividend payment, taking into consideration factors such as the degree of normality from COVID-19 and our future performance.

**Q2. Please talk about the impacts and benefits of this year's structural reform measures.**

A2. Last year, we implemented structural reform measures worth approximately 30.0 billion yen. We thought we could see light at the end of the tunnel, but the situation has completely changed as COVID-19 is creating a new state of affairs. This year, we are implementing additional measures worth approximately 15.0 billion yen. The benefit from this year's structural reform measures is expected to be around 12.0 billion yen.

**Q3. At the beginning of the year, you projected net cash used in investing activities to be 210.0 billion yen in 2020. In your current projection you show 235.0 billion yen. Does this indicate some kind of change in your management policy as it pertains to your medium-term management plan that you embark on next year?**

A3. As for net cash used in investing activities, we are reserving expenses for growth-oriented M&A activity.

People's lives and ways of working are changing due to COVID-19. We believe we have reached a turning point where we also need to reevaluate the future direction of our businesses. This as well as other factors will be considered as we formulate our new medium-term management plan.

**Q4. As for your year-on-year MFD growth rate, in the first quarter non-hardware revenue was down 2% while hardware sales dropped a significant 18%. In the second quarter, however, both declined at the same rate of 40%. Please explain the reason for the significant difference in sales trend.**

A4. Depending on the region, the proportion between direct and indirect sales differs. This factor impacts non-hardware sales. In the second quarter, the reason why we posted a huge decline in non-hardware sales as compared to the first quarter is because print volume declined significantly over a period of three months in Europe, the United States, and Japan, where the proportion of direct sales and non-hardware sales are traditionally high.

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.