



## **Canon Inc.**

### **3Q 2020 Analyst Meeting**

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

**Q1. You announced a year-end dividend of 40 yen per share, which is the same as this year's interim dividend. How did you come to this decision, given that the business environment is improving in the third and fourth quarter?**

A1. Although we raised our full year projection, net income is still only expected to be 52.0 billion yen. As for the usage of funds, our first priority is to invest in growth and our second is shareholders return. The year-end dividend of 40 yen per share reflects our decision to give top priority to our growth strategy, which will allow us to raise our performance close to past levels, and subsequently lead to enhanced shareholders return in the future.

**Q2. Up until the third quarter, Medical System sales have been declining. Why do you expect sales growth in the fourth quarter? Additionally, do you expect the profitability of this business to improve going forward?**

A2. Up until the third quarter, hospitals gave priority to dealing with COVID-19. As a result, equipment purchases tended to be pushed out. However, we see the possibility for sales growth as progress is being made in business negotiations and equipment installations since entering the fourth quarter. As for full-year profitability, although it is lower, partially due to the impact of changes in foreign exchange rates this year, we will implement measures so that we can firmly raise profitability going forward.

**Q3. As for Office, what is the reason for the slower decline in fourth quarter profit, as compared to the trend up until the third quarter? Additionally, as competitors are focused on their office solutions business, please provide us with an update on your activities.**

A3. Although there is growing concern that COVID-19 will rise again in Europe and other regions, we are seeing a steady recovery in equipment installation and print volumes. Additionally, as for office solutions, we will continue to focus our efforts as a group, led by Canon Marketing Japan's IT solutions business.

**Q4. In the third quarter, your Imaging System business unit posted a significant recovery in profit and you are projecting profit growth for the full-year. What is behind this? Can you keep this level of profit next year as well?**

A4. As for cameras, we have recorded strong sales of new high value-added models since their launch in the third quarter. Additionally, profit has been bolstered by an increase in lens sales thanks to their synergy with cameras. As for inkjet, continued solid sales of consumables has led to high profitability.

This year, the launch of new competitive cameras coincided with the market's recovery, so we were able to increase sales without investing so much. From next year on, we will focus on profitability by improving the product mix and minimizing sales investment while assessing cost effectiveness.

**Q5. Please provide an update on the impact of COVID-19. Also talk about the costs and effects of this year's structural reform measures. Furthermore, is there a possibility that additional structural reform measures will be implemented going forward?**

A5. COVID-19 negatively impacted actual demand, production efficiency, and other areas. Overall, it had a huge impact on our performance, pushing down sales and operating profit an estimated 470.0 billion yen and 150.0 billion yen, respectively.

As for this year's structural reform, we are spending 15.0 billion yen and expect almost the same in benefit this year.

We thought we were done with structural reform last year after spending 30.0 billion yen. However, impacted by further deterioration of the business environment due to COVID-19, we are taking additional steps with a focus on overseas sales companies. We believe that we have taken the necessary measures towards optimization at this point in time.

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.