



Canon Inc.

3Q 2021 Analyst Meeting

Q&A Session Summary

Q1. Couldn't you avoid the supply chain issues? Do you think the utilization rates of manufacturing sites and the pricing of parts and materials will improve in the fourth quarter and in 2022?

A1. We could not avoid the impact of supply chain issues as it was not short term and the disruption was global in scale. The utilization rates of manufacturing sites are now back to normal. We are also taking steps such as the parallel production of the same product at multiple locations, which will help to minimize any impact, in the case that COVID-19 cases rise again. As for the increase in parts and material prices, we expect the shortages of semiconductors and other parts to be resolved going forward. However, the impact of resin material price increase, due to the rise in oil prices, will continue for a while.

Q2. Why do you expect fourth-quarter sales and profits to be lower than last year?

A2. Demand for our products is solid. The major factors for lower profit are the increase in costs of parts and material and the rise in logistical costs, which reflect, among others, a significant rise in sea freight costs and an increase in the use of air freight. This also reflects the high level of medical equipment sales last year, which was supported by government stimulus funds, as well as the pushout of some sales into 2022 due to the product supply shortage. As for cameras, during the year-end selling season, we expect a larger portion of sales to come from entry-class models and we budgeted for some increase in sales & marketing expenses. These factors are limiting camera profitability.

Q3. As for the Industrial & Others Business Unit, you said that third-quarter profit decreased due to development expenses being relatively high. Will the situation be the same in the fourth quarter and in 2022?

A3. As for Industrial & Others, this Business Unit includes not only lithography equipment and industrial equipment, but also new businesses that focus on materials and components, and the independent businesses of group companies. Although third-quarter operating profit decreased, reflecting higher than usual R&D and other expenses, we expect to record a significant increase in operating profit for the full year and will continue to make upfront investments in necessary areas. However, this will not have a significant impact on our overall performance.

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