



Canon Inc.

1Q 2025 Analyst Meeting

Q&A Session Summary

Q1. If you look at the impact of U.S. tariffs by segment, what is the order of magnitude?

A1. The order of magnitude of tariff impact by segment is proportional to the sales volume in the United States. A rough breakdown of sales shows that Printing accounts for about 60%, Medical for about 10%, and Imaging for about 25%.

Q2. In your presentation there is a statement about assuming additional tariff of 145% on China. Is it correct to assume that although this is factored into your plan, the impact is small?

A2. Since most of the products we produce in China is for the Chinese market and the amount exported from China to the United States is very small, we expect virtually no impact.

Q3. What is the level of product inventory held by your U.S. sales subsidiary? Did you take this factor into account when you calculated the tariff cost increase?

A3. Our U.S. sales subsidiary has about one- or two-months' worth of inventory. We did not simply calculate tariff costs for the next 9 months of this year. We also took inventory into account, estimated when the tariff costs will rise, and factored this into our plan.

Q4. Please talk about the status of the price increase. If additional tariffs are passed on to product prices, how much of a price increase will we see in the end market?

A4. We have notified major dealers that we will raise prices and are in the process of estimating the timing and amount of the increase. Since tariffs are borne against the cost of goods, the higher the cost ratio is, the higher the price rate increases. We will conduct a detailed analysis, including the cost of each product and where it is produced, and will determine the rate of price increase for each product.

Q5. Although you are projecting a cost increase of 56 billion yen due to the additional tariffs, why is the impact of price increase only 42.8 billion yen?

A5. The policy of responding to cost increases caused by additional tariffs with price increases is the same for all products. However, the timing of raising prices differs depending on the product segment and customer contract conditions. Additionally, some order-based businesses cannot pass on prices immediately because there are transactions where prices have already been agreed upon.

Q6. As for the impact of tariffs, what were your assumptions when calculating the reduction in sales volume due to price increases?

A6. As for the decrease in sales volume due to price increase, we calculated the impact based on our experience and with a focus on the United States. As we assumed that there will be no impact on other regions, if the tariff issue were to trigger a global recession, our assumptions will change. Also, for example, there are products such as cameras that are on backorder, and even if we cannot ship them to the U.S., we believe that we can ship those products to other regions.

Q7. How do you see the impact of tariffs playing out from the second quarter?

A7. As for the second quarter, there is inventory that was imported before the tariff rate increased. On the other hand, there are transactions where the price increases cannot be reflected immediately. Therefore, we estimate that the impact of tariffs will mainly occur from the latter half of the year.

Q8. If sales volumes fall short of expectations, will you be able to absorb the negative impact?

A8. It is difficult to accurately predict the extent of the impact that price increases will have. However, even if sales volumes fall further, we intend to maintain our outlook by reducing costs and expenses.

Q9. Are there any plans to ship products to the U.S. ahead of schedule and build up inventory during the 90-day grace period?

A9. We do not have plans to ship products to the U.S. ahead of schedule. Rather, we are more conscious of the risk of having inventory which does not lead to sales.

Q10. How do you see the impact of tariffs in comparison to your competitors?

A10. As for tariffs, we do not think there will be any significant change in competition because the terms of tariffs are the same. If the announced additional tariff of above 10% are applied, we will have an advantage in the field of cameras, as we produce more products in Japan than other companies. As for printing, since both our competitors and we produce globally, it is difficult to say which is better or worse. However, we recognize that companies which produce products in China and export to the U.S. will be at a disadvantage due to the exceptionally high tariff rate.

Q11. You have been optimizing your supply chain taking geopolitical risks into account for some time. Do you need to make any changes due to the impact of tariffs?

A11. Negotiations are underway between the governments of each country and the United States. We need to assess the outcome, including tariff rates. No decision has been made at this point regarding the restructuring of the supply chain due to the impact of tariffs. We are considering how to utilize our production sites, including Canon Virginia in the United States.

Q12. Looking at the results for the first quarter, the progress of costs linked to business structure review appears to be somewhat slow. Is this related to tariffs?

A12. The majority of the 20 billion yen in costs for the production structure reform is scheduled to be incurred in the second half of the year and we are progressing as planned.

Q13. As for your performance in the first quarter, was there any impact of last-minute demand due to tariffs?

A13. I am not aware of any last-minute demand in the first quarter. At least there were no requests for early shipments from our U.S. sales subsidiary. We did receive slightly more orders than expected from our OEM partner, but it is unclear whether this was intended as a measure against tariffs.

Q14. How do you see the performance of your Medical Business in the first quarter?

A14. Sales in the first quarter grew 2.3%, mainly due to sales growth in emerging markets. In the United States, which is a key market, orders have been steadily increasing as a result of strengthening our sales capabilities, and we expect high growth from the second quarter onwards. Profitability has improved from 4.2% last year to 4.9%, which is a good trend. However, we are still halfway to achieving our full-year target of 6.5%. We are currently working on business innovation activities and hope to see even greater results in the second half of the year.

Q15. Why did you lower your projection for sales and profits of your Industrial business?

A15. The recovery in demand for memory devices used in PCs and smartphones is slower than initially expected which has led to customers postponing their investment plans. As a result of reviewing our sales plan for semiconductor lithography equipment, we revised our outlook to reflect the sales of 19 units being pushed out into next year.

Q16. What is behind your announcement of an additional 100 billion yen in share buybacks in March? Also, why didn't you buy any shares in March?

A16. Given uncertain market conditions, we established an additional buyback program to enable flexible purchases. Since there were no major movements in the stock market in March, no buybacks were made.

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