Canon Inc.
3Q 2025 Analyst Meeting
Q&A Session Summary

Q1. As for operating profit in the third quarter, how much did it differ from your previous projection?

A1. The impact of postponed investments by customers on our Printing, Medical and Industrial Groups, exceeded expectations. As a result, operating profit was almost 10 billion yen below plan.

Q2. How long do you expect the impact of postponed investments on your Printing and Medical Groups as well as your semiconductor lithography equipment business to last?

A2. Printing is expected to gradually recover from the fourth quarter as details of additional tariffs are finalized and the future becomes clearer. As for Medical, while growth is expected in the United States and in emerging markets, it will take time for Japanese hospitals to recover from their weakened state. In semiconductor lithography equipment, demand for generative AI is strong, while demand for memory and power semiconductor devices is expected to recover from the second half of 2026.

Q3. According to the analysis of your third quarter operating profit, although net sales are up overall, the impact of changes in sales volume/product mix was negative. What were the reasons for this? Also please explain your expectation for the fourth quarter and after.

A3. In addition to a decline in sales of our laser printer business, the increase in the entry-level interchangeable-lens camera ratio compared to last year when we launched the EOS R5 Mark II was a major factor. From the fourth quarter on, we expect laser printers to recover once inventory adjustments are completed. As for cameras, in addition to continued growth in the sales of entry-level interchangeable-lens cameras, we will also promote and expand sales of full-frame models.

Q4. Please talk about the progress you are making in structural reforms and your future plans.

A4. As for sales structural reform, we have been working on it since last year, mainly in the United States, and this year the effect has been more than 20 billion yen. This year, we are implementing further reforms in Europe, starting in the fourth quarter and continuing into next year. As for production structural reform, it began in the second half of this year, and will accelerate in the fourth quarter, and continue to next year. Incurred costs will decrease next year, and profits are expected to improve. In medical business innovation activities, cost reduction is progressing smoothly, and by continuing to carry out the reform activities as planned, we aim for early realization of a profit ratio of 10%.

Q5. Please provide us with a breakdown of the 7.9 billion yen tariff impact in the third quarter.

A5. The cost increase due to tariffs was about 14 billion yen, and the effect from the price increase was around 15 billion yen, and the rest is changes in volume.

Q6. Please provide details about the amount of impact from U.S. tariff.

A6. The portion of the tariff impact by country, which was not factored into our previous projection because it was finalized just before our earnings announcement, is now included. We expect an annual increase in tariff costs of about 50 billion yen. We expect to offset 80% by price increases, and when including the changes in sales volume, we expect a negative impact of 22.2 billion yen in sales and 33 billion yen in profit.

Q7. Have you made any changes in your pricing strategy due to tariff cost increases?

A7. Basically, the policy has not changed. We will pass on costs through price increases when possible. As for the tariff rate applied in April, we raised our pricing by about 6 to 8% since June. For the tariff rate added in August, taking into account competition and product competitiveness, we will roll out price increases of 3 to 5% from October. We will decide our policy for next year after seeing how the price increase affects our sales volume.

Q8. As for Printing Group hardware, please talk about the significant decline in your full-year projection. Additionally, when do you expect this to recover?

A8. In the third quarter, Printing Group hardware sales declined significantly due to postponement of investment by customers. Though the overall market is contracting, the decline has become extremely negative due to this postponement which was caused by tariffs. We expect recovery from the fourth quarter. Additionally, orders for imageFORCE, our new series of office MFDs, are steadily accumulating and we expect to record them as sales in the fourth quarter.

Q9. In the second half of this year, you expect sales of laser printers to decline. Do you expect a recovery next year?

A9. Laser printer sales are projected to decline in the second half of this year as a result of early purchases in the first half of the year to avoid additional tariffs. We expect the level of sales to return to normal after customers adjust their inventory levels.

Q10. You lowered your full-year projection for the Medical Group. Is there a possibility for further impairment of goodwill?

A10. As for the Medical Group, we need to see when the markets of Europe and Japan, where we see customers postponing investments, recovers. In the United States and in emerging markets, we have been steadily accumulating orders and believe that growth will continue. Additionally, we are making steady progress in improving profitability through business innovation activities thus we are not concerned about an impairment of goodwill at this time.

Q11. As for your Imaging Group, please talk about your plan for strong growth in the fourth quarter.

A11. As for interchangeable-lens cameras, in addition to continued strong growth in entry-level models, particularly in China and Asia, we also plan to increase sales of full-frame models through sales promotions during the selling season. Additionally, we aim to boost sales of compact cameras for which we have backorders, as we have prepared the foundation for increased production.

Q12. Why did you lower your full-year projection for unit sales of semiconductor lithography equipment? Additionally, what is your outlook for next year?

A12. The main reason for the downward revision was a drop in sales of power semiconductor devices due to a decline in demand for EVs. However, the overall situation remains unchanged, with the number of units increasing significantly, particularly for back-end process applications, compared to last year. While AI-related demand will be strong next year, it will take time for memory demand to recover.

Q13. For lithography equipment used in back-end process applications where Canon has an overwhelming advantage, competitors are announcing their entry into this area. Are you seeing a change in the competitive environment?

A13. While we need to keep a close eye on our competitors, we currently recognize that our equipment, when used in mass production, has advantages in terms of resolution, productivity, and operational stability.

Q14. You expect financing cash flow to be quite negative in the fourth quarter. Is this an indication of share buyback?

A14. We are planning to repay debt in the fourth quarter. We already carried out 300 billion yen in share buybacks this year. This brings our total payout ratio to 136%. At this point in time, we do not have any plans for an additional share buyback.

Q15. When do you plan to announce your next 5-year plan？

A15. Discussions regarding the details of the plan are currently being fleshed out among directors. Although the specific timing has not yet been decided, we hope to make an announcement from the top management as soon as possible.

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