



Canon Inc.
1Q 2026 Analyst Meeting
Q&A Session Summary

Q1. Please explain the factors that caused operating profit in the first quarter to fall below expectations.

A1. The shortfall was mainly in Printing, where profits were below plan due to the impact of product and customer mix. By region, performance in Europe and the U.S. fell short of plan, with European sales impacted by the situation in the Middle East.

Q2. You explained that one of the factors behind the decline in profit in the first quarter was an increase in the proportion of products with lower gross profit ratios. Please provide details and explain your outlook for improvement from the second quarter onward.

A2. In Printing, profitability declined due to a higher proportion of indirect sales compared to direct sales which carry higher-margins. In Imaging, an increase in the share of entry-level cameras, and in Industrial, large-volume purchases of lower-priced products by major customers, resulted in lower overall profitability. From the second quarter onward, we plan to strengthen direct sales capabilities in the Americas for Printing. In Industrial, the concentration of sales to major customers seen in the first quarter is expected to normalize over the year, leading to an improvement in average selling prices.

Q3. Please explain the factors behind the additional 50.3 billion yen in costs related to memory.

A3. At the time of our financial results announcement in January, we were not fully aware of the entire impact. Our price assumptions were based on information available at the end of last year. However, memory prices have risen more sharply than expected since the beginning of this year. In addition, as we prioritized securing sufficient volume, we accepted a certain degree of price increases, including procurement at spot prices. Spot prices are approximately two to three times higher than contract prices.

Q4. Does your estimated impact of higher memory costs include cost increases resulting from advance purchases as well as reduction in sales volume due to supply shortages? Additionally, when will the cost increase be reflected in your P&L?

A4. The current plan only includes the impact of price increases for the memory required for this year and does not include any reduction in sales volume due to supply shortages. The cost increases will be reflected in the P&L at the time the products are sold.

Q5. Please provide a breakdown of the impact of memory costs by business segment.

A5. Within the 50.3 billion yen deterioration compared with our previous plan, approximately 20 billion yen is attributed to Printing, around 20 billion yen to Imaging, mainly cameras, and about 10 billion to network cameras.

Q6. Are profit improvement measures, such as price increases and internal cost-reduction efforts, included in your plan to offset higher memory costs?

A6. In response to the additional 50.3 billion yen cost increase, we plan to offset approximately half of the impact through profit improvement measures such as price increases and cost and expense reductions. However, as specific measures are still under consideration, we have only reflected the impact through cost and expense reductions rather than an increase in sales from price markups.

Q7. During your previous financial results announcement, you explained that the memory impact was 6 to 7 billion yen. However, this time you increased the expected impact to 13.1 billion yen. Please explain the reason for this change.

A7. During the Q&A session last time, we explained that the memory impact was approximately 6 to 7 billion yen, referring mainly to DRAM. While the impact of NAND was included in our plan, it was not explained at that time. Therefore, we have corrected and reflected the figures in our current plan.

Q8. Within the memory impact, how much is the cost increase from NAND? In addition, as NAND prices have risen further from April, do you see any additional increase in costs?

A8. Our current plan includes an impact of approximately 10 billion yen. As we have secured the required volume for this year, at this moment we do not anticipate a significant cost increase from what has already been factored in.

Q9. What is your outlook for memory procurement in the next fiscal year?

A9. We have secured the required volume of memory for this year. However, our outlook for the next fiscal year remains uncertain. In terms of pricing, we don't expect prices to increase further nor do we expect prices to decline at least through the first half of next year. We anticipate that prices will gradually begin to ease from the second half of next year, as memory device manufacturers expand their production capacity.

Q10. Please explain the details of the 5.4 billion yen impact related to the Middle East that is reflected in your full-year projection.

A10. This is a decline in gross profit resulting from reduced sales in the Middle East.

Q11. You mentioned that rising transportation and raw material costs have not been factored in to your revised plan. How large could the negative impact be if current conditions persist?

A11. At this point, some suppliers have requested price increases and we are in negotiations. However, we expect the negative impact to be limited. Internally, we are considering various measures to avoid cost increases, such as securing alternative procurement routes and switching to substitute materials. Ultimately, the extent of the impact will depend on the situation in the Middle East. If the issue is resolved within the first half of the year, the impact is expected to be limited and can be absorbed through internal efforts. However, if it continues through year-end, it would likely be difficult to fully offset the impact through internal efforts alone. Should costs rise significantly, we would also consider passing some of the increases on through product pricing.

Q12. You have many manufacturing sites in Southeast Asia. Could supply risks for various crude-oil-derived raw materials, stemming from the situation in the Middle East, have an impact?

A12. At this point, we have not heard of any supply-related issues at our manufacturing sites in Southeast Asia. They have lower exposure to crude-oil-derived materials than those in Japan.

Q13. With the possibility that material procurement costs may rise further in the future, is there a chance that your plans for structural reforms will change?

A13. As for sales and production structural reforms, specific plans have already been established and we intend to proceed as planned. As for medical business innovation, we will accelerate initiatives further and aim to achieve a profit improvement that exceeds the currently planned 10 billion yen for the full year.

Q14. Regarding the sales structural reform, what factors led to both costs and benefits being lower than in your previous plan?

A14. We are proceeding with negotiations with labor unions in Europe, but some discussions originally expected to conclude this year are being carried over to next year. While we have not significantly scaled-back our plan, we are revising it as needed based on the progress of negotiations.

Q15. Is there a risk that the deterioration in the business environment will make it difficult to carry out the structural reforms you are promoting?

A15. We are not considering halting or postponing structural reforms at all. Any delays relative to our original plan are solely attributable to prolonged negotiations with labor unions. Our plans remain the same.

Q16. In the first quarter, your sales of office MFDs declined compared with the same period last year. How do you plan to make up for this from the second quarter onward?

A16. Our sales of office MFD hardware declined in the first quarter because customers continued to postpone investment due to U.S. tariffs. However, sales of consumables and services increased, and overall demand for printing itself has not changed. Taking this into account, while investments are currently being postponed, we expect equipment replacements to proceed toward the second half of the year.

Q17. Why did laser printer sales in the first quarter decline significantly compared with the same period last year?

A17. In the first quarter of last year, there was a front-loading of sales ahead of an increase in U.S. tariff rates. This resulted in lower sales compared with the same period last year. On the other hand, compared with the second half of last year, when shipment adjustments were made due to weak market conditions, the decline is expected to be smaller than the year-on-year decrease seen last year.

Q18. Why did you lower your outlook for full-year camera sales from 2.95 million units to 2.90 million units?

A18. Since the year-end selling season last year, camera manufacturers' sales, including those of Canon, have been weaker than expected. As a result, market inventories have become slightly elevated, and combined with the impact of the situation in the Middle East, we lowered our outlook.

Q19. Please explain the factors for the upward revision to your outlook for unit sales of semiconductor lithography systems. From a manufacturing perspective, how will you address this strong demand?

A19. Compared with our previous plan, we revised upward our unit sales outlook for semiconductor lithography system by 14 units. All of these units are for memory applications. Orders for memory-related systems have surged and now exceed the number currently incorporated into our full-year sales forecast. As such, we are moving forward with increasing production to raise the number of system installations and acceptances. In July last year, we started operating a new factory for semiconductor lithography equipment in Utsunomiya. From a manufacturing capacity perspective, we are now well positioned to fully meet the rising demand. The current bottleneck lies in component procurement, and we are working to resolve this by strengthening our collaboration with suppliers.

Q20. What proportion of total unit sales do back-end process semiconductor lithography systems for advanced packaging account for? Will unit sales increase compared to last year?

A20. Back-end process semiconductor lithography systems for advanced packaging account for approximately 35% of total unit sales. Unit sales are expected to rise, but growth this year will be modest after last year's sharp increase.

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