Canon

Canon Inc.
2Q 2026 Analyst Meeting
Q&A Session Summary

Q1. Please explain how second-quarter operating profit performed versus plan, excluding the impacts of foreign exchange and tariff refunds.

A1. Operating profit fell short of plan due to lower sales resulting from production issues in Medical as well as higher raw material costs, mainly in Printing, resulting from the situation in the Middle East, which had not been reflected in our previous projection. Other than these factors, performance was generally in line with plan.

Q2. How have you incorporated changes in sales volume into your plans for the second half of the year versus last year?

A2. Sales volume declined significantly last year due to price increases implemented in the U.S., and we therefore expect sales volume to increase in the second half of this year compared with the same period last year. In addition, demand for semiconductor lithography equipment for memory applications is expanding, and we also expect higher unit sales in Printing driven by new products.

Q3. Please explain the balance between the third and fourth quarters in terms of sales and profit in the second half.

A3. Assuming the impact of the Middle East situation continues through the end of September, both sales and profit are expected to be more weighted toward the fourth quarter than in a typical year, as conditions are expected to normalize.

Q4. Regarding tariffs, is the positive impact of 58.0 billion yen in the second quarter compared with the previous year and 37.5 billion yen in the full-year outlook compared with the previous projection attributable to tariff refunds? Also, please provide the breakdown by segment for both the second quarter and the full-year outlook.

A4. For the second quarter, the positive impact was almost entirely attributable to tariff refunds. The same is true for the full-year outlook. However, since we have incorporated promotional activities to expand sales in the second half, the impact is smaller than the amount in the second quarter. More than 90% of the tariff refunds have already been received in the first half of the year, and only a small amount is expected in the second half. By segment, approximately two-thirds of the impact, both for the second quarter and the full year, relates to Printing, with the remainder attributable to Imaging.

Q5. Regarding the Middle East situation, please break down the impact into lower sales and higher costs. Which regions are assumed to experience lower sales?

A5. Of the total 34.6 billion yen impact resulting from the Middle East situation, approximately 8.0 billion yen is attributable to lower sales, with the remainder to higher costs. The higher costs include increases in production material and component costs associated with higher oil prices, as well as increases in utility and logistics expenses. The reduction in sales reflects lower sales in the Middle East and in Africa, where we sell products through Middle East distribution routes.

Q6. Please explain the factors for the 6.0 billion yen increase in the negative impact from rising memory prices. While memory prices continue to increase, what is your outlook for next year, including procurement risks?

A6. Memory prices are generally revised on a quarterly basis, and the current plan reflects current price levels and assumes a certain level of increase in memory prices going forward. Although there is a possibility of additional cost increase if prices rise beyond our assumptions, we do not expect significant fluctuations in memory prices for the remainder of the year.

Q7. Do you plan to offset the cost increases reflected in the current projection through price increases? Also, is the impact of price increases implemented to offset higher costs included in the "Pricing" category in the operating profit analysis (Presentation Material page 15)?

A7. We have already implemented some price increases against higher costs resulting from the Middle East situation and rising memory prices. Going forward, we will continue to evaluate additional price increases, including their timing, while considering the impact on sales volume. The effects of such price increases are included in the "Pricing" category.

Q8. In Printing, you mentioned that sales negotiations for printing equipment have recently become more active and that sales are expected to improve in the second half. Are there any regions in particular where signs of recovery are evident?

A8. This may be partly related to tariff refunds received by companies, but sales negotiations have become more active in the United States, which had previously been one of the markets most significantly affected by tariffs.

Q9. Please explain the details of the production issues in Medical, as well as their impact on sales and profit.

A9. Issues arising from the production system transition, as well as a disruption at a supplier, have prevented us from procuring components required for production on schedule, resulting in significant delays in product deliveries to customers. We are conducting individual negotiations with suppliers to secure earlier deliveries and plan to largely normalize production by September. In terms of business impact, we expect a negative impact on sales of approximately 15.0 billion yen in the second quarter and approximately 25.0 billion yen in the second half. We also expect a negative impact on profit of approximately 20.0 billion yen for the full year.

Q10. You have lowered your unit sales outlook for semiconductor lithography equipment by 11 units from the previous projection. Please explain the breakdown by application.

A10. While we have raised our unit sales outlook for memory applications in response to growing demand, we have lowered our unit sales outlook for power semiconductor and analog IC applications.

Q11. Please provide an update on the ramp-up of semiconductor lithography equipment production and what is your outlook for next year?

A11. Given the increase in demand from memory customers, we should ideally raise this year's unit sales target further, however, after a period of declining orders at the end of last year, demand is expanding rapidly and component procurement has not kept pace, and we are asking suppliers to accelerate production schedules. From next year onward, we expect production conditions, including those at suppliers, to improve, and production capacity is expected to increase by more than 20%. We therefore expect to be able to align production more closely with demand.

Regarding next year's outlook, we expect unit sales of both i-line and KrF systems to increase. As for i-line systems, demand for power semiconductor applications is expected to recover, and as for KrF systems, demand for memory applications is expected to continue increasing.

Q12. Regarding inventory, you initially targeted inventory turnover days of below 60 days. What level are you now expecting at year-end?

A12. Under normal circumstances, we target inventory levels of below 60 days. However, we are strategically increasing inventories of semiconductor components, particularly memory-related components that remain in tight supply. In addition, we are increasing production capacity in Industrial. As a result, we expect inventory turnover days to be approximately 65 days at this year-end.