



Canon Inc.
3Q 2026 Analyst Meeting
Q&A Session Summary

Q1. You indicated that production in the Medical business is expected to return to normal in the second quarter of next year. Could you provide more detail on that outlook?

A1. The operational disruption associated with the production system update has now been largely resolved. The reason production has not yet recovered is that, due to shortages of circuit boards, electronic components, and other parts, we have been unable to procure the quantities required. Our procurement team is using every possible means to secure these components, and we expect the situation to improve gradually. Based on our current outlook, we expect to be able to procure enough parts to meet our current production plan by the second quarter of next year.

Q2. In general, when production issues occur, order-taking activities tend to slow down, and it often takes time for sales to recover even after production returns to normal. Should we expect a similar situation in the Medical business?

A2. On the sales side, we have continued our order-taking activities while extending delivery lead times, and new orders remained at about the same level as last year through the third quarter. As medical equipment has a long service life, maintaining the customer base is important. We are working closely with customers by providing services that help them extend the life of their existing systems and by offering loaner units where necessary. At the same time, we are making every effort to increase production and deliver equipment to customers as quickly as possible.

Q3. Could you provide a breakdown of the downward revision to the Medical business outlook between the third and fourth quarters? In addition, could you explain the situation by product category?

A3. The majority of the negative impact is expected to be recorded in the fourth quarter. Looking at the situation by product category, the shortage of components is affecting diagnostic imaging equipment across the board, including X-ray and MRI systems, with CT systems being the most heavily affected.

Q4. Are the shortages of circuit boards and electronic components having any impact on segments other than Medical?

A4. Printing and Imaging are also facing component shortages, but there has been no major impact because we responded proactively. In the Medical business, however, operational disruption related to the production system update meant that orders for the required quantities of components could not be placed, which has delayed parts procurement.

Q5. Supply shortages are expected to continue driving higher costs in 2027. How do you plan to address this?

A5. For components that are in short supply, we are using every possible means to secure the quantities we need for next year. As a result, we expect higher procurement costs, but our policy is to offset those increases through price increases from next year onward. We have already been making pricing adjustments in response to cost increases as they occur, and we will continue to make decisions on passing on costs from a long-term perspective, while considering the potential impact on sales volumes and balancing that against profitability.

Q6. Why is your full-year projection for the impact of U.S. tariffs 17.9 billion yen better than in your previous projection?

A6. The favorable change was driven by two factors. First, the assumed tariff rate after the end of July was reduced from 15% to 12.5%, resulting in lower tariff costs. Second, we reduced the budget for strategic investments funded by tariff refunds, reflecting the fact that we have not been able to fully pass on higher memory and raw material costs through pricing, as well as the recovery in market conditions for the Printing business.

Q7. With uncertainty surrounding the situation in Europe increasing, what measures are you taking to mitigate the potential impact on your business?

A7. We recognize the increasing uncertainty in Europe, particularly surrounding the situation in France, as a risk. However, we have long been focused on reforming our sales structure to improve sales efficiency. Our priority is to complete these reforms and further improve business performance.

Q8. Looking ahead to 2027, what do you see as the key positive and negative factors compared with this year?

A8. On the downside, the positive impact of approximately 60-70 billion yen from tariff refunds this year will not recur in 2027. In addition, we do not expect memory and raw material prices to decline next year, and because these cost increases will affect the full year, they will remain a cost headwind.

On the upside, most of the costs associated with our structural reforms have already been incurred, and the benefits are expected to increase significantly from next year onward. In addition, orders for semiconductor manufacturing equipment are increasing, supported by very strong demand. Sales in the Printing business has also been recovering since the third quarter, and we expect that recovery to continue next year onward.

As for the Medical business, production issues had a negative impact this year, but the normalization of production and the resulting recovery in business performance are expected to become a significant positive factor going forward.

Q9. In the Printing business, we understand that the price increases implemented in Japan from September led to some purchases being brought forward ahead of the increase. Have you seen a similar trend in overseas markets?

A9. At this point, we have not seen any material increase in sales resulting from purchases being brought forward ahead of the price increase. Going forward, we expect to offset higher raw material and memory costs through price increases. As a result, there is a possibility of purchases being brought forward when future price adjustments are implemented.

Q10. You mentioned that market conditions in the Printing business improved in the third quarter. Could you provide more detail on what drove that improvement? In particular, office MFD revenue continued to decline through the third quarter. How do you expect to achieve revenue growth in the fourth quarter?

A10. Following the additional U.S. tariffs last year, there was a tendency, particularly in the U.S., to delay investments in printing equipment. As a result, projects that should have resulted in equipment replacements were held back for about a year. Those projects are now beginning to move forward, and office MFD orders have been running above last year's level since June and have recovered significantly. We expect this recovery to support revenue growth in the fourth quarter.

Q11. Could you explain the reasons behind the upward revision to your laser printer projection?

A11. For laser printers, in our previous projection, we took a conservative view, as we expected it would take time for our market share recovery initiatives to gain traction. However, sales recovered in the third quarter earlier than we had anticipated, which led us to raise our projection.

Q12. What drove the significant increase in inkjet printer unit sales in the third quarter?

A12. Sales of the new cartridge-model printers introduced in the second half of last year have been very strong. In addition, unit sales of our refillable ink tank models have been increasing, particularly in Asia.

Q13. In the Imaging business, why is fourth-quarter operating profit ratio expected to decline significantly compared to the same period last year? If costs remain elevated, should we expect profitability to fall below 15% next year as well?

A13. The main reason is that higher memory costs and cost increases resulting from the situation in the Middle East reduced operating profit ratio by about five points. In addition, network camera sales were particularly strong last year, which resulted in higher profitability.

At this point, we have not been able to fully pass these higher costs on through pricing. If these higher costs persist next year, we will absorb them through price increases.

Q14. Could you explain the reasons for lowering your sales plans for the Industrial business and compact cameras?

A14. For the Industrial business, the revision is due to delays in infrastructure preparations on the customer side. For compact cameras, component supply has not kept pace with strong demand. This is temporary, however, and we expect the situation to improve gradually.

Q15. You raised your full-year profit outlook for the Others & Corporate segment, and the fourth quarter is now expected to be profitable. What are the factors for this?

A15. We expect to record gains on asset sales and liquidations in the fourth quarter associated with site closures under our production structural reform initiatives.

Q16. Why has your full-year cash flow outlook for "Others" become more negative compared with your previous projection?

A16. This is mainly due to inventory. We expect the year-end inventory level to be around 70 days, which is higher than normal, as we are securing components that remain in short supply.

Q17. How are you thinking about capital allocation going forward? Since you have been active in share repurchases, has there been any change in your policy to achieve your ROE target?

A17. While it may seem that shareholder returns are taking priority, our policy has not changed. As we outlined in Phase VII of the Excellent Global Corporation Plan, growth investments remain our top priority. Over the five-year period, we will generate stable cash flow through structural reforms and reinvest it in growth areas. By doing so, we will improve our profitability while enhancing capital efficiency and work toward achieving our ROE target.

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