



## **Canon Inc.**

### **FY 2023 Corporate Strategy Conference**

### **Q&A Session Summary**

**Q1. You did not change your target for profitability in 2025. Going forward, how do you plan to significantly raise profitability?**

A1. We give priority to profit generation, not sales. One way we facilitate this is to develop high-margin competitive products. The second way is comprehensive cost reduction through in-house production and automation. We excel in both and believe this can be accomplished based on past experience.

**Q2. Why did you raise your target for stockholders equity in 2025 to 65% or higher?**

A2. We raise the figure based on the expectation that a stockholders equity ratio of around 65% would be achieved, when we repaid debt this year, improve our performance as planned through 2025, and provided a shareholder return based on a dividend payout ratio of up to 50%.

**Q3. What do you consider to be potential areas of future growth investment, especially M&A?**

A3. M&As that bolster new businesses such as medical and network cameras will continue to be a top priority. This is followed by materials.

**Q4. Do you have plans to sell units and/or parts based on proprietary Canon technology?**

A4. The Medical Group plans to sell semiconductor detector modules of Redlen Technologies to other medical equipment manufacturers. The imaging group also wants to sell lenses and VR units as components. Furthermore, new things have come up, such as the SPAD (Single Photon Avalanche Diode) sensors, which we plan to sell as a unit to expand component sales.

**Q5. How do you see the business operation of office MFDs going forward? The market shrank to some extent due to COVID. Do you sense any problem with your current sales structure?**

A5. Print volume has declined by about 20% compared to the pre-COVID level of 2019. However, we do not expect equipment sales to taper off. Rather we expect an increase in business discussions involving a higher mix of A4 models as compared to office-focused A3 models. We have strong products not only A3, but also A4, which we can use to expand sales. Even in a market where growth is difficult, we will try to increase sales by taking action where we are missing out and increase our market share. As for the sales structure, in addition to the shift to products with less service load through the adoption of platforms, we believe that the deployment of smart services through the cloud will improve the efficiency of service personnel and reduce sales expenses.

**Q6. What is your strategy for growing your IT solutions business?**

A6. Until now, regional sales companies have been the main players in promoting this business. Now, as the Printing Group, we intend to expand our solutions globally. There are solutions that contribute to sales in Europe and the United States, such as workflow software for commercial printing and software that handles everything from office printing equipment to print management. We will work to expand their contribution by introducing them to the Japanese market as well. In Japan, where Canon Marketing Japan has a wealth of original solutions, we plan to increase overall sales, including the expansion of these products overseas.

**Q7. Other office equipment companies seem set to complement each other's production. How will Canon respond to this move? Also, is becoming an OEM supply, like with laser printers, a possibility?**

A7. Organizing by industry provides the Printing Group with sufficient resources for development, production, and sales. We are not considering joining forces with other companies at this time. Instead of increasing resources, we will grow by increasing efficiency under the current system.

**Q8. The interchangeable-lens camera market has significantly decreased in terms of unit sales. As a result, I believe high value-added products have become a larger portion of the overall market. What is your outlook for the interchangeable-lens camera market going forward?**

A8. Over the past two years, supply has not kept up with demand. Last year, 70% of the interchangeable-lens camera market was mirrorless cameras. The remaining 30% was DSLRs. As the DSLR market shrinks, demand for mirrorless cameras is increasing to balance the entire market. We expect this situation to basically remain the same over the next several years.

**Q9. Amid the growing number of camera users that are video-oriented, what is your growth strategy?**

A9. In response to user needs, we traditionally offered mirrorless and SLR cameras for still images, and professional camcorders and CINEMA EOS for video. Going forward, however, we will expand sales by offering highly competitive products in the area where still images and video are fused, which is only possible because we have both devices.

**Q10. As for network cameras, you currently seem to be in a phase of upfront investment. What is your outlook to improve profitability going forward?**

A10. The Imaging Group's high profit ratio of 15.8% last year was due in large part to the size of our strong interchangeable-lens camera business. Of course, we are also making a profit with network cameras. Our plan is to improve profitability, while continuing collaboration among group companies and investing in necessary development.

**Q11. Does the Medical Group intend to shift its M&A focus away from modalities?**

A11. Our Phase VI growth strategy is focused on diagnostic imaging equipment. Healthcare IT is positioned as a preparation phase for the future, but we will also consider mergers and acquisitions, if the opportunity arises.

**Q12. When nanoimprint is used in semiconductor device fabrication, what level of detail can you achieve? Additionally, when will nanoimprint start contributing to sales?**

A12. Internally, we have made prototypes and verified line widths at the 10 nm level. Nanoimprint is a technique that faithfully reproduces the original mold. Depending on the original mold, finer processing is possible. We believe nanoimprint technology could be used in the processing of 2 nm logic IC nodes which we are striving for in a New Energy and Industrial Technology Development Organization (NEDO) project.

As for when this will start contributing to sales, this really depends on customer. As for the product, its level of completeness is very high.

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