

Canon Inc.

Excellent Global Corporation Plan Phase VII Conference

Q&A Session Summary

Q1. As for your ROE target, will you achieve it mainly by improving your profit ratio?

A1. In addition to improving our profit ratio, we will raise ROE by reducing capital through share buybacks.

Q2. In formulating your 5-year plan, what were your FX assumptions and why?

A2. Given today's politically charged global economy, making appropriate exchange rate assumptions is difficult. Our plan is based on exchange rates of 150 yen to the U.S. dollar and 175 yen to the euro, and while responding to any slight changes, we aim to achieve our targets.

Q3. You mentioned M&A as a part of your strategic investment. What is your basic stance towards M&As?

A3. Our aim for M&A is to contribute to strengthening and growing our businesses. The main idea is to take the technologies acquired through M&A and combine them with our existing businesses to create synergy and drive further growth. We're not considering completely different industries; specifically, we want to move forward in areas related to medical and semiconductors.

Q4. Based on your M&A activities, how will you proceed with post-merger integration going forward?

A4. After the M&A, we will thoroughly introduce our proprietary production methods to raise production efficiency and further promote Canon's methodologies.

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Q5. Did you introduce your automated production method to Axis?

A5. Axis has an excellent production system, and since they have maintained double-digit operating ratios since the acquisition, we have not introduced our production methods.

Q6. How will your ratio between domestic and overseas production change going forward? Additionally, what will happen if the yen appreciates significantly?

A6. Low-priced products will be outsourced and mid-range and high-end products, will be shifted to domestic production using automation and man-machines through the combination of robots and humans.

If the yen strengthens significantly in the future, the situation might change but for now, we are proceeding with these two approaches.

Q7. As for production, how will you respond amid rising geopolitical risks?

A7. From a risk hedging perspective, we will outsource the production of products and components and promote the return of production to Japan through labor saving.

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Q8. Regarding the sales strategy, please tell us about the review of your direct vs. indirect sales ratio in Europe and your efforts to develop emerging markets.

A8. In Europe, due to historical reasons, printing products have a high proportion of direct sales. Since labor costs have been rising, we aim to improve efficiency and secure profits by using direct sales mainly in urban areas and shifting to indirect sales in other regions. For direct sales, we plan to expand sales, strengthening our approach by customer segment, such as hospitals and educational institutions that have significant printing needs. As for emerging markets which are experiencing double-digit growth, we will focus on countries and regions within Africa and South America. Printing is said to be a mature business, but sales are still growing in this area, and we believe there are still various opportunities.

Q9. Please explain your stance regarding financial leverage.

A9. Our top priorities are the growth and stability of the company and not damaging our financial position. However, we will consider taking on debt, if necessary, as we have done in the past with borrowing for conducting M&As to rebalance our business portfolio.

Q10. In Phase VI, you were targeting a dividend payout ratio of around 50%. In Phase VII, you lowered this to around 40%. Please explain your intension.

A10. As for the dividend, the target of around 40%, is the same level as the current dividend payout ratio and the dividend will be increased by improving business performance. In combination with this, we will also carry out share buybacks flexibly, providing comprehensive shareholder returns.

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Q11. Over the next 5-years, what level of share buyback do you contemplate?

A11. We do not have a budget specifically for share buybacks. Dividends will be distributed and share buybacks will be carried out based on both the current situation and the near future, such as share buybacks when stock prices decline.

Q12. As for Printing, you plan to expand sales by raising your share in a market that is not growing. How do you plan to accomplish this in each category, such as office MFDs, laser printers, and inkjet printers?

A12. We are not looking at market share based on the sale of hardware in each category. Rather we are focused on how to increase our overall value share of the entire printing market, which includes hardware, services, and consumables.

Q13. How do you plan to grow your IT solutions business? Will this be a concerted effort within the Canon group?

A13. In the past, sales companies offered solutions tailored to their local region. As devices have become digitally connected, Canon Inc. is now developing core solutions and preparing services to roll out and offer in each region.

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Q14. As for Medical, what are the growth drivers in the latter half of Phase VII?

A14. In the first half of Phase VII, we will focus on structural reforms to recover and improve our ability to generate profit. In the latter half, we will expand sales, by introducing products centered on CT and ultrasound systems that incorporate technologies developed in the first half. Moreover, in the U.S. market, which is the largest and most influential market in the world, it is important for us to increase our presence. And working with the University of Pennsylvania to evaluate our photon counting CT, we aim to increase the recognition of our technologies and product value in this market.

Q15. Please talk about the kind of changes we can expect to see in your Medical business going forward?

A15. On the sales side, in the United States we plan to roll out additional measures that strengthen the areas where we were lacking, based on the results we have achieved so far. Furthermore, although each region has traditionally conducted its own sales activities, we will expand the successful sales processes and management methods used in Japan to countries in Asia such as India, and the Middle East, aiming for overall optimization. In terms of our ability to generate profit, since 2024 we have been improving our performance by leveraging the full capabilities of the Canon Group. In 2025, we achieved approximately 10 billion yen in positive effects, and we will continue these efforts this year and next year to further promote a recovery in our ability to generate profit.

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Q16. What is the breakdown of the 5% sales growth in Imaging?

A16. We aim to grow our network camera business, which is basically AXIS, at an annual rate of 10%. The rest will come from cameras.

Q17. Please share with us any quantitative targets that you may have for nanoimprint, including net sales and number of units.

A17. We do have internal targets for revenue and unit sales, but they depend on how customers adopt and use the technology at each phase. As this is not solely up to us, we decided not to disclose them. Over the next 5-years, we intend to develop this into a solid growth business. As for semiconductors, the market is expected to continue growing at around 10% annually. By expanding our share not only in existing i line and KrF, but also in ArF, we believe we can achieve our target of 10% sales growth.

Q18. What is your strategy to secure talented human resources?

A18. To secure highly talented human resources, we established a system to recognize outstanding engineers as Top Scientists or Top Engineers and to assess them accordingly.

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Q19. What is your stance regarding listed subsidiaries? Is there a possibility for Canon Marketing Japan to become a wholly owned subsidiary?

A19. When the parent company has too much influence, the subsidiary loses its independence, which can end up disadvantaging minority shareholders of the listed subsidiary. However, Canon Marketing Japan is independent in terms of personnel, financing, and is an excellent company with high profitability and dividends. Therefore, its shareholders are not placed at a disadvantage.

Q20. Please talk about Canon's succession plan.

A20. We have an excellent management team, including executive officers. We will choose the person best suited to carry out our Phase VII plan from among them. However, there is nothing specific to announce here.

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