



## **Canon Inc.**

### **FY 2020 Analyst Meeting**

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

**Q1. Regarding your office business, which is expected to be the driver of your profit growth plan for 2021, what is your outlook for the business environment, including the rate at which you expect people to return to the office and the rate at which you see office equipment being utilized?**

A1. Among our businesses, office equipment was hit the hardest by COVID-19. The operation of MFDs and other office equipment fell sharply due to lockdowns and other factors, leading to a decline in sales and profits. However, we expect our performance to improve as the level of office equipment operation recovers with people returning to the office.

As for the business environment, in the first half of 2021, we expect current restrictions, which limit people returning to the office, to continue. However, as we enter the second half of the year, we expect the ratio of people returning to the office to gradually increase mainly thanks to the vaccine rollout. Although we expect the market to continue down a path of recovery, which started in the fourth quarter of last year, we do not expect it to return to a pre-COVID-19 level, as the operation of office equipment is expected to recover only to about 90%.

**Q2. You expect the Imaging System Business Unit to continue to perform well in 2021. How will you increase sales and maintain high profitability of inkjet printers and cameras?**

A2. As for inkjet printers, we expect people to continue working and learning from home, particularly in overseas markets. This will contribute to steady sales of not only hardware, but also consumables, supporting our expectation for sales to increase this year as well.

As for cameras, we expect a slight increase in costs compared to last year, when we did not spend much on sales activities due to COVID-19. However, we expect to maintain high profitability this year as well, thanks to the full-year contribution of highly competitive products such as the EOS R5 and EOS R6.

**Q3. How does having or not having the Olympics affect your business results?**

A3. If the Olympic Games are held, we have plans to extensively use the event for sales promotion of cameras and other products, as we have done in the past. As a sponsor, we have high expectations for the Olympics Games to be held, but the impact of the Games on our results will be limited.

**Q4. You aim to increase your MFD market share through new products. Are you focused on a particular region? How about office-related services like your competitors? Please highlight some key factors that are needed to achieve market share gain.**

A4. Instead of focusing on a specific region, the new products will be launched worldwide, facilitating our aim to increase our market share in each region. In the area of office-related services, one of the pillars of our strategy is to support corporate digital transformation with products that integrate paper and digital information. Additionally, we will develop products to support working from home in order to respond to the changing demand for printers as people work in more diverse locations.

**Q5. In 2021, expenses are expected to increase by about 90 billion yen from the previous year. What kind of expenses are you thinking of increasing?**

A5. First, we have been able to reduce expenses through the structural reforms we implemented over the past 2 years (2019-2020). However, with the aim of expanding sales in 2021, expenses related to strengthening our new businesses as well as promotional expenses associated with the resumption of sales activities will increase. Additionally, some expenses that were curbed in 2020 due to restrictions on business activities will need to be increased in 2021.

The increase due to sales expansion will be partially offset by efficiency improvement. As a result, the total expense increase is expected to be around 90 billion yen. However, we expect our expense ratio to improve from 40.0% in 2020 to 39.6% in 2021, and we plan to not increase expenses as much as sales growth. Going forward, we will continue to make efforts to reduce expenses.

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