



## **Canon Inc.**

### **2Q 2023 Analyst Meeting**

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

**Q1. MFP non-hardware sales have remained solid. What is driving this and is this sustainable?**

A1. We expect MFD non-hardware sales to be stable this year as hardware sales are strong thanks to the recovery in product supply, and though it will not return to a pre-COVID level because print volume is on a recovery trend. However, over the medium- to long-term it is difficult to expect expansion.

**Q2. You are projecting laser printer sales to be stronger in the second half of the year than in the first. What assumptions did you make when developing your plan?**

A2. In the second quarter of last year, sales were at a high level as we were in a phase of product supply recovery. This makes our results in the first half of this year look bad. In the second half of this year, new medium- to high-speed models that were launched in April, which have been well-received by the market, will drive sales recovery.

**Q3. Why did you lower your projection for inkjet printers? Additionally, your plan still calls for sales to be higher in the second half of the year as compared to the same period last year. Please explain.**

A3. The major reason for lowering our projection was rapidly slowing work from home demand, linked to a policy change in how COVID is handled in China. In the second half of the year, we expect our performance to improve as we aggressively promote sales of our expanding lineup of refillable ink tank models.

**Q4. Ricoh and Toshiba Tec announced plans to integrate R&D and production functions. Do you have a similar strategic story?**

A4. We already have sufficient R&D, production as well as sales and marketing capabilities. At this point in time, we do not feel there is merit in working with other companies.

**Q5. It looks like you expect camera profitability to slightly decline in the second half of the year, as compared to the first. Please explain.**

A5. Due to recovery in competitors' ability to supply products, we expect the competitive environment in the second half of the year to be more severe. Therefore, we planned for higher marketing expenses. On top of this, we plan to increase the percentage of sales coming from entry-level products through the contribution of new products.

**Q6. Why did sales of Network Cameras & Others decrease in the second quarter on a local currency basis?**

A6. Sales of network cameras continue to grow at a high rate. The decrease is due to "Others" as sales were at a high level in the second quarter of last year because of the launch of a new cinema camera.

**Q7. As for Medical profitability, what explains the significant improvement in profitability you are projecting in the second half of this year?**

A7. In addition to progress in installing MRI and ultrasound equipment for which orders were increasing in the first half of the year, in the second half of the year, we expect strategic CT systems to start contributing to sales. We also expect an increase in service revenue coming from large-size systems where sales have been expanded. As a whole, this will lead to sales and profit growth in the second half of the year.

**Q8. What is your future outlook for semiconductor lithography equipment used in backend processes?**

A8. We are seeing increasing orders and sales this year, and we expect sales to increase even further from next year on, as our i-line steppers are used in the backend process of GPU manufacturing for generative AI.

**Q9. As for Others & Corporate, why do you expect higher expenses in the second half of the year as compared to the first?**

A9. In addition to the increase in depreciation and development costs due to construction of a new building in Hiratsuka, the cost of holding Canon EXPO is factored into our plan.

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