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April 22, 2026
Canon Marketing Japan Inc.

FY2026/1Q Financial Results
Q&A at Presentation Meeting for Analysts

Date and Time: April 22, 2026, 16:30-17:30
Format: Zoom webinar
Presenters:
- Hatsumi Hirukawa, Director and Senior Vice President (in charge of group planning and group communication)
- Tsuyoshi Osato, Director and Senior Vice President (in charge of group finance & accounting)

[Q1-1]
You stated that net sales and income beat your forecasts for the first quarter, but to what extent did you do so?

[A1-1]
If we balance out the projects that were shifted from the second quarter to the first quarter, and those that were pushed back from the first quarter to the second quarter or beyond, there was an impact on sales of around 2 billion yen in the first quarter.

[Q1-2]
What about income?

[A1-2]
In the Enterprise segment, projects without that high a gross profit margin were brought forward, so in terms of the amount of income, it was slightly above expectations.

[Q1-3]
Did you expect from the start of the period that income levels would be high in the first quarter and

drop off in the second and subsequent quarters?

[A1-3]

Our forecast values for the second quarter and beyond may appear to be conservative, but we plan to continue to beat our forecasts. However, more recently, memory prices have been rising sharply, and risks such as the situation in the Middle East have materialized. Taking those factors into account, we have decided that an upward revision to our forecasts is not warranted at this point.

[Q1-4]

As a factor behind positive income in 1Q, you mentioned the smooth release of high value-added products and services. Will that trend persist in 2Q and beyond?

[A1-4]

In 1Q there was a decline reflecting a tough comparison with higher PC sales in the same period last year. However, our sales representatives in each department have been developing high value-added businesses such as security, and due to an increase in products and services generating high gross profit margins as a percentage of the overall product mix, income surpassed our forecasts as a result. We will continue with this approach to developing proposals going forward, so we believe that if risks do not materialize, we can produce figures that beat our forecasts.

[Q1-5]

On the topic of risks, you mentioned that in terms of 1Q performance, you had not seen impacts such as procurement being more difficult than expected or prices rising. Do you expect those risks to materialize in 2Q and beyond?

[A1-5]

Your understanding is correct. In 1Q, we were able to cover the impact because we made provisions at the end of last year, but going forward, we will be carefully monitoring the situation in terms of whether we will be able to procure PCs, servers and other equipment.

[Q1-6]

Are there concerns that the procurement of Canon products will also become unstable?

[A1-6]

At this point we have not received information of that nature from our parent company. However, we have received information about the price of memory rising sharply, and there is ample possibility that this could have an impact from the second half of the year onward. Even under those circumstances, we will pursue proposal activities that ensure we are able to provide value to customers.

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[Q1-7]
Under IT solutions ("ITS," hereafter), you noted that Service/Outsourcing was up 5% year on year, but as you mentioned that Primagest and the Makasete IT series have performed smoothly, I get a sense there is room for slightly more. Were there any special factors at play in the previous year?

[A1-7]
The business has proceeded smoothly. Last year, Service/Outsourcing accounted for 26% of the segment, but we have managed to increase that to 28%. Makasete IT subscriptions have also increased, but the unit price per subscription is not that high. We expect the composition ratio of business from Service/Outsourcing to steadily increase as we build up the number of subscriptions while keeping cancellation rates under control.

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[Q2-1]
This is the first report of financial results since your new Medium-Term Management Plan was announced, and it seems you have gotten off to a very smooth start. I would like to ask two things about your financial strategy. The first is to do with the utilization of liabilities. Over the course of the plan, which runs up to 2030, it appears that Canon MJ ("CMJ," hereafter) has not ruled out the option to make use of liabilities. What indicators will you use as a guide for an upper limit on liabilities financing and financial stability considerations, and how high will you set that limit?

[A2-1]
We can clearly state that we indeed have not ruled out the possibility of utilizing liabilities for leverage purposes. However, at this point, since we have ample cash on hand, the extent, timing and specific amounts of liabilities we might take on are something we will be exploring and making decisions about while monitoring our progress in each period going forward.

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[Q2-2]
My second question is about cash allocation. You have disclosed your cash allocation policy up to FY2030, but I would like to ask how you see your level of cash and deposits evolving by the end of 2030, assuming this proceeds smoothly according to plan.

[A2-2]
In our most recent announcement, we clearly laid out our plans to generate 300 billion yen in cash

over five years, 200 billion yen of which will be allocated to growth investments, with the remaining 100 billion yen directed to dividends. This is our approach of utilizing the cash earned from our core operations for growth investments and shareholder returns instead of retained earnings. We are currently acquiring treasury shares and as of the end of March, cash and deposits stand at around 130 billion yen. These are funds set aside for future M&A activities, and as it is possible that we will make additional acquisitions of treasury stock, we have not clearly defined an appropriate level for this metric as of the end of 2030. What we can share is that this 130 billion yen is not something we will steadily increase.

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[Q3-1]
Regarding PC sales, you reported a decrease of around 2 billion yen from your forecast, but if gross profit margin is the standard 10%, would we be correct in assuming the negative effect on gross profit was around 200 million yen? In addition, for the full year, what range of negative impacts from PC sales have you incorporated into your forecast?

[A3-1]
The gross profit margin for PC sales on a standalone basis is low, but since Canon System & Support Inc. (Canon S&S) and the GB Solution Headquarters have developed peripheral added-value businesses to PCs, there is an impact from those decreases. In addition, over the full year, we have incorporated a sales decrease of around 10 billion yen, which is four times the 1Q result, into our plans.

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[Q3-2]
Are personnel expenses a major component of the decrease in SG&A expenses? What components of SG&A expenses have declined, and will that decline be sustained over the full year?

[A3-2]
SG&A expenses declined by around 1.5 billion yen in 1Q, but the majority was due to a decrease in retirement benefit expenses. With retirement benefit expenses, a large difference emerged in mathematical calculations due to the market valuation of pension assets at the end of last year, and those assets are amortized each year based on remaining years of service. As a result, retirement benefit expenses for this year declined by around 1 billion yen in 1Q. As the same amount applies each quarter, we expect a decline of around 4 billion yen over the full year. As we implemented wage increases starting in April, salaries have increased. However, as there are also decreases due to the natural attrition of personnel, we expect those trends to offset one another. You can look at the decrease in personnel expenses as mainly due to a decline in retirement benefit expenses.

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[Q3-3]

Would it be correct to assume that personnel expenses will decline by around 4 billion yen annually?

[A3-3]

A little under 4 billion yen.

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[Q3-4]

Regarding your briefing on 2Q to 4Q, do we need to view that period with so much caution? Are there any factors that would lead to increased expenses, on a calculated basis? If personnel expenses are going to decrease, do you expect that much of an increase from logistics expenses and other factors?

[A3-4]

The reason we are projecting SG&A expenses on the higher side from 2Q is due to R&D expenses such as PoC. We have been proactively investing in CVC and new businesses, and from 2Q onward, we expect to incur PoC- and PoB-related expenses. If the timing of those activities is pushed back to later periods and the expenses are not incurred, we expect P/L to improve by a corresponding amount.

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[Q3-5]

Are these PoCs mainly developments in new business fields related to the ITS business?

[A3-5]

They are future-oriented PoCs to create new businesses, including ITS.

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[Q4-1]

In 1Q you recorded a gain on the sale of shares. You pursued sales last year as well, and I assume gains on sales will continue to emerge this fiscal year, but have these gains been factored into your full-year forecast for net income?

[A4-1]

This year we will continue with our policy of actively reducing strategic shareholdings through sales. We also proceeded with the reduction of strategic shareholdings in 1Q, and this has been factored into our full-year results. Going forward, we expect to see a little more gains from the sale of these shareholders throughout the year.

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[Q4-2]

I believe that even now, CMJ has strategic shareholdings in dozens of companies, but have you formulated a future reduction target?

[A4-2]

For the major stocks, we made a great deal of progress with reductions last year. The listed companies in which we currently hold stocks are in the single digits. Among them, there are stocks in which we have invested in a startup as a capital and business alliance with the aim of developing business together, rather than strategic shareholdings. In fact, there are not many stocks that are being targeted for reduction as strategic shareholders, and out of those, we are looking to make progress with reductions this year with several of them.

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[Q5-1]

Specifically, which fields will be impacted by the situation in the Middle East? I think that Canon will be impacted globally, but for CMJ, will there also be an impact beyond general expenses?

[A5-1]

As CMJ conducts business in Japan, there is no direct impact. However, rising resource prices are passed on in various areas, and this introduces the possibility of costs rising, and also trends where our customers hold off on making investments. At this point, we have not seen any specific figures, and are monitoring the situation closely.

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[Q5-2]

If there is a trend of restrained investment, what are the main industries in which you expect this will occur?

[A5-2]

As the working population in Japan will gradually decline, we expect that IT investment among companies that aim to raise productivity will continue to be strong. However, we think it is possible that the manufacturing industry dealing with chemicals, for example, will be impacted. Having said that, at this point, we have not heard any feedback about specific actions to hold off on IT investments, and it is just a situation we are closely monitoring as a potential future risk.

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[Q6-1]

In your response to question Q1-1, you mentioned that roughly 2 billion yen in sales had been brought forward, and that the impact on income was not that large. Does that mean that you have only communicated the amount that was brought forward from 2Q onward, and that compared with your initial plan, there is an upside of at least 2 billion yen?

[A6-1]

Your understanding is correct. The projects brought forward were not the kinds that generate high levels of gross profit. We have managed to improve the quality of our proposals, including with regard to Canon products, and this has allowed us to increase volume without reducing unit sales prices. In the area of security, we also provide customers with services that command high unit prices, and the same is true of imaging solutions. Overall, the percentage of high-unit-price products and services in total sales increased, and income surpassed our forecasts as a result.

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[Q6-2]

How much progress in relation to your plan were you hoping to make in the first quarter? What is your take on these results in terms of the levels you achieved?

[A6-2]

Although we will refrain from sharing specific figures, we had not planned to achieve record-high income.

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[Q6-3]

Should we interpret that to mean that income was much better than expected?

[A6-3]

Your understanding is correct.

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[Q6-4]

Regarding retirement benefit expenses, am I correct in understanding that personnel expenses decreasing due to differences in mathematical calculations was something in line with your initial expectations?

[A6-4]

Your understanding is correct. The details have already been factored into the figures that have been announced publicly.

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[Q6-5]

In light of that, I would like to ask about your 1Q results. In the areas of security and imaging solutions, you sell products and services that command high unit prices, and that improved gross profit. Going by what you have said in the past, my understanding is that since you are transitioning the business into a service-oriented model, you will gradually build up recurring revenue over time, rather than generating significant earnings from the outset. In this 1Q period, did you have a surprising degree of success with non-recurring transactional revenue, or was the build-up of this recurring revenue more than expected?

[A6-5]
It was both. Makasete IT is a recurring business, while imaging solutions include both recurring business and packages. It is difficult to illustrate the ratios quantitatively. The fact is that while there were some projects that produced strong initial earnings, in other areas our recurring business improved. However, our understanding is that the recurring business outweighed the initial earnings.

[Q6-6]
In the sense that there was an upside with respect to your plans, does that mean that since package sales performed strongly, you will be monitoring that area closely in 2Q and beyond? If most of the business you generated was recurring business, it would suggest that if the first quarter was good, this trend would continue.

[A6-6]
When SMEs replace their PCs, etc., we propose security and network solutions at the same time. If there are constraints to the supply of PCs and servers due to memory shortages, we will not be able to make those kinds of proposals, and the replacements could end up being carried out on a standalone basis. Since there is uncertainty as to what extent we will be able to make those proposals, we are watching the situation closely.

[Q6-7]
In relation to the memory shortage, how did companies behave during the January-to-March period? You mentioned that for PCs, there was a decline of around 2 billion yen as forecast, but with all the talk about memory shortages, did you also see trends of customers trying to bring forward their purchases while memory was still available? If that was the case, from 2Q and beyond, I assume there will be a risk of a slowdown. You said that results were on track in relation to the plan for 1Q. What was the mood in terms of how companies are behaving?

[A6-7]
Our customers that are large corporations replace a certain number of PCs periodically, regardless of updates due to the end of extended support for Windows 10. However, among SMEs, there is a sense that many timed their replacements to coincide with the end of Windows 10 extended support. Since the end of last year, demand has exceeded supply, and memory prices have been rapidly rising. For

this reason, from that time and throughout 1Q of this year we have been conducting sales while informing customers of this. As you indicated, in addition to whether products will continue to be supplied, there is a high probability that when products do arrive, they will cost more. That is why we expect that the rebound will strengthen going forward. If we used a simple calculation to extend the 2 billion yen decline from 1Q to the full year, it would be 8 billion yen, but it is possible that the rebounding effect will be even greater from 2Q and beyond.

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[Q7-1]
I would like you to go into a little more detail about pages 7 through 9 of the presentation materials. You have repeatedly used phrasing suggesting that high value-added products and services were a larger percentage of total sales, but it is hard to understand exactly what that entails. Listening to your explanation, I think there are a variety of factors at play, but I hope you can reflect those in the materials. Language regarding increasing SG&A expenses also appears repeatedly in the full-year forecasts for each segment. Do you have plans to make improvements in that area?

[A7-1]
As we deal with a wide range of products, we regret having not elaborated on those details sufficiently. We would like to take your valuable feedback into account and make improvements so that the information we communicate is easier for everyone to understand.

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[Q7-2]
Regarding the breakdown of SG&A expenses, are R&D expenses included under "other," or will they increase as personnel expenses? Additionally, what category includes logistics expenses? As SEs will increase, does that mean personnel expenses will also increase?

[A7-2]
Logistics expenses are included as part of the 4.7 billion yen under "other direct selling expenses." R&D expenses fall under "other selling expenses," and partially under "other direct selling expenses." As we recognize SE expenses to be cost of sales, they are not included as part of personnel expenses under SG&A expenses.

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[Q7-3]
In that sense, will you be recruiting experienced engineers who can start actively contributing right away?

[A7-3]

Your understanding is correct. We recognize them as an element of costs in terms of the activities they perform.

[Q7-4]

Would it be correct to assume that if PC purchase prices increased, you would pass on all of those increases through your sales prices?

[A7-4]

For PCs, since there are no ways to substitute them for other items, our policy is to pass on those costs.

[Q7-5]

Will you be able to pass on price increases for purchased products other than PCs as well?

[A7-5]

We have already started to pass on price increases for B-to-C products, and we have been making efforts to explain these developments to customers and have them take on those increases.

[Q8-1]

In the Area segment, margins are higher in 1Q than 4Q. I assume that margins have improved as a result of changes to your organizational structure and sales structure in the previous year, but do you expect to improve margins in a similar fashion going forward?

[A8-1]

In the Area segment, we expect that trend to continue in the future. There are two reasons for that.

The Area segment is split into two parts, a division that deals with distributors, and the direct sales division of Canon S&S. For the distributor-facing division, last year and this year we have carried out consolidations of around 20 sites in total, with highly specialized personnel being tasked with handling distributors, while also switching to an online communication format. By further evolving these efforts, we believe we can enhance productivity to an even higher level.

In addition, at Canon S&S, previously a lot of the personnel were responsible for services related to Canon products, and those personnel have gradually been shifted to areas such as the installation, maintenance and operation of network cameras and security equipment. We have also been leveraging that support structure and making changes so that our sales staff can proactively deliver proposals to customers. We recognize that the structure of both of these divisions has shifted, and from a management perspective, we are working to further evolve them going forward.

[Q8-2]
The operating margin in the Area segment has improved significantly, going from 9% last year to 12%. Considering that the gross profit margin has improved last year and this year, can we expect that this will continue to steadily improve, albeit at a moderate pace?

[A8-2]
Last year PC sales were significant, and since they were a large percentage of total sales, this year operating income improved by a lot, and we can expect operating margin to continue to improve going forward.

[Q8-3]
Could you share more about the product supply status? I assume that logistics and the impact of memory prices vary depending on the product, but I would like to get a sense, at least in terms of general levels, of to what extent you have secured inventory for upcoming sales.

[A8-3]
With regard to Canon products, as our parent company enjoys an advantage in terms of procurement capabilities, we have heard that there are no issues on the procurement front. However, there are concerns regarding sharp increases in prices. Regarding external products, it is becoming difficult to obtain servers that require higher performance than PCs. For standard PC products, we have secured inventory to cover up to around the first half of the year, but we are somewhat concerned about the period after that, for which we will have to procure equipment. For other peripherals, our only option is to make arrangements on a case-by-case basis. As the number of products is vast, we cannot provide an answer that covers all of them, but our procurement section is working to address challenges as they emerge over time.

*The content reflects some additions and modifications to enable it to be better understood.

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