



Canon Inc.

Second Quarter 2016 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. You mentioned that you would like to demonstrate a new Canon amid the challenging external environment. What does this mean in more concrete terms?

A1. We embarked on a new five-year plan this year. Our full-year projection for existing businesses, including office equipment and cameras, is for sales to be down 10% on a reported basis, which includes the negative impact of changes in exchange rates. However, our outlook for new businesses, which include nanoimprint, commercial printing, and the Industrial Equipment of Group Subsidiaries like network cameras and OLED display production equipment, is for sales to increase 11%, mitigating the overall decline in sales. In 2014, sales of new businesses accounted for approximately 10% of total net sales. This was 13% in 2015, and is expected to be around 15% this year. Although we reduced our full-year projection to reflect unexpected changes in the external environment, such as macroeconomic deterioration and unfavorable changes in exchange rates, we believe we are moving in the right direction, employing our strategy which focuses on speeding-up the expansion of new businesses during this five-year plan.

Q2. Your existing businesses are robust and you already have high market share, making a drastic change would not be an easy task. From this perspective, would you say growth really depends on your plans for new businesses?

A2. Although we cannot expect high growth from existing businesses, they are sources of profit, for which we use to cultivate new businesses. From this perspective they are important.

Q3. You did not mention your projection for the digital camera market size. Were there any changes?

A3. As far as I can deduce, from the information on competitors that I have received, it is likely to be lower than the previous market forecast of 11.5 million units for the interchangeable lens camera, due to the Kumamoto earthquake.

Q4. As for Toshiba Medial System Corp., when will they be added to your consolidation and what is your strategy after they are acquired?

A4. At this point in time, there is not much I can say, as we are still waiting for necessary approval from competition regulatory authorities.

Q5. As for laser printers, to match supply and demand, you said you had to temporarily lower you sales projection. Under the current situation, do you still feel a gap exists and how do you see 2017?

A5. I'm not exactly sure if there still a gap. There are two basic factors for the past two consecutive quarters of significant sales decline. One is linked to the greater-than-expected economic slowdown of emerging countries, which account for 60% our business. The other factor is linked to difficulties in accurately grasping the level of market inventory, due to the complexity of commercial distribution, which caused the delay in our response.

We need to appropriately grasp the market inventory situation, and are taking measures to do this, working closely with our OEM partner.

On the positive side, from the second half of this year, we will work to expand the sales in emerging markets, leveraging the new products that have sold well in developed countries.

Q6. As for laser printers, if third-parties have gained share, how are you doing to respond?

A6. The launch of new products that incorporate advances in technology is the best policy. This time, we revamped not only the hardware, but also consumables. With the new hardware, increasing the installed base should naturally link to new consumable sales, which is one of our most important strategy within laser printers.

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