



Canon Inc.

Third Quarter 2016 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. In your comparison analysis of operating profit, between your current full-year projection and your previous one, why is the change in your cost reduction estimate so small despite lowering your sales volume projection?

A1. Production volume does have a large impact on cost reduction. We were, however, able to offset this negative impact by driving other improvements, more than we previously forecasted.

Q2. In your revised projection, you incorporated a further big reduction in expenses, mainly coming out of advertising. What other factors contribute to this reduction and what is your plan to achieve this?

A2. As for advertising expense, amid the changes we are making in our go-to-market approach, shifting to E-Commerce etc., we are reviewing the effects of advertising in mediums such as newspapers and magazines and on TV. In this severe market environment, we are taking actions, carrying out our policy that aims to reduce expenses to the extent possible. On top of this, by review various investment plans, additional reductions can be realized in areas such as R&D and depreciation.

Q3. Do you really believe that HP's acquisition of Samsung's printing business will not have any impact on you?

A3. We believe that this will not have an impact on our partnership in the laser printer space. At this point in time, there are many unknowns. We will, however, need to consider the structure of manufacturing and sales & marketing, sometime in the future.

Q4. You lowered your full-year projection for IC lithography equipment from 77 to 63 units. Was this due to manufacturers' decisions to postpone investment into 3D NAND production processes that were originally planned? Or are you saying that as we approach the phase of 3D NAND mass production, sales of IC lithography equipment that would have been used for some other purpose have temporarily declined compared to your projection?

A4. Amid the negotiations based on existing NAND flash memory production, customers have decided to concentrate management resources into 3D NAND investment. Either way, we believe that our IC lithography tools will be used the same way in the manufacturing process. We lowered our projection this time because it became apparent that this situation would impact the timing of sales.

Q5. As for laser printers, you provided some reasons to explain why your laser printer

consumable business continues to face challenging conditions, such as efforts to suppress printing and the impact of third-party solutions. This doesn't sound like a new topic to us. What changed?

A5. The explanation we provided was not new. We strongly believe, however, that during times of economic weakness, the effects of these factors become larger. These are the major factors, especially in emerging countries suffering from prolonged economic weakness, which has lasted longer-than-expected.

Q6. At this point in time, how much progress have made towards making Toshiba Medical System Corporation a subsidiary?

A6. We are making progress in gaining regulatory approval, but we're not finished yet.

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