



Canon Inc.

Q1 2017 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. Your performance in the first quarter was very strong. Compared to your projection at the beginning of the year, what changed?

A1. There were three reasons why we achieved significant growth in sales and profits. First, our existing businesses posted smooth recoveries, in conjunction with the economic upturn. Second, our new businesses basically grew in line with our expectations. And third, our result was boosted by the addition of Toshiba Medical Systems Corporation (TMSC) to our consolidation. All three exceeded our projections. Among the three factors, the upturn in laser printer and camera sales and profits had the largest impact.

Q2. This year, your new businesses seem to be growing, and conditions surrounding your existing businesses seem to be better than last year. I would like to know how you see your business from the second quarter on.

A2. At this point in time, it is hard to think of a factor that would have a major negative impact on our operating environment. We cannot rule out the possibility that geopolitical events or moves by the Trump administration might impact our business. Some of this anxiety is factored into our projection. We do, however, expect recoveries in our existing businesses and our new businesses to grow throughout the year.

Q3. How long do you expect strong demand for OLED panels and the boom in related capital investment to last?

A3. At this point in time, we expect this to last at least until about 2018.

Q4. In the first quarter, what was the quantitative impact of adding TMSC to your consolidation?

A4. Our first-quarter operating profit was 35.6 billion yen higher than last year. About one-third of this is linked to TMSC.

Q5. How much did TMSC contribute to profit in the first-quarter? What is your projection for the full-year?

A5. Medical equipment is expensive. As such, it is a business where hospitals and other medical facilities need to prepare a budget, way in advance, before you can even make a sale. Consequently, sales in Japan are typically concentrated in the last quarter (January - March) before the start of a new fiscal year, for Canon, this means the first quarter.

Q6. How much of TMSC's business is in Japan?

A6. About 50%.

Q7. To mark your 75th anniversary, you declared a 10 yen commemorative dividend. This year marks your 80th anniversary. I understand that it really depends on how you perform, but could you please describe your dividend policy and highlight cases where you would consider raising it?

A7. Decisions regarding our dividend are not based solely on our performance in a single fiscal year. We take a comprehensive approach, considering other factors as well, such as our mid- to long-term profit forecast, financing, level of surplus funds, and level of cash flows. We have declared commemorative dividends up to now. If we can maintain the momentum we generated in the first quarter throughout the year, and generate profit that at the very least, exceeds our full-year projection, declaring a commemorate dividend for our 80th anniversary is something we would like to consider.

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