



Canon Inc.

First Quarter 2016 Analyst Meeting

Q&A Session Summary (English Translation)

- Q1. In the first quarter, you posted a 23% decline in laser printer revenue on a local currency basis. Your projection for the full year, however, is only for a 10% decline. What is behind this projection?**
- A1. In the first quarter, the decrease in revenue reflects a decline in laser printer hardware sales and subsequent efforts to adjust shipments of consumables. Regarding our projection for a recovery from the second quarter, we expect the new products that we introduced in the second half of last year to penetrate the market further and expand hardware sales. Furthermore, as the installment of these new products expands, we expect a recovery in consumable sales as well. In addition, we expect the situation of emerging markets, which have been facing prolonged economic weakness, to improve.
- Q2. Was the significant decline in the first-quarter laser printer consumable sales due to shipping adjustments? If so, can we expect the sell-in of consumables to return to normal from the second quarter?**
- A2. Yes. The shipping adjustment of consumables associated with the decline in hardware sales in the quarter was one reason.
- Q3. A market research firm is projecting that the laser printer market will grow only 1% in 2017. Considering this and the possibility that third-party consumable usage is on the rise, from a mid- to long-term perspective, how will the recovery in your install base be realized?**
- A3. As for existing businesses such as laser printers and cameras, over the mid- to long-term, we do not expect to see the level of high growth that we experienced in the past. However, we cannot ignore the scale and earning power of these businesses, which we consider to be sources of profit. In order to stabilize the profit base of laser printers, we will work to further penetrate the market with new products based on a renewed platform focused on user's convenience, which we introduced last year. Through this, we will raise the proportion of these products within our install base, which should, due to their use of new toner, subsequently lead to an increase in genuine consumable usage.

Q4. For the full year, you expect your laser printer revenue to be down 10% on a local currency basis. During your presentation, however, you mention that a market research firm projected a 1% decline in laser printer hardware units in 2016. Which is closer to the actual market situation? If both are, do you expect to lose market share this year?

A4. We assume the level of actual market demand is probably close to the projection of the market research firm, as our projection for 2016 includes the impact of shipping adjustments for both hardware and consumables.

Updated market share information for 2016 is not yet available, however, market share information for 2015 shows no real change in market share for the full year or by quarter.

Q5. As for the industrial equipment of Group subsidiaries, although you disclosed the scale of this segment, could you please provide some additional color regarding the situation of Canon Tokki's OLED display manufacturing equipment?

A5. Canon Tokki has received orders at a level that exceeds their current production capacity. The Canon Group is working in a concerted effort, taking measures to fulfill the orders as much as possible. Additionally, the main driver of overall industrial equipment of Group subsidiaries revenue growth of roughly 80%, was Canon Tokki.

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