



Canon Inc.

Q2 2017 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. As you pointed out in your presentation (Slide 3), you are making progress in transforming your business structure. Move forward into next year, what plans do you have to raise profits? Please explain this for existing and new businesses, separately.

A1. For existing businesses, one significant factor for the recovery is the unyielding and continuous launch of new products that constantly address the needs of customers, and that also are well received by the market. The improving external environment is also contributing. For each new business, which is considered a pillar of future growth, we aim to promote further expansion. In this way, we facilitate our aim of overall growth. Conceptually, at this point in time, we see our existing businesses growing around 3 to 4% and new businesses to growing around 15 to 20%, combining for more or less 7% growth overall.

Q2. As for laser printers, looking at your full-year projection and the progress you made in the first half of the year shows, that you expect negative growth in the second half of this year on a local currency basis. How should we interpret this? Please summarize your outlook for the second half of this year, including your outlook for the market environment?

A2. One factor for the strong performance in the first half of this year was the low inventory situation, including market inventory at the end of last year. Looking at the second half, we believe the market behavior will not change drastically, however, we are being cautious since our performance in the first half included that special factor. As for the market, we expect it to be basically around the same level as last year in terms of units.

Q3. The profitability of the Medical System Business Unit is 4.7%. At a glance, this level of profitability looks normal, but is it what you expected?

A3. As for the “Medical System” Business Unit, although it does include the figures of Canon’s existing medical business, the majority are tied to Toshiba Medical Systems Corporation (TMSC). We do believe there is strong potential to raise profit as the combined efforts of both companies materialize, however, at this point in time, these synergy effects are not embedded in our current forecast.

Q4. “Medical System” Business Unit operating profit is around 20 billion yen. Do you expect synergies from integration to greatly change this?

A4. As for synergy effects, we are already promoting collaborative development. Additionally, our highest expectation for realizing synergy is linked to leveraging our expertise in manufacturing. We are deploying our production force and expect this to link to cost reduction in the near

future.

Q5. Although the “Medical System” Business Unit is being disclosed separately, the combined operating profit forecast of the “Medical System” and the “Industry and Others” Business Unit shows 67.0 billion yen. In your previous projection, your full-year projection called for 53.0 billion yen in operating profit. Is it correct to assume that you raised your projection for profit?

A5. There are several factors that influenced our decision to raise our projection, including the improving profitability of lithography equipment, network cameras, and other businesses. For our “Medical System” Business Unit as well, we raise our profit projection by 2.0 billion yen. Additionally, this business segment includes expenses such as headquarter R&D, where we see improvement.

Q6. It is my understanding that the amortization of intangible assets that were acquired through the acquisition of TMSC is included in Corporate and Eliminations. Did you make any changes to your assumptions?

A6. No.

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