



Canon Inc.

FY 2018 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. In 2019, how are you going to reduce expenses amid the challenging external environment due to the yen's appreciation and other factors?

A1. Efforts by each department to improve productivity has started to support expense reduction. On top of that, we will realize expense savings through the acceleration of measures, such as optimizing the allocation of basic research and product development resources.

Q2. You are projecting an increase in lithography equipment unit sales in 2019. With the understanding that you are facing a challenging market environment, please explain the background for this projection.

A2. Although we expect the overall semiconductor equipment market in 2019 to contract due to a slowdown in investment by memory manufacturers, we expect growth in automotive and communication semiconductors. Our i-line and KrF equipment are recognized for high productivity, and in these areas where there are a broad range of varying customer demand for customization, our support capability is also highly evaluated. Thus we believe we can continue to grow unit sales.

Q3. In the office equipment industry and camera industry, companies are responding to market maturity, implementing structural reforms such as workforce reduction. How are you dealing with this situation?

A3. As for our Office business, which includes MFDs, and continues to post steady results, it is important for us to continue the timely launch of new products that respond to demand for lower total cost of ownership solutions, improved operational efficiency, etc. For cameras, however, amid market contraction, we urgently need to re-allocate our resource to categories that are growing such as mirrorless cameras and cameras incorporating full-frame sensors. And this is what we are currently doing. We are not limiting our focus to personnel, our aim is to clarify issues within each business and deal with them to achieve our intended result.

Q4. Inventory at the end of 2018 seems to have been high, particular for cameras in Imaging System. When do you expect to bring this down to an appropriate level?

A4. Camera inventory was high at the end of 2018. It should not take much time to adjust, however, as the production lead-time for cameras is relatively short, allowing us to make timely production adjustments depending on the sales situation.

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