



Canon Inc.

Q1 2018 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. You mentioned that your Q1 Medical System Business Unit (BU) performance was in line with your plan. You also noted that you are seeing improvement in profitability. That said, sales were down 11%. In order for you to realize your full-year projection of 8% growth, how are you going to accelerate sales from the second quarter on?

A1. The reason for the decline in Q1 is due to one-off factors. The medical market itself is in a situation of stable growth. Having said that, a certain level of suitable growth is still necessary for us to achieve our full-year projection of 8% growth. To promote this, we are moving to fully deploy our new products that incorporate innovative technology. If we see a smooth penetration of these new products into the market, it will be possible.

Q2. Although you posted double-digit decline in Q1 Medical System BU net sales, profitability is improving. Given that you are targeting an operating profit ratio of 10% in 2020, what additional measures do you have to realize this?

A2. A conscious effort to limit sales of products having low profitability contributed to improved Q1 profitability. Achieving 10% is a high hurdle, however, we already have cooperative cost reduction projects in place. As we see our efforts bear fruit, we hope to achieve better results than we have so far.

Q3. Currently, what trends are you seeing in the FPD and OLED markets? Has anything changed from your previous projection, including the order environment? Are your factories still running at full capacity? Is there anything you can tell us about the current situation and/or the direction in which things are moving?

A3. We have not seen much change in the order environment from our previous projection. Demand remains high and we are making effort to raise productivity within the group, sharing production that Canon Tokki is not able to handle themselves with group companies such as Canon Anelva and Canon Machinery.

Q4. As for OLED vacuum deposition equipment, it seems like we are starting to see a major trading partner delay investment. You said this was being offset by customer diversification. In view of the process of booking sales under the percentage of completion method, have you seen any impact from the switching of customers?

A4. On an individual company basis, we do see some change, delay etc. in the time of investment. To a certain degree, we included this in our plan. As we are also receiving orders from new customers, we are working to deal with the situation, making adjustments to who and when we deliver. We do not believe the percentage of completion method, in and of itself, exerts that big of an influence on sales.

Q5. For the full year, you project an increase in overall operating profit of around 25%. First quarter operating profit was up 5%, which looks to be somewhat of a slow start. How are you going to expand such core products as office equipment and cameras from the second quarter on?

A5. It may look that way if you simply consider first quarter results to one-fourth of the entire year. Growth in the first quarter was, however, significantly impacted by one-off factors. In all of our businesses, we have plans to launch compelling new products and will work to expand, including improvement in products mix from the second quarter on.

Q6. Amid interchangeable-lens cameras, what percentage comes from mirrorless cameras? Is there any change from your previous projection in regards to your full year projection for DSLRs and mirrorless cameras?

A6. We do not disclose detailed information about our mirrorless camera business. We do, however, recognize that the mirrorless camera market is growing, and we are currently expanding our lineup. As for cameras, we look at the market in its entirety, which also includes already existing DSLRs and compact cameras. Based on this, and with a comprehensive strategy in mind, we will continue to promote this business. Furthermore, at this point in time, we maintain to our previous projection.

This document contains forward-looking statements with respect to future results, performance and achievements that are subject to risk and uncertainties and reflect management's views and assumptions formed by available information. All statements other than statements of historical fact are statements that could be considered forward-looking statements. When used in this document, words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "plan," "project" or "should" and similar expressions, as they relate to Canon, are intended to identify forward-looking statements. Many factors could cause the actual results, performance or achievements of Canon to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptance of new products or services by Canon's targeted customers, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this presentation. A detailed description of these and other risk factors is included in Canon's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein. Canon does not intend or assume any obligation to update these forward-looking statements.