



Canon Inc.

Q1 2019 Analyst Meeting

Q&A Session Summary

Q1. You are projecting overall sales and profit growth in the second half of the year. In light of the challenges you faced in the first quarter, please describe the strategies you have for each business.

A1. We could not avoid posting significant sales and profit decline in the first quarter due to such factors as the global economic downturn and the worse than expected business environment.

In the second half of the year, however, we expect the global economy to pick up. We also expect to see the benefits of competitive new products, such as MFDs, LBPS and cameras that we have launched or will be launching in the first half of this year.

As for Medical, although we did post a temporary drop in sales, we expect to return to a path of growth from the second quarter on.

As for lithography equipment and OLED vacuum deposition equipment, we expect our performance to bottom out in the first half of this year and pick up in the second half, due to the current order situation.

In these ways, we expect the performance of each business to improve, resulting in overall sales and profit growth.

Q2. We are beginning to see signs of a recovery in demand for industrial equipment such as semiconductor and flat-panel-display lithography equipment. How much of this recent trend did you incorporate into your revised projection?

A2. There are signs that orders are increasing. And we did take this into account when we updated our projection. At this point in time, this is our best estimate.

Q3. In your revised projection, you added more than 20 billion yen in restructuring charges. What kind of structural reforms will you be implementing?

A3. The way things are sold is changing due to e-commerce and other factors. Our sales organizations also needs to adapt to this new era. In our revised projection, we included plans for a major overhaul of our sales and service networks.

Q4. In order to generate more free cash flow, you need to get your inventory back to a healthy level. Inventory at the end of the first quarter, however, actually increased. Compared to your previous projection, are you now expecting the timing of when inventory levels become appropriate to come later?

A4. In the first quarter, camera inventory inflated due to the impact of faster than expected market contraction. We will work as fast as possible to bring inventory to an appropriate level by adjusting manufacturing and through other measures.

Q5. You lowered your unit sales projection for digital DSLRs. How does this breakdown by segment.

A5. The difference between our previous projection and our current one, mainly reflects lower expected unit sales of entry-level DSLRs. Our projection for mirrorless cameras was basically unchanged.

Q6. In the first quarter, sales of laser printer consumables dropped a significant 12%. In which regions did you see significant impact?

A6. First-quarter consumable sales were significantly impacted by Europe. From the second quarter on, however, we expect sales of genuine consumables to be stable as we see gradual benefits from the launch of new products that utilize newly developed toner.

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