



Canon Inc.

Q3 2018 Analyst Meeting

Q&A Session Summary (English Translation)

Q1. Regarding your lowered projection for interchangeable-lens cameras, please explain again the unforeseen factors that led to this?

A1. We have been focusing on acquiring new customers through entry-class models, however, we saw a pause in this market segment, which was one characteristic unique to the third quarter. Additionally, information that each manufacturer would be entering the full-frame mirrorless camera market attracted consumer attention, which led to restraint in user purchasing. Conversely, it could be said that there is high interest for mirrorless cameras, and reviews of our new models have been positive so far. Moving forward, positioning mirrorless cameras as one key to expanding sales, we will continue to strengthen our lineup as well, and raise the proportion within interchangeable-lens cameras.

Q2. You stated that the market for entry-class models was challenging. Canon, however, having full-frame DSLRs too, could be expected to have been impacted in the advanced-amateur category as well. In which area was the impact most noticeable?

A2. In monetary terms, the entry-class impact was large. That said, we cannot say our advanced-amateur models and above, including full-frame types, were not affected.

Q3. You lowered your projection for OLED vacuum deposition equipment due to transitory factors. What is your outlook for next year and beyond?

A3. The reason we lowered our projection for OLED vacuum deposition equipment was purely to reflect a shift in the timing of sales. We have no concerns about the future growth potential of this business.

Q4. Your inventory level at the end of the third quarter seems high. How do you view your inventory level at this point in time?

A4. Imaging System and Medical System were relatively high. For Imaging System, the inventory level reflects an increase in finished goods due to the fact that we did not achieve our sales projection. It also reflects an increase in work-in-process for the year-end selling season. We are taking steps to swiftly correct this situation. As for Medical System, although sales over the first 9 months of this year were slightly below last year, we are planning for full-year sales to be up, as we leverage the fourth-quarter selling season. In accordance with our plan, and with the nature of this business having long lead times, we have mainly built up work-in-process inventory. We are seeing a trend of increasing overseas orders, as we head toward the year-end selling season. If sales go as planned, inventory should become appropriate.

Q5. As for trade friction between the United States and China, is this having any impact on your business? Additionally, if there are certain actions you need to take, what are they?

A5. This is related to sections 232 and 301 of the US Trade Act. As for section 232, we have not seen any impact. This section relates to iron, steel, and aluminum products that are not applicable to us. As for section 301, we have seen three rounds of tariffs so far. A portion of our printer consumables and camera accessories that are manufactured in China will be impacted. However, the impact will be extremely limited. We have not taken any steps at this point, if it becomes necessary, however, we can shift production to Japan and other countries. That said, we need to continue monitoring the situation closely as this may potentially impact surrounding countries, including Japan, depending on the future direction of this matter.

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