

Summary Report of Consolidated Financial Results

for the first quarter ended March 31, 2014

Registered company name: **Canon Marketing Japan Inc.**
 Stock listing: Tokyo Stock Exchange, First Section
 Code number: 8060
 URL: <http://cweb.canon.jp/eng/ir>
 Representative director: Masami Kawasaki, President
 Contact: Yo Shibasaki, Director Senior Vice President
 Tel. +81-3-6719-9071
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the three months ended March 31, 2014 (From January 1, 2014 to March 31, 2014)

(1) Consolidated Results of Operations

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended March 31, 2014	182,697	21.6	9,231	-	9,369	-	5,707	-
March 31, 2013	150,210	(7.9)	403	(88.6)	536	(85.4)	(35)	-

[Note] Comprehensive Income: Three months ended March 31, 2014 : 5,636 million yen [829.0%]

Three months ended March 31, 2013 : 606 million yen [-72.8%]

	Net income per share	Diluted net income per share
Three months ended March 31, 2014	Yen 44.01	Yen -
March 31, 2013	(0.26)	-

(2) Consolidated Financial Position

(Amounts less than one million yen are truncated)

	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
First quarter ended March 31, 2014	478,159	261,140	54.6	2,011.64
Year ended December 31, 2013	467,076	257,075	55.0	1,980.22

[Reference] Shareholders' equity: First quarter ended March 31, 2014 : 260,868 million yen

Year ended December 31, 2013 : 256,794 million yen

2. Dividends

Dividend per share	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2013	-	12.00	-	12.00	24.00
Year ending December 31, 2014	-				
Year ending December 31, 2014 (forecast)		12.00	-	12.00	24.00

[Note] Revision of cash dividend forecast for this period : None

3. Consolidated financial forecast for the fiscal year ending December 31, 2014

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	673,200	2.4	18,800	10.5	19,900	9.3	12,000	18.0	92.54

[Note] Revision of forecast for this period : None

* Others

(1) Material changes in subsidiaries during this period

(Changes in scope of consolidations resulting from change is subsidiaries) : None

(2) Application of a specified accounting procedure : Yes

(3) Changes in accounting policies and accounting estimates, retrospective restatement

(i) Changes in accounting policies based on revisions of accounting standard : None

(ii) Changes in accounting policies other than (i) : None

(iii) Changes in accounting estimates : None

(iv) Retrospective restatement : None

(3) Number of issued and outstanding shares (common stock)

(i) Number of issued and outstanding shares at the end of the period (including treasury stock)

As of March 31, 2014 : 151,079,972

As of December 31, 2013 : 151,079,972

(ii) Number of treasury stock at the end of the period

As of March 31, 2014 : 21,400,944

As of December 31, 2013 : 21,400,070

(iii) Average number of shares

As of March 31, 2014 : 129,679,259

As of March 31, 2013 : 133,086,416

Disclaimer :

Earnings projections are based on information available at the time these materials were announced, and the Company cannot guarantee that they will be realized. Also, actual results may differ from the estimated figures given due to various factors.

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2013	As of March 31, 2014
Assets		
Current assets		
Cash and deposits	20,082	18,573
Notes and accounts receivable-trade	132,696	129,624
Short-term investment securities	82,200	94,400
Merchandise and finished goods	26,841	32,449
Work in process	578	469
Raw materials and supplies	814	840
Deferred tax assets	5,088	5,107
Short-term loans receivable	50,000	50,000
Other	6,823	7,150
Allowance for doubtful accounts	(188)	(185)
Total current assets	<u>324,938</u>	<u>338,430</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	49,126	48,584
Machinery, equipment and vehicles, net	9	8
Tools, furniture and fixtures, net	4,510	4,686
Rental assets, net	9,340	8,568
Land	36,012	36,012
Lease assets, net	685	617
Total property, plant and equipment	<u>99,684</u>	<u>98,478</u>
Intangible assets		
Goodwill	447	411
Software	12,006	11,069
Lease assets	93	77
Right of using facilities	316	316
Other	29	27
Total intangible assets	<u>12,894</u>	<u>11,902</u>
Investments and other assets		
Investment securities	5,303	5,240
Long-term loans receivable	11	11
Deferred tax assets	16,084	16,096
Guarantee deposits	5,571	5,511
Other	2,981	2,872
Allowance for doubtful accounts	(393)	(383)
Total investments and other assets	<u>29,559</u>	<u>29,349</u>
Total noncurrent assets	<u>142,137</u>	<u>139,729</u>
Total assets	<u>467,076</u>	<u>478,159</u>

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2013	As of March 31, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	108,498	114,627
Lease obligations	446	436
Accrued expenses	24,976	21,787
Income taxes payable	2,996	3,503
Accrued consumption taxes	2,965	2,128
Provision for bonuses	3,506	12,788
Provision for directors' bonuses	65	13
Provision for product warranties	654	704
Provision for loss on order received	84	94
Other	20,719	16,242
Total current liabilities	<u>164,914</u>	<u>172,327</u>
Noncurrent liabilities		
Long-term loans payable	73	62
Lease obligations	454	365
Deferred tax liabilities	579	574
Deferred tax liabilities for land revaluation	31	31
Provision for retirement benefits	38,233	38,015
Accrued long service rewards for employees	933	989
Other	4,780	4,652
Total noncurrent liabilities	<u>45,086</u>	<u>44,691</u>
Total liabilities	<u>210,000</u>	<u>217,018</u>
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,819	82,819
Retained earnings	131,331	135,483
Treasury stock	(31,896)	(31,898)
Total shareholders' equity	<u>255,557</u>	<u>259,708</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,138	1,092
Foreign currency translation adjustment	98	67
Total accumulated other comprehensive income	<u>1,236</u>	<u>1,159</u>
Minority interests	<u>281</u>	<u>272</u>
Total net assets	<u>257,075</u>	<u>261,140</u>
Total liabilities and net assets	<u>467,076</u>	<u>478,159</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Three months of FY2013 (from January 1, 2013 to March 31, 2013)	Three months of FY2014 (from January 1, 2014 to March 31, 2014)
Net sales	150,210	182,697
Cost of sales	100,135	121,651
Gross profit	50,075	61,046
Selling, general and administrative expenses	49,671	51,814
Operating income	403	9,231
Non-operating income		
Interest income	68	64
Dividends income	13	14
Other	189	155
Total non-operating income	271	234
Non-operating expenses		
Interest expenses	8	9
Share of loss of entities accounted for using equity method	-	3
Foreign exchange losses	69	-
Other	61	82
Total non-operating expenses	139	96
Ordinary income	536	9,369
Extraordinary income		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	54	0
Other	0	0
Total extraordinary income	56	2
Extraordinary loss		
Loss on sales and retirement of non-current assets	104	31
Office transfer expenses	4	-
Other	21	81
Total extraordinary losses	130	113
Income before income taxes and minority interests	462	9,258
Income taxes	490	3,546
Income (loss) before minority interests	(28)	5,712
Minority interests in income	6	4
Net income (loss)	(35)	5,707

※ To reflect this change in the presentation method, the Company has amended classification of its results for the previous fiscal year. As a result, 798 million yen, which was included in cost of sales in the Consolidated Statements of Income for the previous year, is now included in selling, general and administrative expenses.

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Three months of FY2013 (from January 1, 2013 to March 31, 2013)	Three months of FY2014 (from January 1, 2014 to March 31, 2014)
Income (loss) before minority interests	(28)	5,712
Other comprehensive income		
Valuation difference on available-for-sale-securities	569	(46)
Foreign currency translation adjustment	65	(29)
Total other comprehensive income	635	(76)
Comprehensive income	606	5,636
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	594	5,630
Comprehensive income attributable to minority interests	12	5

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Three months of FY2013 (from January 1, 2013 to March 31, 2013)	Three months of FY2014 (from January 1, 2014 to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	462	9,258
Depreciation	4,265	4,209
Amortization of goodwill	11	34
Increase (decrease) in allowance for doubtful accounts	(75)	(12)
Increase (decrease) in provision for retirement benefits	(146)	(199)
Increase (decrease) in provision for directors' retirement benefits	(1,046)	-
Increase (decrease) in provision for bonuses	7,620	9,282
Interest and dividends income	(82)	(79)
Interest expenses	8	9
Loss (gain) on sales and retirement of property, plant and equipment	85	26
Decrease (increase) in notes and accounts receivable-trade	13,738	3,079
Decrease (increase) in inventories	(2,600)	(5,592)
Increase (decrease) in notes and accounts payable-trade	(13,124)	6,128
Other, net	(5,683)	(7,584)
Subtotal	3,433	18,562
Interest and dividends income received	83	78
Interest expenses paid	(8)	(9)
Income taxes paid	(5,115)	(2,842)
Net cash provided by (used in) operating activities	(1,607)	15,789
Cash flows from investing activities		
Proceeds from sales of securities	10	-
Purchase of property, plant and equipment	(5,115)	(1,838)
Purchase of intangible assets	(681)	(651)
Purchase of investment securities	(85)	(32)
Proceeds from sales of investment securities	351	1
Net decrease (increase) in time deposits	-	100
Purchase of shares of subsidiaries	-	(939)
Net decrease (increase) in short-term loans receivable	1	0
Other, net	(64)	61
Net cash provided by (used in) investing activities	(5,584)	(3,298)
Net cash provided by (used in) financing activities		
Repayments of finance lease obligations	(203)	(123)
Purchase of treasury shares	(0)	(1)
Cash dividends paid	(1,863)	(1,557)
Cash dividends paid to minority shareholders	(9)	(12)
Other, net	0	(4)
Net cash provided by (used in) financing activities	(2,077)	(1,699)
Effect of exchange rate change on cash and cash equivalents	0	(1)
Net increase (decrease) in cash and cash equivalents	(9,268)	10,790
Cash and cash equivalents at beginning of period	108,259	102,182
Cash and cash equivalents at end of period	98,991	112,973

Consolidated Quarterly Segment Information

I. Three months of FY2013 (from January 1, 2013 to March 31, 2013)

Information on net sales and income (loss) by reportable segment.

(Amounts less than one million yen are truncated)

	Business Solutions	IT Solutions	Imaging System	Industrial / Medical	Other	Total	Adjustment	Consolidated
Net sales								
Sales - external customers	82,278	26,736	34,560	6,618	16	150,210	-	150,210
Sales - intersegment	-	7,194	-	-	-	7,194	(7,194)	-
Total	82,278	33,931	34,560	6,618	16	157,405	(7,194)	150,210
Operating income (loss)	1,578	82	(968)	(384)	95	403	-	403

[Note] "Other" includes businesses, such as shared service businesses, which are not included in other reportable segments.

II. Three months of FY2014 (from January 1, 2014 to March 31, 2014)

Information on net sales and income (loss) by reportable segment.

(Amounts less than one million yen are truncated)

	Business Solutions	IT Solutions	Imaging System	Industrial / Medical	Other	Total	Adjustment	Consolidated
Net sales								
Sales - external customers	92,215	33,171	47,985	9,312	13	182,697	-	182,697
Sales - intersegment	-	10,636	-	-	-	10,636	(10,636)	-
Total	92,215	43,807	47,985	9,312	13	193,333	(10,636)	182,697
Operating income (loss)	4,549	1,220	3,207	143	110	9,231	-	9,231

[Note] "Other" includes businesses, such as shared service businesses, which are not included in other reportable segments.

[Note] Starting from FY2014, the segment name of the Industrial Equipment was changed to Industrial / Medical. The change in the segment name entails no changes in the amounts presented.