

Summary Report of Consolidated Financial Results

for the second quarter ended June 30, 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>
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Dividend payable date (as planned): August 26, 2014
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the six months ended June 30, 2014 (From January 1, 2014 to June 30, 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	%
Six months ended June 30, 2014	328,355	6.1	12,511	207.7	13,452	176.4	7,851	297.9
June 30, 2013	309,432	(4.2)	4,066	(48.0)	4,867	(44.0)	1,973	(57.9)

[Note] Comprehensive Income: Six months ended June 30, 2014 : 7,950 million yen [177.9%]

Six months ended June 30, 2013 : 2,861 million yen [(39.7%)]

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended June 30, 2014	60.55	-
June 30, 2013	14.83	-

(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
Second quarter ended June 30, 2014	439,631	263,453	59.9	2,029.39
Year ended December 31, 2013	467,076	257,075	55.0	1,980.22

[Reference] Shareholders' equity: Second quarter ended June 30, 2014 : 263,166 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	-	15.00			
Year ending December 31, 2014 (forecast)			-	15.00	30.00

[Note] Revision of cash dividend forecast for this period : Yes

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	677,200	22,800	23,900	13,500	104.10

[Note] Revision of forecast for this period : Yes

* 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

(4) 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 June 30, 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 June 30, 2014 : 21,402,303

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

(iii) Average number of shares

As of June 30, 2014 : 129,678,657

As of June 30, 2013 : 133,086,106

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 June 30, 2014
Assets		
Current assets		
Cash and deposits	20,082	17,640
Notes and accounts receivable-trade	132,696	95,355
Short-term investment securities	82,200	95,800
Merchandise and finished goods	26,841	26,177
Work in process	578	685
Raw materials and supplies	814	786
Deferred tax assets	5,088	5,127
Short-term loans receivable	50,000	50,044
Other	6,823	7,233
Allowance for doubtful accounts	(188)	(115)
Total current assets	324,938	298,734
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	49,126	48,206
Machinery, equipment and vehicles, net	9	17
Tools, furniture and fixtures, net	4,510	4,574
Rental assets, net	9,340	10,041
Land	36,012	36,503
Lease assets, net	685	675
Total property, plant and equipment	99,684	100,017
Intangible assets		
Goodwill	447	383
Software	12,006	10,181
Lease assets	93	144
Right of using facilities	316	317
Other	29	24
Total intangible assets	12,894	11,052
Investments and other assets		
Investment securities	5,303	5,548
Long-term loans receivable	11	1
Deferred tax assets	16,084	16,299
Guarantee deposits	5,571	5,347
Other	2,981	3,060
Allowance for doubtful accounts	(393)	(431)
Total investments and other assets	29,559	29,826
Total noncurrent assets	142,137	140,896
Total assets	467,076	439,631

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2013	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	108,498	78,227
Lease obligations	446	442
Accrued expenses	24,976	17,234
Income taxes payable	2,996	5,708
Accrued consumption taxes	2,965	3,529
Provision for bonuses	3,506	3,863
Provision for directors' bonuses	65	25
Provision for product warranties	654	654
Provision for loss on order received	84	25
Other	20,719	21,587
Total current liabilities	<u>164,914</u>	<u>131,298</u>
Noncurrent liabilities		
Long-term loans payable	73	-
Lease obligations	454	500
Deferred tax liabilities	579	592
Deferred tax liabilities for land revaluation	31	31
Provision for retirement benefits	38,233	37,994
Accrued long service rewards for employees	933	1,000
Other	4,780	4,761
Total noncurrent liabilities	<u>45,086</u>	<u>44,880</u>
Total liabilities	<u>210,000</u>	<u>176,178</u>
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,819	82,819
Retained earnings	131,331	137,627
Treasury stock	(31,896)	(31,900)
Total shareholders' equity	<u>255,557</u>	<u>261,850</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,138	1,268
Deferred gains or losses on hedges	-	(0)
Foreign currency translation adjustment	98	47
Total accumulated other comprehensive income	<u>1,236</u>	<u>1,316</u>
Minority interests	281	286
Total net assets	<u>257,075</u>	<u>263,453</u>
Total liabilities and net assets	<u>467,076</u>	<u>439,631</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Six months of FY2013 (from January 1, 2013 to June 30, 2013)	Six months of FY2014 (from January 1, 2014 to June 30, 2014)
Net sales	309,432	328,355
Cost of sales	204,516	213,641
Gross profit	104,916	114,713
Selling, general and administrative expenses	100,849	102,201
Operating income	4,066	12,511
Non-operating income		
Interest income	129	132
Dividends income	70	71
Insurance income	587	584
Other	310	309
Total non-operating income	1,097	1,097
Non-operating expenses		
Interest expenses	16	18
Share of loss of entities accounted for using equity method	-	1
Foreign exchange losses	77	1
Other	202	136
Total non-operating expenses	296	157
Ordinary income	4,867	13,452
Extraordinary income		
Gain on sales of non-current assets	3	3
Gain on bargain purchase	-	12
Gain on sales of investment securities	115	0
Other	1	1
Total extraordinary income	120	17
Extraordinary losses		
Loss on sales and retirement of non-current assets	322	109
Special extra retirement payments	597	-
Office transfer expenses	137	-
Other	27	90
Total extraordinary losses	1,084	199
Income before income taxes and minority interests	3,903	13,269
Income taxes	1,914	5,400
Income before minority interests	1,988	7,868
Minority interests in income	15	17
Net income	1,973	7,851

※ To reflect this change in the presentation method, the Company has amended classification of its results for the previous fiscal year. As a result, 1,712 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)

	Six months of FY2013 (from January 1, 2013 to June 30, 2013)	Six months of FY2014 (from January 1, 2014 to June 30, 2014)
Income before minority interests	1,988	7,868
Other comprehensive income		
Valuation difference on available-for-sale-securities	766	130
Deferred gains or losses on hedges	-	(0)
Foreign currency translation adjustment	105	(48)
Total other comprehensive income	872	81
Comprehensive income	2,861	7,950
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,835	7,930
Comprehensive income attributable to minority interests	25	19

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Six months of FY2013 (from January 1, 2013 to June 30, 2013)	Six months of FY2014 (from January 1, 2014 to June 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	3,903	13,269
Depreciation	8,590	8,587
Amortization of goodwill	23	56
Gain on bargain purchase	-	(12)
Increase (decrease) in allowance for doubtful accounts	(113)	(37)
Increase (decrease) in provision for retirement benefits	(250)	(292)
Increase (decrease) in provision for directors' retirement benefits	(1,046)	-
Interest and dividends income	(199)	(203)
Interest expenses	16	18
Loss (gain) on sales and retirement of property, plant and equipment	286	81
Decrease (increase) in notes and accounts receivable-trade	21,173	37,963
Decrease (increase) in inventories	2,069	520
Increase (decrease) in notes and accounts payable-trade	(17,101)	(30,365)
Other, net	(1,614)	(5,422)
Subtotal	15,738	24,163
Interest and dividends income received	206	203
Interest expenses paid	(16)	(18)
Income taxes paid	(5,082)	(2,884)
Net cash provided by (used in) operating activities	10,845	21,464
Cash flows from investing activities		
Proceeds from sales of securities	10	-
Purchase of property, plant and equipment	(8,960)	(5,419)
Proceeds from sales of property, plant and equipment	57	9
Purchase of intangible assets	(1,353)	(1,400)
Purchase of investment securities	(94)	(97)
Proceeds from sales of investment securities	699	4
Purchase of shares of subsidiaries	-	(939)
Proceeds from sales of shares of subsidiaries and associates	-	17
Purchase of shares of subsidiaries resulting in change in scope of consolidati	-	(555)
Net decrease (increase) in short-term loans receivable	1	(29)
Net decrease (increase) in time deposits	34	100
Other, net	(33)	16
Net cash provided by (used in) investing activities	(9,638)	(8,293)
Net cash provided by (used in) financing activities		
Repayments of finance lease obligations	(355)	(269)
Purchase of treasury shares	(1)	(3)
Cash dividends paid	(1,866)	(1,556)
Cash dividends paid to minority shareholders	(9)	(12)
Other, net	0	(70)
Net cash provided by (used in) financing activities	(2,232)	(1,912)
Effect of exchange rate change on cash and cash equivalents	0	(0)
Net increase (decrease) in cash and cash equivalents	(1,024)	11,258
Cash and cash equivalents at beginning of period	108,259	102,182
Cash and cash equivalents at end of period	107,235	113,440

Consolidated Quarterly Segment Information

I. Six months of FY2013 (from January 1, 2013 to June 30, 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	163,669	55,527	77,764	12,437	33	309,432	-	309,432
Sales - intersegment	-	14,443	-	-	-	14,443	(14,443)	-
Total	163,669	69,971	77,764	12,437	33	323,876	(14,443)	309,432
Operating income (loss)	3,397	16	1,484	(1,000)	168	4,066	-	4,066

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

II. Six months of FY2014 (from January 1, 2014 to June 30, 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	169,826	60,990	83,096	14,414	27	328,355	-	328,355
Sales - intersegment	-	18,664	-	-	-	18,664	(18,664)	-
Total	169,826	79,654	83,096	14,414	27	347,019	(18,664)	328,355
Operating income (loss)	5,235	2,129	5,415	(495)	226	12,511	-	12,511

[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.