

Summary Report of Consolidated Financial Results

for the third quarter ended September 30, 2016

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: Masahiro Sakata, President
 Contact: Shiro Hamada, Director Vice President
 Tel. +81-3-6719-9071
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the nine months ended September 30, 2016 (From January 1, 2016 to September 30, 2016)

(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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2016	453,707	(3.4)	15,849	1.0	16,869	(0.2)	9,994	8.0
September 30, 2015	469,535	(2.0)	15,698	(1.7)	16,895	(1.4)	9,252	(4.6)

[Note] Comprehensive Income: Nine months ended September 30, 2016 : 10,504 million yen [11.5%]
 Nine months ended September 30, 2015 : 9,420 million yen [(6.0)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended September 30, 2016	Yen 77.08	Yen -
September 30, 2015	71.35	-

(2) Consolidated Financial Position

(Amounts less than one million yen are truncated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Third quarter ended September 30, 2016	462,303	282,095	60.9	2,172.06
Year ended December 31, 2015	486,502	277,438	56.9	2,136.22

[Reference] Shareholders' equity: Third quarter ended September 30, 2016 : 281,653 million yen
 Year ended December 31, 2015 : 277,008 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, 2015	-	20.00	-	25.00	45.00
Year ending December 31, 2016	-	20.00	-		
Year ending December 31, 2016 (forecast)				25.00	45.00

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

3.Consolidated financial forecast for the fiscal year ending December 31, 2016

(Amounts less than one million yen are truncated)

(Percentage represents increases or decreases from the previous year)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share
	Millions of yen %	Millions of yen %	Millions of yen %	Millions of yen %	Yen
Full year	638,000 (1.2)	27,000 1.3	28,200 0.6	17,700 13.0	136.50

[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 : Yes
 - (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 fiscal year (including treasury stock)

As of September 30, 2016 :	151,079,972
As of December 31, 2015 :	151,079,972

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

As of September 30, 2016 :	21,408,513
As of December 31, 2015 :	21,407,663

- (iii) Average number of shares

As of September 30, 2016 :	129,671,854
As of September 30, 2015 :	129,673,723

* Implementation Status of Review Processes

At the time this quarterly Financial Report is released, procedures are underway to review quarterly financial statements pursuant to the Financial Instruments and Exchange Law.

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, 2015	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	36,773	49,145
Notes and accounts receivable-trade	125,906	98,841
Securities	62,800	18,900
Merchandise and finished goods	28,327	28,683
Work in process	791	866
Raw materials and supplies	887	889
Deferred tax assets	5,280	5,304
Short-term loans receivable	80,054	120,044
Other	6,922	6,272
Allowance for doubtful accounts	(201)	(109)
Total current assets	347,542	328,839
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	46,926	47,275
Machinery, equipment and vehicles, net	175	152
Tools, furniture and fixtures, net	4,357	4,420
Rental assets, net	11,511	10,801
Land	35,939	34,455
Leased assets, net	400	261
Total property, plant and equipment	99,310	97,074
Intangible assets		
Goodwill	820	615
Software	8,268	6,862
Leased assets	76	59
Right of using facilities	317	317
Other	15	5
Total intangible assets	9,499	7,859
Investments and other assets		
Investment securities	7,789	7,131
Long-term loans receivable	10	10
Deferred tax assets	14,768	14,307
Guarantee deposits	5,274	4,952
Other	2,605	2,478
Allowance for doubtful accounts	(298)	(350)
Total investments and other assets	30,150	28,530
Total non-current assets	138,959	133,464
Total assets	486,502	462,303

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2015	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	101,834	82,268
Lease obligations	222	194
Accrued expenses	22,118	14,389
Income taxes payable	6,201	2,164
Accrued consumption taxes	5,131	3,081
Provision for bonuses	3,506	13,849
Provision for directors' bonuses	130	66
Provision for product warranties	529	499
Provision for loss on order received	4	16
Other	19,999	17,650
Total current liabilities	<u>159,678</u>	<u>134,180</u>
Non-current liabilities		
Lease obligations	321	240
Deferred tax liabilities	581	497
Deferred tax liabilities for land revaluation	26	25
Accrued long service rewards for employees	943	863
Net defined benefit liability	42,822	39,825
Other	4,689	4,574
Total non-current liabilities	<u>49,385</u>	<u>46,027</u>
Total liabilities	<u>209,064</u>	<u>180,208</u>
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	151,036	155,196
Treasury shares	(31,911)	(31,913)
Total shareholders' equity	<u>275,247</u>	<u>279,406</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,775	2,103
Deferred gains or losses on hedges	0	(21)
Foreign currency translation adjustment	224	21
Remeasurements of defined benefit plans	(1,240)	144
Total accumulated other comprehensive income	<u>1,760</u>	<u>2,247</u>
Non-controlling interests	430	441
Total net assets	<u>277,438</u>	<u>282,095</u>
Total liabilities and net assets	<u>486,502</u>	<u>462,303</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Nine months of FY2015 (from January 1, 2015 to September 30, 2015)	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)
Net sales	469,535	453,707
Cost of sales	300,003	289,993
Gross profit	169,531	163,714
Selling, general and administrative expenses	153,833	147,864
Operating income	15,698	15,849
Non-operating income		
Interest income	217	181
Dividend income	91	103
Insurance income	584	597
Other	619	386
Total non-operating income	1,513	1,270
Non-operating expenses		
Interest expenses	22	11
Foreign exchange losses	116	25
Other	178	213
Total non-operating expenses	316	250
Ordinary income	16,895	16,869
Extraordinary income		
Gain on sales of non-current assets	11	770
Insurance income on disaster	21	-
Other	0	4
Total extraordinary income	33	774
Extraordinary losses		
Loss on sales and retirement of non-current assets	152	688
Impairment loss	-	131
Loss on disaster	14	22
Group reorganization expenses	102	-
Other	105	123
Total extraordinary losses	375	965
Income before income taxes and minority interests	16,553	16,678
Income taxes	7,279	6,666
Profit	9,274	10,012
Profit attributable to non-controlling interests	21	17
Profit attributable to owners of parent	9,252	9,994

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Nine months of FY2015 (from January 1, 2015 to September 30, 2015)	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)
Profit	9,274	10,012
Other comprehensive income		
Valuation difference on available-for-sale-securities	694	(672)
Deferred gains or losses on hedges	-	(22)
Foreign currency translation adjustment	(35)	(198)
Remeasurements of defined benefit plans, net of tax	(512)	1,385
Total other comprehensive income	145	491
Comprehensive income	9,420	10,504
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,380	10,482
Comprehensive income attributable to non-controlling interests	40	21

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Nine months of FY2015 (from January 1, 2015 to September 30, 2015)	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	16,553	16,678
Depreciation	11,696	11,172
Impairment loss	-	131
Amortization of goodwill	182	172
Increase (decrease) in allowance for doubtful accounts	(84)	(40)
Increase (decrease) in net defined benefit liability	(728)	(946)
Increase (decrease) in provision for bonuses	10,177	10,344
Interest and dividend income	(308)	(285)
Interest expenses	22	11
Loss (gain) on sales and retirement of property, plant and equipment	110	(103)
Decrease (increase) in notes and accounts receivable-trade	22,926	28,051
Decrease (increase) in inventories	(3,997)	(449)
Increase (decrease) in notes and accounts payable-trade	(11,848)	(19,514)
Other, net	(14,476)	(10,958)
Subtotal	<u>29,069</u>	<u>33,122</u>
Interest and dividends income received	306	293
Interest expenses paid	(22)	(14)
Income taxes paid	(10,467)	(10,921)
Net cash provided by (used in) operating activities	<u>18,886</u>	<u>22,480</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,480)	(8,761)
Proceeds from sales of property, plant and equipment	98	2,190
Purchase of intangible assets	(2,529)	(1,016)
Purchase of investment securities	(111)	(449)
Proceeds from sales of investment securities	18	21
Proceeds from sales of shares of subsidiaries and associates	5	-
Net decrease (increase) in short-term loans receivable	(29,999)	(39,989)
Other, net	(217)	208
Net cash provided by (used in) investing activities	<u>(42,216)</u>	<u>(47,796)</u>
Cash flows from financing activities		
Repayments of finance lease obligations	(300)	(185)
Purchase of treasury shares	(6)	(1)
Cash dividends paid	(5,836)	(5,837)
Dividends paid to non-controlling shareholders	(10)	(10)
Other, net	(1)	-
Net cash provided by (used in) financing activities	<u>(6,154)</u>	<u>(6,035)</u>
Effect of exchange rate change on cash and cash equivalents	(1)	(176)
Net increase (decrease) in cash and cash equivalents	<u>(29,485)</u>	<u>(31,528)</u>
Cash and cash equivalents at beginning of period	<u>120,607</u>	<u>99,573</u>
Cash and cash equivalents at end of period	<u>91,121</u>	<u>68,045</u>

Consolidated Quarterly Segment Information

I. Nine months of FY2015 (from January 1, 2015 to September 30, 2015)

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	244,754	83,798	119,979	20,748	254	469,535	-	469,535
Sales - intersegment	-	21,538	-	-	-	21,538	(21,538)	-
Total	244,754	105,337	119,979	20,748	254	491,073	(21,538)	469,535
Operating income (loss)	6,815	2,641	6,273	(366)	334	15,698	-	15,698

[Note]

- "Other" includes businesses, such as shared service businesses, which are not included in other reportable segments.
- "Operating income (loss)" is equal to the "Operating income" of "Consolidated Quarterly Statements of Income."

II. Nine months of FY2016 (from January 1, 2016 to September 30, 2016)

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	244,836	86,153	103,113	19,584	19	453,707	-	453,707
Sales - intersegment	-	20,322	-	-	-	20,322	(20,322)	-
Total	244,836	106,475	103,113	19,584	19	474,029	(20,322)	453,707
Operating income	7,638	3,567	3,489	812	342	15,849	-	15,849

[Note]

- "Other" includes businesses, such as shared service businesses, which are not included in other reportable segments.
- "Operating income" is equal to the "Operating income" of "Consolidated Quarterly Statements of Income."