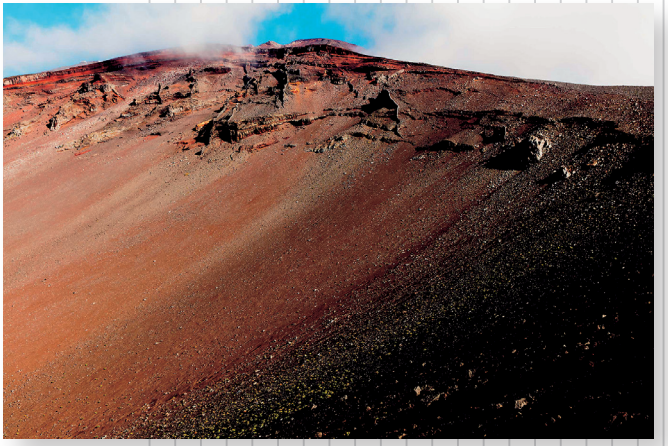
Translation



Interim Report for the 50th Business Term

January 1, 2017 ▶ June 30, 2017

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Canon Marketing Japan Inc.

Securities code: 8060

To Our Shareholders

We take this opportunity to convey our sincerest appreciation to all of our shareholders for their continued support.
Canon Marketing Japan Inc. (“Canon MJ”) is pleased to deliver the interim report for the 50th Business Term.

In the interim period under review, notwithstanding a slight increase in the second quarter (April to June), net sales of Canon MJ Group declined, chiefly because the market for Imaging Systems remained sluggish. However, operating income increased, reflecting progress in earnings structural reforms. We plan to pay interim dividends of 25 yen per share (20 yen in the interim period of the previous fiscal year) and annual dividends of 50 yen per share (the same amount as in the previous fiscal year), as announced at the beginning of the period.

We aim to achieve increases in sales and profits for the fiscal year by continuing to work on “growing sales” and on “improving profits,” the core themes in the Three-Year Management Plan (2017 to 2019).

To achieve these objectives, we will strive to expand our production printing business, strengthen the network camera business and develop IT security extensively, actively focusing on new businesses to drive growing sales; To improve profits, we will target active sales expansion of high value-added products and an improvement in sales efficiency using IT.

As we pursue these initiatives, we sincerely ask for your continued support.

August 2017

Haruo Murase
Chairman & Representative Director

Masahiro Sakata
President & Representative Director

* In this report, the period from January 1, 2017 to June 30, 2017 is stated as the “interim period.”

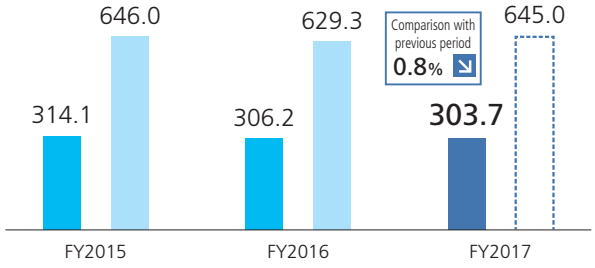
Results Highlights

(Figures are rounded to the nearest unit)

Interim period　Fiscal year　Fiscal year forecast

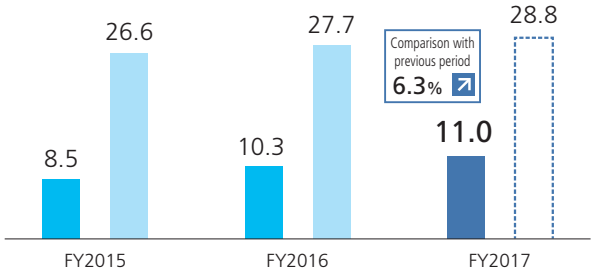
Net sales

(Billions of yen)



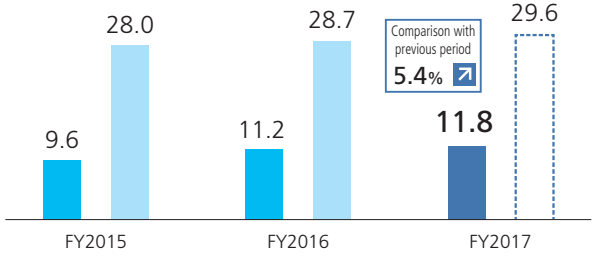
Operating income

(Billions of yen)



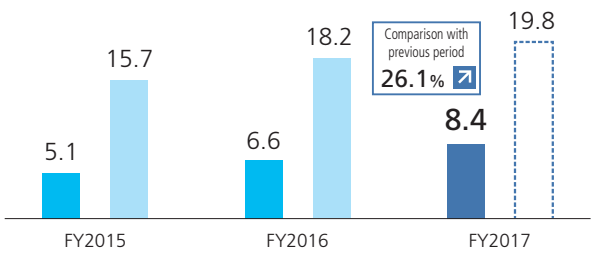
Ordinary income

(Billions of yen)



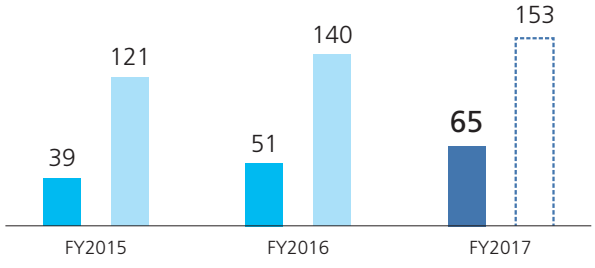
Profit attributable to owners of parent

(Billions of yen)



Profit attributable to owners of parent per share

(yen)



Please see our website for more detailed business results.

http://cweb.canon.jp/eng/ir/library/results.html

Information by Segment

* Description of increases and decreases in the information by segment is based on comparison with the previous interim period. We have changed the reportable segments of Canon MJ and consolidated subsidiaries ("Canon MJ Group") in the current interim period under review in association with the organizational restructuring of Canon MJ Group. Therefore, we retroactively changed segment information in the previous interim period.

Business Solutions

Setting up "Customer Experience Center Tokyo"

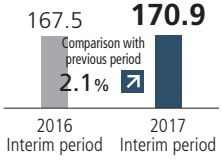
In April, Canon set up "Customer Experience Center Tokyo" ("CEC Tokyo") on the site of its headquarters (Ota-ku, Tokyo) for the purpose of strengthening the commercial printing business. Canon Production Printing Systems Inc., a subsidiary of Canon MJ, is in charge of its operation.

In contrast to normal showrooms, visitors to CEC Tokyo are able to experience such aspects as output verification, quality confirmation and media verification using their own printing data.

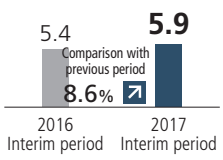
We will continue to expand our production printing business using this facility.

Equipment in CEC Tokyo

Net sales (Billions of yen)



Operating income (Billions of yen)



Overall Condition

Sales of office MFPs, production printing, laser printers, toner cartridges and network cameras increased. In particular, the performance of network cameras was strong due to the acquisition of orders in various areas, as well as large orders for commercial facilities. Maintenance service revenue for office MFPs and other products remained flat. As a result, net sales in this segment increased.

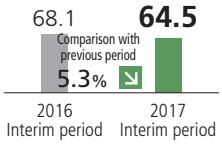
Imaging Systems

Launching the mirrorless camera EOS M6

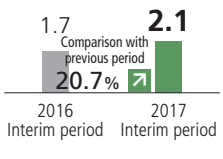
Canon MJ launched the mirrorless camera EOS M6 in April. The EOS M6 is a mirrorless camera that is able to capture quickly moving objects with high accuracy by mounting the Dual Pixel CMOS AF, an AF technology unique to Canon, despite its small size. The EOS M6 responds to extensive needs for full-fledged photo expression from photography enthusiasts, as well as users wishing to step up from a smartphone and a compact camera.

EOS M6

Net sales (Billions of yen)



Operating income (Billions of yen)



Overall Condition

Sales of SLR cameras declined, but sales of mirrorless cameras increased significantly due mainly to the launch of new products. Sales of compact digital cameras were also up. While sales of inkjet printers increased, sales of inkjet cartridges and commercial imaging equipment declined. As a result, net sales in this segment decreased.

(Figures are rounded to the nearest unit)

IT Solutions

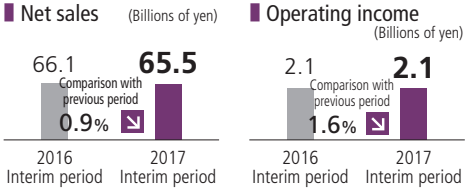
Strengthening solutions against cyber attacks

With cyber attacks intensifying, Canon IT Solutions Inc., a subsidiary of Canon MJ, proposes appropriate defenses against a broad range of attack techniques.

The GUARDIANWALL, an email filtering software that has commanded the largest domestic share for the 15th consecutive year[1], has been refurbished into the GUARDIANWALL Series, an integrated unified brand for measures against information leaks, and evolved into a lineup that is able to provide more flexible solutions for a changing environment, such as the increasing use of cloud computing systems and technical cooperation with other companies. In addition, we are actively working on alliances with other companies, as indicated by our planning of SPAMSNIPER AG, which features an email sanitizing function to prevent information leaks caused by targeted attacks, etc., in cooperation with Jiransoft Japan, Inc.

We will continue to develop security solutions by considering the challenges and needs facing companies in the security area, based on the knowledge and know-how we have accumulated in the security business.

Note 1. Based on the "Network Security Business 2016 · Comprehensive Research Report" of Fuji Chimera Research Institute, Inc.



* Net sales in the IT Solutions segment include inter-segment sales or transfers of 13.5 billion yen.

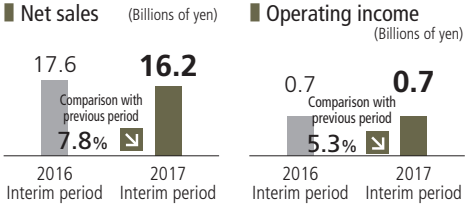
Overall Condition

Net sales in the SI services business remained flat, and net sales in the IT infrastructure and services business declined. While net sales in the embedded systems business were down due to a fall in orders from major customers in the manufacturing industry, the products business saw net sales increase, thanks chiefly to the firm performance of security-related products. As a result, net sales in this segment declined slightly.

Industrial / Medical

Launching two models, including CXDI-710C Wireless

We announced the digital X-ray systems CXDI-710C Wireless and CXDI-810C Wireless in March and launched them in July. These products have trimmed weight to meet the needs of the rising number of female radiology technologists in medical settings, and have improved usability by incorporating a function to store X-ray images in the built-in memory.



Overall Condition

Sales of industrial equipment increased due to solid orders for semiconductor manufacturing equipment and testing and measuring systems, etc. and firm service revenue, reflecting buoyant markets in the semiconductor sector. Net sales in the medical business declined due to the backlash from the large orders received in the previous interim period, despite growth in sales of medical cloud services, etc. As a result, net sales in this segment decreased.

Introduction of Our New Alliance Initiatives

Under our Long-Term Management Objectives and the Three-Year Management Plan, we are actively working on alliances as a key strategy for growth.

Announcing the official marketing partner agreement with LEGOLAND® Japan

Canon MJ has become an official marketing partner of LEGOLAND® Japan in its imaging area. The agreement covers Canon's output and imaging-related technologies for both individuals and corporations in areas such as cameras, inkjet printers, network cameras and printing. LEGOLAND® Japan provides its visitors with a photography service using an SLR camera, photoprints by an inkjet printer, and a dedicated photo book service of LEGOLAND® Japan, using the automated layout technology unique to Canon. We also contribute to security and safety at LEGOLAND® Japan by introducing more than 200 network cameras of Canon and Axis Communications and the video management software of Milestone Systems.

2017

Jan. 1

Feb. 2

Mar. 3

Announcing an investment in OurPhoto, a matching site for on-site photo-taking service

Canon MJ has invested in Our Photo Inc., which has developed and now operates the OurPhoto site. OurPhoto is a matching site for an on-site photo-taking service where Our Photo Inc. introduces photographers to customers seeking to have candid photos taken of themselves during their everyday life. It provides applicants with an opportunity to have their photo taken by a professional or a semiprofessional photographer, and photographers with an opportunity to play an active role as a photographer.
We will develop high value-added businesses by combining the resources of the both companies; that is, the advanced services of Our Photo Inc. and the products and services of the Canon MJ Group.

Establishment of Commercial Printing Lab Inc.

Canon Production Printing Systems Inc. ("Canon PPS"), a subsidiary of Canon MJ, and Ishida Taiseisha Inc. ("Ishida Taiseisha") have established a joint venture named Commercial Printing Lab Inc. The new company seeks to create a new market in the printing industry with its printing and content production businesses using high-speed continuous feed inkjet printers for commercial use. Integrating the know-how of Canon PPS in digital printing with Ishida Taiseisha's expertise in offset printing and content production, we have become able to make comprehensive proposals covering the area from offset printing to digital printing. We will continue to expand our production printing business, taking advantage of strengths of Canon PPS and Commercial Printing Lab Inc.

Overview

Location	13-29, Konan 2-chome, Minato-ku, Tokyo
Representative	Hiroshi Yaginuma President & Representative Director
Established day	April 3, 2017
Capital	100 million yen

Apr. 4 May 5 Jun. 6 Jul. 7

Developing the nursing care support business using IoT

Canon MJ will develop the nursing care support business using IoT, by entering into a capital and business alliance with Z-Works Inc. ("Z-Works"). Together with Z-Works, we will actively develop nursing care support solutions that will improve the operating efficiency and services of nursing-care facilities, where labor shortages are expected to become an increasingly serious problem.

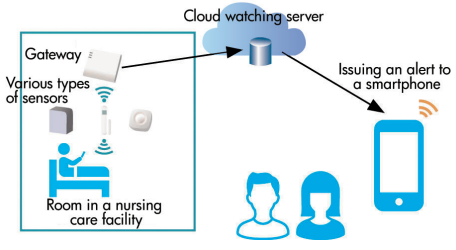


Image of nursing care support solutions

Strengthening the OS development business for automotive control systems

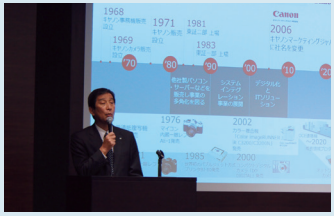
To expand the automotive software business, Canon IT Solutions Inc. ("Canon ITS"), a subsidiary of Canon MJ, invested in APTJ Co., Ltd., a venture company originating from Nagoya University, and supports product development by participating in the development of automotive operating systems (OS) based on AUTOSAR* specifications, which APTJ Co., Ltd. is promoting. In July, Canon ITS increased its stake in APTJ Co., Ltd. to expand its business based on synergies between the development of existing automotive software and the OS business, in an environment where emphasis is increasingly being placed on a standard OS for automobiles for autonomous driving.

* AUTOSAR (Automotive Open System Architecture)
This is a Group that prepares the global industry standards for the software foundations for automotive control systems. AUTOSAR was established in 2003 and is active mainly in Europe. OS based on AUTOSAR specifications have already been widely adopted by European automakers, and adoption is expected to spread among Japanese automakers as well in the future.

Details of Our Communication Activities

Presentations and IR events

In April, Masahiro Sakata, the President took the rostrum at a meeting for individual investors sponsored by Daiwa Investor Relations Co., Ltd. He explained the history, business, performance trends, medium- and long-term management plans, and other aspects of the Canon MJ Group to about 430 participants. We also organized a company presentation at SMBC Nikko Securities Inc.



Meeting for individual investors sponsored by Daiwa Investor Relations Co., Ltd.

We hope to create more opportunities like these in the future, and will post details of scheduled events on our website as soon as they are available.

Introduction of IR Site

- IR News
- IR Library
- Management Policy
- Stock Information
- Financial Information

Please see our website for IR information including the above.

http://cweb.canon.jp/eng/ir/index.html

System for additional purchase and sales of shares of less than one unit (1 to 99 shares)

The trading unit (share unit number) of Canon MJ's shares is 100, and shares of less than one share unit (1 to 99 shares) are unable to be traded on the stock market. However, the following procedures are available.

●Additional purchase system

In this system, shareholders are able to purchase the number of Canon MJ's shares necessary to increase their holding to a share unit number (100 shares) from Canon MJ at the prevailing market price. For example, if a shareholder currently holds 80 shares at the moment, that shareholder is able to increase the number to 100 shares (the share unit number) by purchasing an additional 20 shares.

●Sales system

Under this system, shareholders are able to sell to Canon MJ holdings of less than one share unit (1 to 99 shares) of shares of Canon MJ at the prevailing market price.

· If you are a shareholder who owns less than one share unit of Canon MJ's shares in an account at a securities company, please follow the procedures of that securities company.

· If you are a shareholder who owns less than one share unit of Canon MJ's shares in a special account (a shareholder who does not have an account at a securities company, etc.), please contact Mizuho Trust & Banking Co., Ltd., which is the institution responsible for managing special accounts (0120-288-324 (toll-free)).

Canon Marketing Japan Inc.

Headquarters: 16-6, Konan 2-chome, Minato-ku, Tokyo 108-8011, Japan Tel: 03-6719-9111

Cover photo: Mikio Hasui
From the Canon Calendar 2017
"*Mt. Fuji, an oasis of life: Toki no Katachi*"

UD FONT