

Summary Report of Consolidated Financial Results

for the first quarter ended March 31, 2017

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
 Dividend payable date (as planned): -
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the three months ended March 31, 2017 (From January 1, 2017 to March 31, 2017)

(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	%
Three months ended March 31, 2017	152,817	(2.0)	5,661	8.9	5,758	7.2	3,991	34.1
March 31, 2016	155,996	0.4	5,197	49.8	5,372	43.2	2,976	61.0

[Note] Comprehensive Income: Three months ended March 31, 2017 : 3,645 million yen [(19.5%)]

Three months ended March 31, 2016 : 4,526 million yen [99.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	
Three months ended March 31, 2017	30.78	-
March 31, 2016	22.95	-

(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, 2017	489,925	280,661	58.0	2,161.02
Year ended December 31, 2016	497,727	280,919	56.4	2,162.96

[Reference] Shareholders' equity: First quarter ended March 31, 2017 : 280,220 million yen

Year ended December 31, 2016 : 280,472 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, 2016	-	20.00	-	30.00	50.00
Year ending December 31, 2017	-				
Year ending December 31, 2017 (forecast)		-	-	-	50.00

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

[Note] Interim dividend for the fiscal year ending December 31, 2017 is unfixed because consolidated financial forecast for the six months from January 1, 2017 to June 30, 2017 is not fixed. The Year-end dividend for the fiscal year ending December 31, 2017 is equal to the balance of annual dividend and interim dividend.

3. Consolidated financial forecast for the fiscal year ending December 31, 2017

(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	645,000	2.5	28,800	4.1	29,600	3.1	19,800	9.0	152.69	

[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
- (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 March 31, 2017 : 151,079,972
 - As of December 31, 2016 : 151,079,972
 - (ii) Number of treasury stock at the end of the period
 - As of March 31, 2017 : 21,409,517
 - As of December 31, 2016 : 21,409,021
 - (iii) Average number of shares
 - As of March 31, 2017 : 129,670,635
 - As of March 31, 2016 : 129,672,135

* 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, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	76,785	48,895
Notes and accounts receivable-trade	124,475	107,222
Securities	30,500	30,500
Merchandise and finished goods	28,270	31,096
Work in process	834	945
Raw materials and supplies	875	724
Deferred tax assets	4,214	4,218
Short-term loans receivable	90,044	120,044
Other	6,263	5,724
Allowance for doubtful accounts	(121)	(126)
Total current assets	362,141	349,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,425	47,058
Machinery, equipment and vehicles, net	147	142
Tools, furniture and fixtures, net	3,963	3,843
Rental assets, net	10,574	9,799
Land	34,364	34,364
Leased assets, net	226	200
Total property, plant and equipment	96,701	95,407
Intangible assets		
Software	6,443	6,175
Leased assets	53	54
Right of using facilities	317	317
Other	4	4
Total intangible assets	6,819	6,552
Investments and other assets		
Investment securities	7,422	6,849
Long-term loans receivable	10	10
Deferred tax assets	17,668	17,830
Guarantee deposits	4,824	4,973
Other	2,483	2,406
Allowance for doubtful accounts	(344)	(349)
Total investments and other assets	32,064	31,720
Total non-current assets	135,585	133,680
Total assets	497,727	482,925

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	102,662	91,320
Lease obligations	175	157
Accrued expenses	18,968	15,030
Income taxes payable	4,689	2,047
Accrued consumption taxes	4,296	3,525
Provision for bonuses	3,473	12,587
Provision for directors' bonuses	128	22
Provision for product warranties	461	492
Provision for loss on order received	23	22
Other	22,086	17,562
Total current liabilities	<u>156,966</u>	<u>142,769</u>
Non-current liabilities		
Lease obligations	206	193
Deferred tax liabilities	422	443
Deferred tax liabilities for land revaluation	6	6
Accrued long service rewards for employees	961	1,038
Net defined benefit liability	53,568	53,258
Other	4,675	4,553
Total non-current liabilities	<u>59,841</u>	<u>59,493</u>
Total liabilities	<u>216,808</u>	<u>202,263</u>
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	163,363	163,464
Treasury shares	(31,914)	(31,915)
Total shareholders' equity	<u>287,571</u>	<u>287,672</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,328	1,968
Deferred gains or losses on hedges	(14)	(19)
Foreign currency translation adjustment	147	115
Remeasurements of defined benefit plans	(9,560)	(9,517)
Total accumulated other comprehensive income	<u>(7,099)</u>	<u>(7,452)</u>
Non-controlling interests	446	441
Total net assets	<u>280,919</u>	<u>280,661</u>
Total liabilities and net assets	<u>497,727</u>	<u>482,925</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Three months of FY2016 (from January 1, 2016 to March 31, 2016)	Three months of FY2017 (from January 1, 2017 to March 31, 2017)
Net sales	155,996	152,817
Cost of sales	101,127	99,134
Gross profit	54,869	53,682
Selling, general and administrative expenses	49,672	48,021
Operating income	5,197	5,661
Non-operating income		
Interest income	69	41
Dividend income	30	24
Other	194	130
Total non-operating income	294	196
Non-operating expenses		
Interest expenses	4	2
Foreign exchange losses	23	10
Other	91	86
Total non-operating expenses	119	100
Ordinary income	5,372	5,758
Extraordinary income		
Gain on sales of non-current assets	3	7
Gain on sales of investment securities	-	467
Other	0	-
Total extraordinary income	4	474
Extraordinary losses		
Loss on sales and retirement of non-current assets	53	29
Impairment loss	98	-
Other	3	13
Total extraordinary losses	154	43
Profit before income taxes	5,222	6,190
Income taxes	2,235	2,186
Profit	2,986	4,003
Profit attributable to non-controlling interests	10	12
Profit attributable to owners of parent	2,976	3,991

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Three months of FY2016 (from January 1, 2016 to March 31, 2016)	Three months of FY2017 (from January 1, 2017 to March 31, 2017)
Profit	2,986	4,003
Other comprehensive income		
Valuation difference on available-for-sale securities	(400)	(359)
Deferred gains or losses on hedges	(16)	(4)
Foreign currency translation adjustment	(69)	(36)
Remeasurements of defined benefit plans, net of tax	2,026	43
Total other comprehensive income	1,540	(358)
Comprehensive income	4,526	3,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,516	3,638
Comprehensive income attributable to non-controlling interests	10	6

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Three months of FY2016 (from January 1, 2016 to March 31, 2016)	Three months of FY2017 (from January 1, 2017 to March 31, 2017)
Cash flows from operating activities		
Profit before income taxes	5,222	6,190
Depreciation	3,766	3,487
Impairment loss	98	-
Amortization of goodwill	58	-
Increase (decrease) in allowance for doubtful accounts	17	9
Increase (decrease) in net defined benefit liability	(303)	(258)
Increase (decrease) in provision for bonuses	9,156	9,114
Interest and dividend income	(99)	(67)
Interest expenses	4	4
Loss (gain) on sales and retirement of property, plant and equipment	42	21
Loss (gain) on sales of investment securities	-	(467)
Decrease (increase) in notes and accounts receivable-trade	12,286	17,239
Decrease (increase) in inventories	(2,525)	(2,786)
Increase (decrease) in notes and accounts payable-trade	(9,445)	(11,337)
Other, net	(7,784)	(8,131)
Subtotal	10,494	13,017
Interest and dividend income received	100	65
Interest expenses paid	(4)	(4)
Income taxes paid	(6,121)	(4,470)
Net cash provided by (used in) operating activities	4,468	8,607
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,781)	(2,497)
Purchase of intangible assets	(490)	(366)
Purchase of investment securities	(24)	(87)
Proceeds from sales of investment securities	0	580
Net decrease (increase) in short-term loans receivable	0	(29,999)
Other, net	62	(135)
Net cash provided by (used in) investing activities	(2,234)	(32,506)
Cash flows from financing activities		
Repayments of finance lease obligations	(63)	(50)
Purchase of treasury shares	(0)	(1)
Cash dividends paid	(3,243)	(3,891)
Dividends paid to non-controlling shareholders	(10)	(12)
Net cash provided by (used in) financing activities	(3,317)	(3,955)
Effect of exchange rate change on cash and cash equivalents	(71)	(36)
Net increase (decrease) in cash and cash equivalents	(1,154)	(27,890)
Cash and cash equivalents at beginning of period	99,573	107,285
Cash and cash equivalents at end of period	98,419	79,395

Consolidated Quarterly Segment Information

I. Three months of FY2016 (from January 1, 2016 to March 31, 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	86,628	27,195	31,791	10,375	6	155,996	-	155,996
Sales - intersegment	-	6,618	-	-	-	6,618	(6,618)	-
Total	86,628	33,813	31,971	10,375	6	162,615	(6,618)	155,996
Operating income (loss)	3,403	1,122	(325)	845	149	5,197	-	5,197

[Note]

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

II. Three months of FY2017 (from January 1, 2017 to March 31, 2017)

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	88,481	26,078	29,496	8,751	9	152,817	-	152,817
Sales - intersegment	-	6,991	-	-	-	6,991	(6,991)	-
Total	88,481	33,069	29,496	8,751	9	159,808	(6,991)	152,817
Operating income	3,779	1,091	71	631	88	5,661	-	5,661

[Note]

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

NOTE

Canon Biz Attenda Inc. and A&A Co., Ltd. , which were previously included in "IT Solutions" segment, are included in "Business Solutions" segment and Canon ITS Medical Inc., which was previously included in "IT Solutions" segment, is included in "Industrial / Medical" segment starting from the current fiscal year. The segment information for the previous fiscal year is disclosed after reclassifying the figures in accordance with the new reportable segments mentioned above.