

Summary Report of Consolidated Financial Results

for the second quarter ended June 30, 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
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Dividend payable date (as planned): August 28, 2017
 U.S. Accounting Standards Applied: No

1. Consolidated business results for the six months ended June 30, 2017 (From January 1, 2017 to June 30, 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	%
Six months ended								
June 30, 2017	303,657	(0.8)	10,961	6.3	11,829	5.4	8,375	26.1
June 30, 2016	306,236	(2.5)	10,315	21.0	11,221	17.1	6,641	30.8

[Note] Comprehensive Income: Six months ended June 30, 2017 : 7,397 million yen [(2.2)%]

Six months ended June 30, 2016 : 7,560 million yen [30.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
June 30, 2017	64.59	-
June 30, 2016	51.21	-

(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, 2017	477,524	284,461	59.5	2,190.00
Year ended December 31, 2016	497,727	280,919	56.4	2,162.96

[Reference] Shareholders' equity: Second quarter ended June 30, 2017 : 283,976 million yen

Year ended December 31, 2016 : 280,472 million yen

2. Dividends

	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	-	25.00			
Year ending December 31, 2017 (forecast)			-	25.00	50.00

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

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	152.70

[Note] Revision of forecast for this period : None

Basic earnings per share is revised based on the change of the average number of shares.

* 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 fiscal year (including treasury stock)

As of June 30, 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 June 30, 2017 : 21,409,989

As of December 31, 2016 : 21,409,021

(iii) Average number of shares

As of June 30, 2017 : 129,670,401

As of June 30, 2016 : 129,671,964

* 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 June 30, 2017
Assets		
Current assets		
Cash and deposits	76,785	54,657
Notes and accounts receivable-trade	124,475	98,442
Securities	30,500	30,500
Merchandise and finished goods	28,270	25,910
Work in process	834	1,092
Raw materials and supplies	875	743
Deferred tax assets	4,214	4,198
Short-term loans receivable	90,044	120,034
Other	6,263	7,759
Allowance for doubtful accounts	(121)	(124)
Total current assets	362,141	343,214
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,425	46,312
Machinery, equipment and vehicles, net	147	138
Tools, furniture and fixtures, net	3,963	3,877
Rental assets, net	10,574	10,814
Land	34,364	33,792
Leased assets, net	226	170
Construction in progress	-	23
Total property, plant and equipment	96,701	95,128
Intangible assets		
Software	6,443	5,823
Leased assets	53	48
Right of using facilities	317	317
Other	4	4
Total intangible assets	6,819	6,194
Investments and other assets		
Investment securities	7,422	7,390
Long-term loans receivable	10	9
Net defined benefit asset	-	356
Deferred tax assets	17,668	18,097
Guarantee deposits	4,824	5,021
Other	2,483	2,437
Allowance for doubtful accounts	(344)	(325)
Total investments and other assets	32,064	32,987
Total non-current assets	135,585	134,310
Total assets	497,727	477,524

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2016	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	102,662	80,046
Lease obligations	175	146
Accrued expenses	18,968	15,528
Income taxes payable	4,689	4,849
Accrued consumption taxes	4,296	2,873
Provision for bonuses	3,473	4,703
Provision for directors' bonuses	128	45
Provision for product warranties	461	482
Provision for loss on order received	23	1
Other	22,086	23,605
Total current liabilities	156,966	132,282
Non-current liabilities		
Lease obligations	206	204
Deferred tax liabilities	422	442
Deferred tax liabilities for land revaluation	6	6
Accrued long service rewards for employees	961	1,015
Net defined benefit liability	53,568	54,362
Other	4,675	4,749
Total non-current liabilities	59,841	60,780
Total liabilities	216,808	193,063
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	163,363	167,848
Treasury shares	(31,914)	(31,916)
Total shareholders' equity	287,571	292,055
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,328	2,327
Deferred gains or losses on hedges	(14)	(13)
Foreign currency translation adjustment	147	87
Remeasurements of defined benefit plans	(9,560)	(10,478)
Total accumulated other comprehensive income	(7,099)	(8,078)
Non-controlling interests	446	484
Total net assets	280,919	284,461
Total liabilities and net assets	497,727	477,524

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Six months of FY2016 (from January 1, 2016 to June 30, 2016)	Six months of FY2017 (from January 1, 2017 to June 30, 2017)
Net sales	306,236	303,657
Cost of sales	196,292	195,896
Gross profit	109,943	107,760
Selling, general and administrative expenses	99,628	96,798
Operating income	10,315	10,961
Non-operating income		
Interest income	127	82
Dividend income	98	87
Insurance income	596	539
Other	315	301
Total non-operating income	1,138	1,011
Non-operating expenses		
Interest expenses	8	6
Foreign exchange losses	61	-
Other	161	137
Total non-operating expenses	231	143
Ordinary income	11,221	11,829
Extraordinary income		
Gain on sales of non-current assets	158	837
Gain on sales of investment securities	-	467
Other	0	63
Total extraordinary income	159	1,368
Extraordinary losses		
Loss on sales and retirement of non-current assets	183	212
Impairment loss	109	-
Special extra retirement payments	-	100
Loss on disaster	16	-
Other	102	16
Total extraordinary losses	412	328
Profit before income taxes	10,968	12,868
Income taxes	4,308	4,484
Profit	6,659	8,384
Profit attributable to non-controlling interests	18	8
Profit attributable to owners of parent	6,641	8,375

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Six months of FY2016 (from January 1, 2016 to June 30, 2016)	Six months of FY2017 (from January 1, 2017 to June 30, 2017)
Profit	6,659	8,384
Other comprehensive income		
Valuation difference on available-for-sale-securities	(583)	(1)
Deferred gains or losses on hedges	(42)	0
Foreign currency translation adjustment	(178)	(68)
Remeasurements of defined benefit plans, net of tax	1,706	(918)
Total other comprehensive income	901	(986)
Comprehensive income	7,560	7,397
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,537	7,396
Comprehensive income attributable to non-controlling interests	23	0

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Six months of FY2016 (from January 1, 2016 to June 30, 2016)	Six months of FY2017 (from January 1, 2017 to June 30, 2017)
Cash flows from operating activities		
Profit before income taxes	10,968	12,868
Depreciation	7,503	7,059
Impairment loss	109	-
Amortization of goodwill	115	-
Increase (decrease) in allowance for doubtful accounts	(5)	(15)
Increase (decrease) in net defined benefit liability	(643)	(725)
Decrease (increase) in net defined benefit asset	-	(174)
Increase (decrease) in provision for bonuses	1,749	1,229
Interest and dividend income	(225)	(170)
Interest expenses	8	6
Loss (gain) on sales and retirement of property, plant and equipment	16	(626)
Loss (gain) on sales of investment securities	-	(467)
Decrease (increase) in notes and accounts receivable-trade	28,051	26,015
Decrease (increase) in inventories	492	2,193
Increase (decrease) in notes and accounts payable-trade	(21,070)	(22,615)
Other, net	(5,263)	(4,157)
Subtotal	21,807	20,421
Interest and dividends income received	233	169
Interest expenses paid	(11)	(6)
Income taxes paid	(6,240)	(4,510)
Net cash provided by (used in) operating activities	15,788	16,074
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,978)	(5,854)
Proceeds from sales of property, plant and equipment	712	1,990
Purchase of intangible assets	(749)	(600)
Purchase of investment securities	(190)	(162)
Proceeds from sales of investment securities	0	634
Net decrease (increase) in short-term loans receivable	(9,990)	(29,989)
Other, net	143	(229)
Net cash provided by (used in) investing activities	(15,051)	(34,213)
Cash flows from financing activities		
Repayments of finance lease obligations	(125)	(103)
Purchase of treasury shares	(1)	(2)
Cash dividends paid	(3,240)	(3,886)
Dividends paid to non-controlling shareholders	(10)	(12)
Proceeds from share issuance to non-controlling shareholders	-	49
Other, net	-	0
Net cash provided by (used in) financing activities	(3,377)	(3,955)
Effect of exchange rate change on cash and cash equivalents	(161)	(34)
Net increase (decrease) in cash and cash equivalents	(2,801)	(22,128)
Cash and cash equivalents at beginning of period	99,573	107,285
Cash and cash equivalents at end of period	96,771	85,157

Consolidated Quarterly Segment Information

I. Six months of FY2016 (from January 1, 2016 to June 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	167,453	53,104	68,078	17,585	13	306,236	-	306,236
Sales - intersegment	-	13,023	-	-	-	13,023	(13,023)	-
Total	167,453	66,128	68,078	17,585	13	319,259	(13,023)	306,236
Operating income	5,409	2,138	1,734	746	285	10,315	-	10,315

[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."

II. Six months of FY2017 (from January 1, 2017 to June 30, 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	170,926	52,007	64,493	16,211	16	303,657	-	303,657
Sales - intersegment	-	13,499	-	-	-	13,499	(13,499)	-
Total	170,926	65,507	64,493	16,211	16	317,156	(13,499)	303,657
Operating income	5,875	2,103	2,093	707	181	10,961	-	10,961

[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.