

Summary Report of Consolidated Financial Results

for the third quarter ended September 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): -
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the nine months ended September 30, 2017 (From January 1, 2017 to September 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	%
Nine months ended								
September 30, 2017	456,245	0.6	18,409	16.1	19,334	14.6	12,515	25.2
September 30, 2016	453,707	(3.4)	15,849	1.0	16,869	(0.2)	9,994	8.0

[Note] Comprehensive Income: Nine months ended September 30, 2017 : 11,656 million yen [11.0%]

Nine months ended September 30, 2016 : 10,504 million yen [11.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
September 30, 2017	96.52	-
September 30, 2016	77.08	-

(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, 2017	489,284	285,478	58.3	2,198.00
Year ended December 31, 2016	497,727	280,919	56.4	2,162.96

[Reference] Shareholders' equity: Third quarter ended September 30, 2017 : 285,013 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)				30.00	55.00

[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	641,000	1.9	29,800	7.7	30,600	6.6	20,000	10.1	154.24	

[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 fiscal year (including treasury stock)

As of September 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 September 30, 2017 : 21,410,602

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

(iii) Average number of shares

As of September 30, 2017 : 129,670,167

As of September 30, 2016 : 129,671,854

*This report is not subject to quarterly review procedures based on the Financial Instruments and Exchange Act.

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 September 30, 2017
Assets		
Current assets		
Cash and deposits	76,785	72,739
Notes and accounts receivable-trade	124,475	106,213
Securities	30,500	30,500
Merchandise and finished goods	28,270	31,910
Work in process	834	926
Raw materials and supplies	875	765
Deferred tax assets	4,214	4,200
Short-term loans receivable	90,044	120,034
Other	6,263	6,944
Allowance for doubtful accounts	(121)	(107)
Total current assets	362,141	374,126
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	47,425	31,280
Machinery, equipment and vehicles, net	147	261
Tools, furniture and fixtures, net	3,963	3,699
Rental assets, net	10,574	10,563
Land	34,364	29,610
Leased assets, net	226	135
Construction in progress	-	67
Total property, plant and equipment	96,701	75,618
Intangible assets		
Software	6,443	5,478
Leased assets	53	42
Right of using facilities	317	317
Other	4	4
Total intangible assets	6,819	5,843
Investments and other assets		
Investment securities	7,422	8,086
Long-term loans receivable	10	9
Net defined benefit asset	-	355
Deferred tax assets	17,668	18,024
Guarantee deposits	4,824	5,137
Other	2,483	2,404
Allowance for doubtful accounts	(344)	(322)
Total investments and other assets	32,064	33,696
Total non-current assets	135,585	115,158
Total assets	497,727	489,284

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2016	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	102,662	87,755
Lease obligations	175	128
Accrued expenses	18,968	14,263
Income taxes payable	4,689	2,561
Accrued consumption taxes	4,296	4,261
Provision for bonuses	3,473	13,792
Provision for directors' bonuses	128	68
Provision for product warranties	461	472
Provision for loss on order received	23	10
Other	22,086	19,978
Total current liabilities	156,966	143,292
Non-current liabilities		
Lease obligations	206	183
Deferred tax liabilities	422	443
Deferred tax liabilities for land revaluation	6	-
Accrued long service rewards for employees	961	863
Net defined benefit liability	53,568	54,278
Other	4,675	4,744
Total non-current liabilities	59,841	60,513
Total liabilities	216,808	203,806
Net assets		
Shareholders' equity		
Capital stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	163,363	168,746
Treasury shares	(31,914)	(31,918)
Total shareholders' equity	287,571	292,951
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,328	2,471
Deferred gains or losses on hedges	(14)	4
Foreign currency translation adjustment	147	98
Remeasurements of defined benefit plans	(9,560)	(10,512)
Total accumulated other comprehensive income	(7,099)	(7,938)
Non-controlling interests	446	464
Total net assets	280,919	285,478
Total liabilities and net assets	497,727	489,284

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)
Net sales	453,707	456,245
Cost of sales	289,993	293,665
Gross profit	163,714	162,580
Selling, general and administrative expenses	147,864	144,170
Operating income	15,849	18,409
Non-operating income		
Interest income	181	124
Dividend income	103	90
Insurance income	597	546
Other	386	384
Total non-operating income	1,270	1,145
Non-operating expenses		
Interest expenses	11	9
Foreign exchange losses	25	26
Other	213	185
Total non-operating expenses	250	220
Ordinary income	16,869	19,334
Extraordinary income		
Gain on sales of non-current assets	770	864
Gain on sales of investment securities	3	539
Other	0	63
Total extraordinary income	774	1,467
Extraordinary losses		
Loss on sales and retirement of non-current assets	688	825
Impairment loss	131	792
Special extra retirement payments	-	100
Loss on disaster	22	-
Other	123	23
Total extraordinary losses	965	1,740
Profit before income taxes	16,678	19,060
Income taxes	6,666	6,553
Profit	10,012	12,507
Profit (loss) attributable to non-controlling interests	17	(8)
Profit attributable to owners of parent	9,994	12,515

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)
Profit	10,012	12,507
Other comprehensive income		
Valuation difference on available-for-sale-securities	(672)	143
Deferred gains or losses on hedges	(22)	19
Foreign currency translation adjustment	(198)	(61)
Remeasurements of defined benefit plans, net of tax	1,385	(952)
Total other comprehensive income	491	(851)
Comprehensive income	10,504	11,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,482	11,676
Comprehensive income attributable to non-controlling interests	21	(20)

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Nine months of FY2016 (from January 1, 2016 to September 30, 2016)	Nine months of FY2017 (from January 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	16,678	19,060
Depreciation	11,172	10,676
Impairment loss	131	792
Amortization of goodwill	172	-
Increase (decrease) in allowance for doubtful accounts	(40)	(36)
Increase (decrease) in net defined benefit liability	(946)	(838)
Decrease (increase) in net defined benefit asset	-	(190)
Increase (decrease) in provision for bonuses	10,344	10,318
Interest and dividend income	(285)	(214)
Interest expenses	11	9
Loss (gain) on sales and retirement of property, plant and equipment	(103)	(41)
Loss (gain) on sales of investment securities	(3)	(539)
Decrease (increase) in notes and accounts receivable-trade	26,911	18,314
Decrease (increase) in inventories	(449)	(3,640)
Increase (decrease) in notes and accounts payable-trade	(19,514)	(14,991)
Other, net	(10,955)	(7,705)
Subtotal	<u>33,122</u>	<u>30,971</u>
Interest and dividends income received	293	214
Interest expenses paid	(14)	(9)
Income taxes paid	(10,921)	(8,819)
Net cash provided by (used in) operating activities	<u>22,480</u>	<u>22,357</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,761)	(8,231)
Proceeds from sales of property, plant and equipment	2,190	19,988
Purchase of intangible assets	(1,016)	(897)
Purchase of investment securities	(449)	(726)
Proceeds from sales of investment securities	21	822
Net decrease (increase) in short-term loans receivable	(39,989)	(29,989)
Other, net	208	(242)
Net cash provided by (used in) investing activities	<u>(47,796)</u>	<u>(19,277)</u>
Cash flows from financing activities		
Repayments of finance lease obligations	(185)	(153)
Purchase of treasury shares	(1)	(4)
Cash dividends paid	(5,837)	(7,133)
Dividends paid to non-controlling shareholders	(10)	(12)
Proceeds from share issuance to non-controlling shareholders	-	49
Other, net	-	146
Net cash provided by (used in) financing activities	<u>(6,035)</u>	<u>(7,107)</u>
Effect of exchange rate change on cash and cash equivalents	<u>(176)</u>	<u>(19)</u>
Net increase (decrease) in cash and cash equivalents	<u>(31,528)</u>	<u>(4,046)</u>
Cash and cash equivalents at beginning of period	<u>99,573</u>	<u>107,285</u>
Cash and cash equivalents at end of period	<u>68,045</u>	<u>103,239</u>

Consolidated Quarterly Segment Information

I. 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	247,718	78,276	103,113	24,578	19	453,707	-	453,707
Sales - intersegment	-	19,311	-	-	-	19,311	(19,311)	-
Total	247,718	97,587	103,113	24,578	19	473,018	(19,311)	453,707
Operating income	8,103	2,947	3,489	848	461	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."

II. Nine months of FY2017 (from January 1, 2017 to September 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	252,234	78,342	99,567	26,077	24	456,245	-	456,245
Sales - intersegment	-	20,021	-	-	-	20,021	(20,021)	-
Total	252,234	98,363	99,567	26,077	24	476,266	(20,021)	456,245
Operating income	8,513	3,240	4,949	1,416	290	18,409	-	18,409

[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."

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.