

Summary Report of Consolidated Financial Results

for the first quarter ended March 31, 2018

Registered company name: **Canon Marketing Japan Inc.**
 Stock listing: Tokyo Stock Exchange, First Section
 Code number: 8060
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Dividend payable date (as planned): -
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the three months ended March 31, 2018 (From January 1, 2018 to March 31, 2018)

(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, 2018	150,802	(1.3)	3,715	(34.4)	4,101	(28.8)	2,529	(36.6)
March 31, 2017	152,817	(2.0)	5,661	8.9	5,758	7.2	3,991	34.1

[Note] Comprehensive Income: Three months ended March 31, 2018 : 2,813 million yen [(22.8%)]
 Three months ended March 31, 2017 : 3,645 million yen [(19.5%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2018	19.50	-
March 31, 2017	30.78	-

(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, 2018	493,188	295,784	59.9	2,277.32
Year ended December 31, 2017	510,832	297,522	58.1	2,290.70

[Reference] Shareholders' equity: First quarter ended March 31, 2018 : 295,296 million yen
 Year ended December 31, 2017 : 297,031 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, 2017	-	25.00	-	35.00	60.00
Year ending December 31, 2018	-				
Year ending December 31, 2018 (forecast)			-	-	60.00

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

[Note] Interim dividend for the fiscal year ending December 31, 2018 is unfixed because consolidated financial forecast for the six months from January 1, 2018 to June 30, 2018 is not fixed. The Year-end dividend for the fiscal year ending December 31, 2018 is equal to the balance of annual dividend and interim dividend.

3.Consolidated financial forecast for the fiscal year ending December 31, 2018

(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	2.0	32,000	5.2	33,000	4.8	21,700	4.9		167.35

[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, 2018 : 151,079,972
 - As of December 31, 2017 : 151,079,972
 - (ii) Number of treasury stock at the end of the period
 - As of March 31, 2018 : 21,411,954
 - As of December 31, 2017 : 21,411,513
 - (iii) Average number of shares
 - As of March 31, 2018 : 129,668,126
 - As of March 31, 2017 : 129,670,635

* Audits by CPAs or audit corporations are not required for quarterly financial results.

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, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	66,479	58,632
Notes and accounts receivable	125,626	111,554
Securities	70,500	40,500
Merchandise and finished goods	32,076	36,691
Work in process	958	1,078
Raw materials and supplies	836	708
Deferred tax assets	4,062	4,071
Short-term loans receivable	90,014	120,010
Other current assets	7,050	7,145
Allowance for doubtful receivables	(98)	(137)
Total current assets	397,506	380,256
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,825	30,438
Machinery, equipment and vehicles, net	251	238
Tools, furniture and fixtures, net	3,732	3,598
Rental assets, net	11,058	10,824
Land	29,016	28,920
Leased assets, net	116	114
Construction in progress	89	126
Total property, plant and equipment	75,090	74,261
Intangible assets		
Software	5,153	5,010
Lease assets	12	11
Utilization rights	316	316
Other intangible assets	2	3
Total intangible assets	5,485	5,341
Investments and other assets		
Investment in securities	9,027	9,806
Long-term loans receivable	29	39
Net defined benefit assets	404	403
Deferred tax assets	16,203	16,026
Lease deposits	4,880	4,881
Other investments and other assets	2,532	2,608
Allowance for doubtful receivables	(327)	(436)
Total investments and other assets	32,750	33,329
Total non-current assets	113,325	112,931
Total assets	510,832	493,188

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	100,940	88,225
Short-term loans payable	147	192
Lease obligations	125	126
Accrued expenses	18,168	15,407
Accrued income taxes	6,289	1,933
Consumption taxes payable	4,586	3,147
Provision for bonuses	3,443	12,644
Provision for directors' bonuses	128	40
Provision for product warranties	487	530
Provision for loss on order received	132	82
Other current liabilities	22,949	19,483
Total current liabilities	<u>157,398</u>	<u>141,812</u>
Long-term liabilities		
Lease obligations	163	146
Deferred tax liabilities	438	438
Allowance for long-term continuous service rewards	961	1,061
Net defined benefit liabilities	49,604	49,522
Other long-term liabilities	4,743	4,422
Total long-term liabilities	<u>55,911</u>	<u>55,591</u>
Total liabilities	<u>213,310</u>	<u>197,403</u>
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	176,911	174,902
Treasury stock	(31,921)	(31,922)
Total stockholders' equity	<u>301,113</u>	<u>299,103</u>
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,159	3,281
Deferred gains or losses on hedges	6	(36)
Foreign currency translation adjustments	98	41
Remeasurements of defined benefit plans	(7,345)	(7,093)
Total accumulated other comprehensive income (loss)	<u>(4,081)</u>	<u>(3,806)</u>
Non-controlling interests	490	488
Total net assets	<u>297,522</u>	<u>295,784</u>
Total liabilities and net assets	<u>510,832</u>	<u>493,188</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Three months of FY2017 (from January 1, 2017 to March 31, 2017)	Three months of FY2018 (from January 1, 2018 to March 31, 2018)
Net sales	152,817	150,802
Cost of sales	99,134	98,819
Gross profit	53,682	51,983
Selling, general and administrative expenses	48,021	48,267
Operating income	5,661	3,715
Non-operating income		
Interest income	41	40
Dividend income	24	25
Gain on investments in partnership	-	218
Other non-operating income	130	175
Total non-operating income	196	460
Non-operating expenses		
Interest expense	2	2
Foreign exchange losses	10	-
Other non-operating expenses	86	71
Total non-operating expenses	100	74
Ordinary profit	5,758	4,101
Extraordinary income		
Gain on sales of fixed assets	7	118
Gain on sales of investments in securities	467	-
Total extraordinary income	474	118
Extraordinary losses		
Loss on sales and disposal of fixed assets	29	51
Loss on impairment of fixed assets	-	1
Loss on valuation of investment securities	5	90
Expenses for restructuring of business bases	-	47
Other extraordinary losses	8	7
Total extraordinary losses	43	198
Profit before income taxes	6,190	4,021
Income taxes	2,186	1,474
Profit	4,003	2,546
Profit attributable to non-controlling interests	12	17
Profit attributable to owners of parent	3,991	2,529

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Three months of FY2017 (from January 1, 2017 to March 31, 2017)	Three months of FY2018 (from January 1, 2018 to March 31, 2018)
Profit	4,003	2,546
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	(359)	122
Deferred gains or losses on hedges	(4)	(42)
Foreign currency translation adjustments	(36)	(65)
Remeasurements of defined benefit plans, net of tax	43	252
Total other comprehensive income (loss)	(358)	266
Comprehensive income	3,645	2,813
Comprehensive income attributable to		
Owners of parent	3,638	2,804
Non-controlling interests	6	9

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Three months of FY2017 (from January 1, 2017 to March 31, 2017)	Three months of FY2018 (from January 1, 2018 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	6,190	4,021
Depreciation	3,487	3,305
Loss on Impairment of fixed assets	-	1
Increase (decrease) in allowance for doubtful receivables	9	148
Increase (decrease) in net defined benefit liabilities	(258)	303
Decrease (increase) in net defined benefit assets	-	(16)
Increase (decrease) in provision for bonuses	9,114	9,201
Interest and dividend income	(67)	(66)
Interest expense	4	2
Loss (gain) on sales and disposal of property, plant and equipment, net	21	(67)
Loss (gain) on sales of investment in securities	(467)	-
Loss (gain) on investments in partnership	14	(218)
Decrease (increase) in notes and accounts receivable-trade	17,239	13,944
Decrease (increase) in inventories	(2,786)	(4,591)
Increase (decrease) in notes and accounts payable-trade	(11,337)	(12,704)
Other, net	(8,145)	(8,534)
Subtotal	13,017	4,729
Interest and dividends received	65	65
Interest paid	(4)	(2)
Income taxes paid	(4,470)	(4,886)
Net cash provided by (used in) operating activities	8,607	(94)
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(2,497)	(2,363)
Payments for purchases of intangible assets	(366)	(397)
Payments for purchases of investment in securities	(87)	(614)
Proceeds from sales of investments in securities	580	12
Decrease (increase) in short-term loans receivable, net.	(29,999)	(29,996)
Other, net	(135)	207
Net cash provided by (used in) investing activities	(32,506)	(33,151)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	-	45
Repayments of finance lease obligations	(50)	(32)
Payments for purchases of treasury stock	(1)	(1)
Dividends paid	(3,891)	(4,539)
Dividends paid to non-controlling shareholders	(12)	(11)
Net cash provided by (used in) financing activities	(3,955)	(4,539)
Effect of exchange rate changes on cash and cash equivalents	(36)	(61)
Net increase (decrease) in cash and cash equivalents	(27,890)	(37,847)
Cash and cash equivalents at beginning of period	107,285	136,979
Cash and cash equivalents at end of period	79,395	99,132

Consolidated Quarterly Segment Information

I. 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)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumer	Enterprise	Area	Professional				
Net sales								
Sales - external customers	32,549	42,754	64,678	12,824	9	152,817	-	152,817
Sales - intersegment	117	1,487	3,414	708	764	6,492	(6,492)	-
Total	32,667	44,241	68,092	13,533	774	159,309	(6,492)	152,817
Operating income (loss)	289	1,955	3,461	(235)	145	5,616	45	5,661

[Note]

1. Other includes call center business and shared service business, which are not included in reportable segments.
2. Adjustment of Operating income (loss) is the elimination of intersegment transactions.
3. Total amount of Operating income (loss) for Reportable segments, Other and Adjustment is equal to the Operating income of Consolidated Quarterly Statements of Income.

II. Three months of FY2018 (from January 1, 2018 to March 31, 2018)

Information on net sales and income (loss) by reportable segment (Amounts less than one million yen are truncated)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumer	Enterprise	Area	Professional				
Net sales								
Sales - external customers	26,807	44,990	63,242	15,775	(13)	150,802	-	150,802
Sales - intersegment	15	2,136	3,129	693	695	6,670	(6,670)	-
Total	26,822	47,127	66,372	16,469	681	157,473	(6,670)	150,802
Operating income (loss)	(2,149)	2,494	2,946	297	116	3,705	10	3,715

[Note]

1. Other includes call center business and shared service business, which are not included in reportable segments.
2. Adjustment of Operating income (loss) is the elimination of intersegment transactions.
3. Total amount of Operating income (loss) for Reportable segments, Other and Adjustment is equal to the Operating income of Consolidated Quarterly Statements of Income.

NOTE

Starting from January 1, 2018, the Group transitioned to a new organizational structure from the existing one based on products to one based on markets and customers, as part of efforts to achieve Phase III of our Long-Term Management Objectives. Accordingly it has changed reportable segments from the existing ones of Business Solutions, IT Solutions, Imaging System and Industrial/Medical to the new ones, Consumer, Enterprise, Area and Professional from this first quarter of consolidated accounting period. Segment information for the previous first quarter of consolidated accounting period has been restated to reflect the recategorizations.