

Summary Report of Consolidated Financial Results

for the second quarter ended June 30, 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): August 27, 2018
 U.S. Accounting Standards Applied: No

1.Consolidated business results for the six months ended June 30, 2018 (From January 1, 2018 to June 30, 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	%
Six months ended								
June 30, 2018	300,523	(1.0)	9,664	(11.8)	10,996	(7.0)	7,436	(11.2)
June 30, 2017	303,657	(0.8)	10,961	6.3	11,829	5.4	8,375	26.1

[Note] Comprehensive Income: Six months ended June 30, 2018 : 8,421 million yen [13.8%]

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

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2018	57.35	-
June 30, 2017	64.59	-

(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, 2018	490,157	301,392	61.4	2,320.42
Year ended December 31, 2017	510,832	297,522	58.1	2,290.70

[Reference] Shareholders' equity: Second quarter ended June 30, 2018 : 300,884 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	-	25.00	-	-	-
Year ending December 31, 2018 (forecast)	-	-	-	35.00	60.00

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

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	625,000	(1.1)	28,500	(6.3)	30,000	(4.7)	20,200	(2.3)	155.78	

[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 the period (including treasury stock)
 - As of June 30, 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 June 30, 2018 : 21,412,112
 - As of December 31, 2017 : 21,411,513
 - (iii) Average number of shares
 - As of June 30, 2018 : 129,668,003
 - As of June 30, 2017 : 129,670,401

* 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	66,479	66,947
Notes and accounts receivable	125,626	105,262
Securities	70,500	40,500
Merchandise and finished goods	32,076	30,528
Work in process	958	1,320
Raw materials and supplies	836	656
Deferred tax assets	4,062	4,038
Short-term loans receivable	90,014	120,019
Other current assets	7,050	9,401
Allowance for doubtful receivables	(98)	(135)
Total current assets	397,506	378,538
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	30,825	29,850
Machinery, equipment and vehicles, net	251	265
Tools, furniture and fixtures, net	3,732	3,384
Rental assets, net	11,058	11,606
Land	29,016	28,920
Leased assets, net	116	97
Construction in progress	89	164
Total property, plant and equipment	75,090	74,289
Intangible assets		
Software	5,153	4,672
Lease assets	12	9
Utilization rights	316	316
Other intangible assets	2	3
Total intangible assets	5,485	5,000
Investments and other assets		
Investment in securities	9,027	9,733
Long-term loans receivable	29	31
Net defined benefit assets	404	402
Deferred tax assets	16,203	15,293
Lease deposits	4,880	4,499
Other investments and other assets	2,532	2,811
Allowance for doubtful receivables	(327)	(442)
Total investments and other assets	32,750	32,328
Total non-current assets	113,325	111,619
Total assets	510,832	490,157

Consolidated Quarterly Balance Sheets

(Amounts less than one million yen are truncated)

	As of December 31, 2017	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable	100,940	78,596
Short-term loans payable	147	192
Lease obligations	125	125
Accrued expenses	18,168	15,885
Accrued income taxes	6,289	4,784
Consumption taxes payable	4,586	4,090
Provision for bonuses	3,443	5,103
Provision for directors' bonuses	128	47
Provision for product warranties	487	466
Provision for loss on order received	132	79
Other current liabilities	22,949	24,450
Total current liabilities	<u>157,398</u>	<u>133,822</u>
Long-term liabilities		
Lease obligations	163	140
Deferred tax liabilities	438	-
Allowance for long-term continuous service rewards	961	1,012
Net defined benefit liabilities	49,604	49,460
Other long-term liabilities	4,743	4,329
Total long-term liabilities	<u>55,911</u>	<u>54,942</u>
Total liabilities	<u>213,310</u>	<u>188,765</u>
Net assets		
Stockholders' equity		
Common stock	73,303	73,303
Capital surplus	82,820	82,820
Retained earnings	176,911	179,809
Treasury stock	(31,921)	(31,922)
Total stockholders' equity	<u>301,113</u>	<u>304,010</u>
Accumulated other comprehensive income (loss)		
Net unrealized gains on available-for-sale securities	3,159	3,639
Deferred gains or losses on hedges	6	(3)
Foreign currency translation adjustments	98	79
Remeasurements of defined benefit plans	(7,345)	(6,841)
Total accumulated other comprehensive income (loss)	<u>(4,081)</u>	<u>(3,126)</u>
Non-controlling interests	490	507
Total net assets	<u>297,522</u>	<u>301,392</u>
Total liabilities and net assets	<u>510,832</u>	<u>490,157</u>

Consolidated Quarterly Statements of Income

(Amounts less than one million yen are truncated)

	Six months of FY2017 (from January 1, 2017 to June 30, 2017)	Six months of FY2018 (from January 1, 2018 to June 30, 2018)
Net sales	303,657	300,523
Cost of sales	195,896	195,532
Gross profit	107,760	104,991
Selling, general and administrative expenses	96,798	95,326
Operating income	10,961	9,664
Non-operating income		
Interest income	82	111
Dividend income	87	111
Insurance income	539	536
Gain on investments in partnership	-	465
Other non-operating income	301	253
Total non-operating income	1,011	1,477
Non-operating expenses		
Interest expense	6	6
Other non-operating expenses	137	139
Total non-operating expenses	143	145
Ordinary profit	11,829	10,996
Extraordinary income		
Gain on sales of fixed assets	837	120
Gain on sales of investments in securities	467	378
Gain on sales of shares of subsidiaries and associates	-	214
Other extraordinary income	63	-
Total extraordinary income	1,368	714
Extraordinary losses		
Loss on sales and disposal of fixed assets	212	106
Loss on impairment of fixed assets	-	15
Loss on valuation of investments in securities	5	90
Special extra retirement payments	100	-
Expenses for restructuring of business bases	-	47
Other extraordinary losses	10	16
Total extraordinary losses	328	276
Profit before income taxes	12,868	11,434
Income taxes	4,484	3,965
Profit	8,384	7,468
Profit attributable to non-controlling interests	8	32
Profit attributable to owners of parent	8,375	7,436

Consolidated Quarterly Statements of Comprehensive Income

(Amounts less than one million yen are truncated)

	Six months of FY2017 (from January 1, 2017 to June 30, 2017)	Six months of FY2018 (from January 1, 2018 to June 30, 2018)
Profit	8,384	7,468
Other comprehensive income (loss)		
Net unrealized gains or losses on available-for-sale securities	(1)	480
Deferred gains or losses on hedges	0	(9)
Foreign currency translation adjustments	(68)	(22)
Remeasurements of defined benefit plans, net of tax	(918)	504
Total other comprehensive income (loss)	(986)	952
Comprehensive income	7,397	8,421
Comprehensive income attributable to		
Owners of parent	7,396	8,392
Non-controlling interests	0	28

Consolidated Quarterly Statements of Cash Flows

(Amounts less than one million yen are truncated)

	Six months of FY2017 (from January 1, 2017 to June 30, 2017)	Six months of FY2018 (from January 1, 2018 to June 30, 2018)
Cash flows from operating activities		
Profit before income taxes	12,868	11,434
Depreciation	7,059	6,746
Loss on Impairment of fixed assets	-	15
Increase (decrease) in allowance for doubtful receivables	(15)	153
Increase (decrease) in net defined benefit liabilities	(725)	626
Decrease (increase) in net defined benefit assets	(174)	(33)
Increase (decrease) in provision for bonuses	1,229	1,668
Interest and dividend income	(170)	(222)
Interest expense	6	6
Loss (gain) on sales and disposal of property, plant and equipment, net	(626)	(14)
Loss (gain) on sales of investment in securities	(467)	(377)
Loss (gain) on investments in partnership	15	(465)
Decrease (increase) in notes and accounts receivable-trade	26,015	20,116
Decrease (increase) in inventories	2,193	1,369
Increase (decrease) in notes and accounts payable-trade	(22,615)	(22,333)
Other, net	(4,173)	(2,131)
Subtotal	20,421	16,558
Interest and dividends received	169	222
Interest paid	(6)	(6)
Income taxes paid	(4,510)	(5,009)
Net cash provided by (used in) operating activities	16,074	11,765
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(5,854)	(6,358)
Proceeds from sales of property, plant and equipment	1,990	250
Payments for purchases of intangible assets	(600)	(855)
Payments for purchases of investment in securities	(162)	(614)
Proceeds from sales of investments in securities	634	291
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	526
Decrease (increase) in short-term loans receivable, net.	(29,989)	(30,005)
Other, net	(229)	77
Net cash provided by (used in) investing activities	(34,213)	(36,686)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	-	45
Repayments of finance lease obligations	(103)	(65)
Payments for purchases of treasury stock	(2)	(1)
Dividends paid	(3,886)	(4,537)
Dividends paid to non-controlling shareholders	(12)	(11)
Proceeds from share issuance to non-controlling shareholders	49	-
Other, net	0	0
Net cash provided by (used in) financing activities	(3,955)	(4,571)
Effect of exchange rate changes on cash and cash equivalents	(34)	(39)
Net increase (decrease) in cash and cash equivalents	(22,128)	(29,531)
Cash and cash equivalents at beginning of period	107,285	136,979
Cash and cash equivalents at end of period	85,157	107,447

Consolidated Quarterly Segment Information

I. 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)

	Reportable segment				Other	Total	Adjustment	Consolidated
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	70,458	84,162	124,598	24,421	17	303,657	-	303,657
Sales - intersegment	173	5,013	6,541	1,298	1,527	14,554	(14,554)	-
Total	70,631	89,175	131,139	25,719	1,544	318,211	(14,554)	303,657
Operating income (loss)	2,556	3,580	5,455	(958)	245	10,879	81	10,961

[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. Six months of FY2018 (from January 1, 2018 to June 30, 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
	Consumers	Enterprise	Area	Professional				
Net sales								
Sales - external customers	60,975	88,953	122,933	27,653	7	300,523	-	300,523
Sales - intersegment	54	5,715	6,449	1,310	1,138	14,669	(14,669)	-
Total	61,030	94,669	129,383	28,963	1,145	315,192	(14,669)	300,523
Operating income (loss)	(1,107)	4,847	6,014	(214)	112	9,653	10	9,664

[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.